GASB Update

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

Presentation Overview

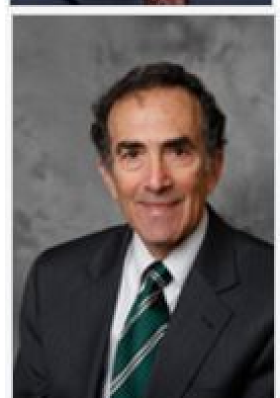
- Information about the GASB
- Pronouncements currently being implemented
- Documents currently available for public comment
- Projects currently being deliberated by the Board

GASB Members

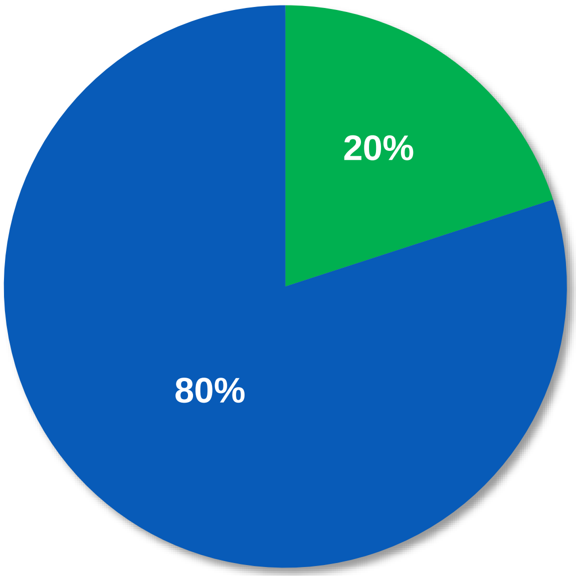
- David A. Vaudt (Chairman)
- Jeffrey J. Previdi (Vice Chairman)
- James E. Brown
- Brian W. Caputo
- Michael H. Granof
- Kristopher E. Knight
- David E. Sundstrom







How Is the GASB Funded?



- Voluntary Reserve Fund Contribution (primarily derived from subscriptions & publications and investment income)
- GASB Accounting Support Fees (funds GASB recoverable expenses)

GASB 2017 Accounting Support Fee Assessment
Approx. 440 municipal bond broker-dealers (per Dodd-Frank)
$8.3 million (approx. $52 per firm per day)

Pronouncements Currently Being Implemented

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Effective Dates—June 30

- 2017
  - Statement 73—pensions not within the scope of 67/68
  - Statement 74—OPEB (plans)
  - Statement 77—tax abatement disclosures
  - Statement 78—certain multiple-employer pension plans
  - Statement 79—certain investment pools and participants*
  - Statement 80—blending requirements
  - Statement 82—pension issues+
  - Implementation Guide 2016-1
- 2018
  - Statement 75—OPEB (employers)
  - Statement 81—irrevocable split-interest agreements
  - Statement 85—omnibus#
  - Statement 86—certain debt extinguishment issues
  - Implementation Guide 2017-1

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Effective Dates—June 30 (continued)

- 2019
  - Statement 83—certain asset retirement obligations
  - Statement 88—certain debt disclosures
- 2020—Statement 84—fiduciary activities
- 2021—Statement 87—leases

Effective Dates—December 31

- 2017
  - Statement 73—pensions not within the scope of 67/68
  - Statement 74—OPEB (plans)
  - Statement 80—blending requirements
  - Statement 81—irrevocable split-interest agreements
  - Implementation Guide 2016-1
  - Statement 82—pension issues^{+}
- 2018
  - Statement 75—OPEB (employers)
  - Statement 85—omnibus$^{\#}$
  - Statement 86—certain debt extinguishment issues
  - Implementation Guide 2017-1
- 2019
  - Statement 83—certain asset retirement obligations
  - Statement 84—fiduciary activities
  - Statement 88—certain debt disclosures
- 2020—Statement 87—leases

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Certain Asset Retirement Obligations

Statement No. 83

Certain Asset Retirement Obligations

- **What:** The Board issued Statement 83 to establish accounting and financial reporting standards for legal obligations to retire certain capital assets, such as decommissioning nuclear power plants and removing sewage treatment plants
- **Why:** Statement 18 addressed only municipal landfills but governments have retirement obligations for other types of capital assets. Diversity exists in practice.
- **When:** Effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged.

Definitions and Scope

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

Recognition & Measurement

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

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

- Minority share (less than 50 percent) of ownership interest in an undivided interest arrangement is one of the following:
  - A nongovernmental entity is the majority owner
  - No majority owner, but a nongovernmental owner has the operational responsibility
- Initial and Subsequent Measurement Exception
  - The governmental minority owner should report its minority share of ARO using the measurement produced by the nongovernmental joint owner
- The measurement date of such an ARO should be no more than one year and one day prior to the government's financial reporting date
- Specific disclosure requirements in this circumstance

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Effects of Funding and Assurance

- If legally required to provide funding and assurance, disclose that fact
- Do not offset ARO with assets restricted for payment of the ARO
- Costs to comply with funding and assurance provisions are period costs separate from the ARO expense

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Disclosures

- General description of ARO and associated tangible capital assets
  - Include source of AROs (federal, state, or local laws and regulations, contracts, or 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

Fiduciary Activities

- **What:** The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements
- **Why:** Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; business-type activities are uncertain about how to report fiduciary activities
- **When:** 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:

- Component units that are postemployment benefit arrangements
- Component units that are not postemployment benefit arrangements
- Postemployment benefit arrangements that are not component units
- All other activities

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Fiduciary Fund Types

- New definitions for pension trust funds, investment trust funds, and private-purpose trust funds that focus on the resources that should be reported within each.
  - Trust agreement or equivalent arrangement should be present for an activity to be reported in a trust fund.
- *Custodial funds* would report fiduciary activities for which there is no trust agreement or equivalent arrangement.
  - External portions of investment pools that are *not* held in trust should be reported in a separate column under the custodial fund umbrella

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Stand-Alone Business-Type Activities

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

Certain Debt Extinguishment Issues

Statement No. 86

Certain Debt Extinguishment Issues

- **What:** The Board issued Statement 86 to establish guidance for certain issues related to debt extinguishments, primarily in-substance defeasance of debt
- **Why:** Research found that Statements 7 and 23 on debt refundings and Statement 62 on debt extinguishments are working effectively, but that certain issues needed to be addressed
- **When:** Effective date is periods beginning after June 15, 2017.

In-Substance Defeasance Using Only Existing Resources

- Debt is considered defeased in substance (like advance refundings) if only existing resources are used to fund an irrevocable trust that is restricted to owning only essentially risk-free monetary assets (like for refundings)
- Recognize the difference between the net carrying amount of the debt and the reacquisition price as a gain or loss in the period of defeasance (*unlike* advance refundings, which defer and amortize the difference)

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In-Substance Defeasance Using Only Existing Resources (continued)

- Notes to the financial statements:
  - Describe the transaction in the period it occurs (like refundings)
  - Disclose remaining outstanding balance in each period the defeased debt remains outstanding (may combine with refunded amount)

Prepaid Insurance for *All* Debt Extinguishments

- At the time debt is extinguished/defeased, any related prepaid insurance that remains should be included in the net carrying amount of the debt for the purpose of calculating the difference between its reacquisition price and net carrying amount

Note Disclosure on Substitution Risk

- Applies to *all* in-substance defeasances
- If substitution of the essentially risk-free monetary assets in escrow with monetary assets that are not essentially risk-free is *not* prohibited, a government should disclose in the notes to the financial statements:
  - In the period of the defeasance: the fact that substitution is not prohibited
  - In subsequent periods: the amount of debt defeased in substance that remains outstanding for which that risk of substitution exists

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Leases

Statement No. 87

Leases

- **What:** The Board issued Statement 87 to improve lease accounting and financial reporting
- **Why:** The existing standards had been in effect for decades without review to determine if they remain appropriate in light of GASB conceptual framework and continue to result in useful information; 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 date is periods beginning after December 15, 2019

Scope and Approach

- Applied 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.”
  - The right-to-use asset is that “specified in the contract”
  - Control is manifested by (1) the right to obtain 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
- Leases are financings of the right to use an underlying asset
  - Therefore, single approach applied to accounting for leases with some exceptions, such as short-term leases

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 power generating facility)

Short-Term Leases

- At beginning of lease, *maximum possible term* under the contract is 12 months or less
- Lessees 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 for short-term leases
- Lessors recognize lease payments as revenue based on the payment provisions of the contract
  - Do not recognize receivables or deferred inflows associated with the lease

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Initial Reporting

	Assets	Liability	Deferred Inflow
Lessee	Intangible lease asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use	Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)	NA
Lessor	• Lease receivable (generally includes same items as lessee's liability) • Continue to report the leased asset	NA	Equal to lease receivable plus any cash received up front that relates to a future period

Subsequent Reporting

	Assets	Liability	Deferred Inflow
Lessee	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)	NA
Lessor	• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less amount needed to cover accrued interest)	NA	Recognize revenue over the lease term in a systematic and rational manner

Example: Equipment Lease

- Lease contract provisions:
  - Lease starts 1/01/21
  - \$1,000 monthly payment for equipment, due 1st of each month, plus \$5 per hour for use of more than 200 hours during prior month
  - \$80 monthly payment for repairs and maintenance, due 1st of each month
  - 60-month (5-year) lease, with a \$200 option to extend for 24 additional months at the same price. Lease becomes month-to-month at end of term and then can be adjusted upward based on CPI with 30 days’ notice to lessee
  - Stated interest rate of 4%
  - If equipment is destroyed, lessee will pay \$40,000 equipment value, at which time lessee will become the owner

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Example: Equipment Lease (continued)

- Other contract provisions
  - Lessee to pay lessor $1,000 to dismantle and remove equipment at end of lease
- There is a separate contract with the lessor for delivery and installation of the equipment:
  - $1,500 ($800 delivery and $700 installation)
- Other assumptions:
  - Lessee is not yet sure whether lease extension option will be exercised

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Example: Equipment Lease (continued)

- Determine the lease term:
  - Based on noncancelable period—60-month lease (5 years)
  - Lease extension option —
    - *Exclude* because not reasonably certain of being exercised
  - Potential month-to-month payments after 5 years —
    - *Exclude* because not enforceable (either party can cancel)

Example: Equipment Lease (continued)

- Determine lease payments for the lease term:
  - Include all fixed monthly payments ($1,000/month)
  - Include delivery and installation payment because it is a capitalizable lease payment
  - *Exclude* $5/hour excess use charge because it is a variable charge not fixed in substance
  - *Exclude* equipment loss penalty because it is a contingency

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Example: Equipment Lease (continued)

- Calculate present value of lease payments:

PV of $1000 (due 1st of each month) for 60 months at 4%	**$54,480**
PV of delivery and installation payment	**1,500**
Total PV	**$55,980**

- Record lease liability: $55,980
- Record lease asset: $55,980
- Record amortization of lease asset
  - If using straight line, would be $933/month
- Record interest accrual and payments each month

Example: Equipment Lease (continued)

- First year's payment schedule

Date	Beginning Balance	Interest	Principal	Payment	Balance after Payment
1/1/2021	55980.07		2500.00	2500.00	53480.07
2/1/2021	53480.07	178.27	821.73	1000.00	52658.33
3/1/2021	52658.33	175.53	824.47	1000.00	51833.86
4/1/2021	51833.86	172.78	827.22	1000.00	51006.64
5/1/2021	51006.64	170.02	829.98	1000.00	50176.66
6/1/2021	50176.66	167.26	832.74	1000.00	49343.92
7/1/2021	49343.92	164.48	835.52	1000.00	48508.40
8/1/2021	48508.40	161.69	838.31	1000.00	47670.09
9/1/2021	47670.09	158.90	841.10	1000.00	46828.99
10/1/2021	46828.99	156.10	843.90	1000.00	45985.09
11/1/2021	45985.09	153.28	846.72	1000.00	45138.37
12/1/2021	45138.37	150.46	849.54	1000.00	44288.83
12/31/2021	44288.83	147.63			
		1956.40	11691.23		

General Lessee Disclosures

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

General Lessor Disclosures

- General description of leasing arrangements
- Total amount of inflows of resources (such as lease revenue and interest revenue, if not otherwise displayed
- Amount of inflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease receivable
- The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Other Topics Covered by Statement 87

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

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

Statement No. 88

Debt Disclosures

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Definition of Debt for Disclosure Purposes

- “A liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of payment of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established”
  - For purposes of this determination, interest to be accrued and subsequently paid (such as variable-rate interest) or added to the principal amount of the obligation, such as capital appreciation bonds, would not preclude the amount to be settled from being considered fixed at the date the contractual obligation is established.
- Leases and accounts payable are excluded from the definition of debt for disclosure purposes.

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New Disclosure Requirements

- Direct borrowings and direct placements of debt should be distinguishable from other types of debt for all disclosures
- In addition to existing debt disclosures, governments should disclose the following about all types of debt:
  - Amount of unused lines of credit
  - Assets pledged as collateral for debt
  - Terms specified in debt agreements related to significant:
    - Events of default with finance-related consequences
    - Termination events with finance-related consequences
    - Subjective acceleration clauses.

Implementation Guidance Updates

2016-1 and 2017-1

Implementation Guidance Updates

- **What:** GASB annual updates its Q&A implementation guidance
- **Why:** New guidance is added as new pronouncements are issued and new issues arise; existing guidance is revised to reflect the effects of new pronouncements
- **When:** 2016-1 is effective for periods beginning after June 15, 2016. 2017-1 is effective for periods beginning after June 15, 2017.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Implementation Guide 2016-1

- Adds new questions on recent standards regarding fair value and tax abatement disclosures
- Reinstates certain previously superseded Q&As that have been updated for the effects of recent standards on pensions, other postemployment benefits, and fair value

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Implementation Guide 2017-1

- Adds new questions related to pensions, tax abatements, external investment pools, and other topics
- Updates existing Q&A guidance related to pensions, the financial reporting entity, the financial reporting model, and other topics

Current Due Process Documents

Invitation to Comment, *Revenue and Expense Recognition*

Revenue and Expense Recognition

- **What:** The Board cleared an Invitation to Comment to seek stakeholder input prior to developing a comprehensive model for recognition of revenues and expenses.
- **Why:** Existing guidance for exchange transactions is limited; existing guidance for nonexchange transactions could be improved and clarified; other accounting standards setters are considering or implementing a “performance obligation” approach for revenue recognition.
- **When:** Comment deadline is April 27, 2018. Public hearings will be held on May 16, 18, and 30, 2018.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Project Scope

- The project scope broadly encompasses revenue and expense recognition but excludes the following:
  - Topics with guidance developed considering the current conceptual framework, such as pensions and other post-employment benefits
  - Topics related to financial instruments, such as investments, derivatives, leases, and insurance
  - Topics related to transactions arising from recognition of capital assets or certain liabilities, such as depreciation, asset retirement obligations, and pollution remediation obligations

Revenue and Expense Recognition Models

- The are three components of a revenue and expense recognition model:
  - ***Classification*** is the process of identifying the *type* of transaction (for example, is the transaction exchange or nonexchange?)
  - ***Recognition*** is the process of determining *what* element should be reported and *when* (for example, recognize revenue when earned)
  - ***Measurement*** is the process of determining the *amount* to report for the element (not addressed in the Invitation to Comment)
- The Invitation to Comment seeks feedback on two primary models:
  - Exchange/nonexchange
  - Performance obligation/no performance obligation

Exchange/Nonexchange Model

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Performance Obligation Definition

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

Performance Obligation/ No Performance Obligation Model

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Project Timeline

Pre-Agenda Research Started	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleard	January 23, 2018
Comment Period Ends	April 27, 2018
Public Hearings	May 6, 2018 – St. Louis, MO May 18, 2018 – San Francisco, CA May 30, 2018 – Norwalk, CT
Redeliberations Expected to Begin	June 2018

Current Technical Agenda Projects

Accounting for Interest Cost during the Period of Construction

Capitalization of Interest Cost

- **What:** The Board proposed accounting and financial reporting standards for capitalization of interest cost, with the goal of enhancing the relevance of capital asset information and potentially simplifying financial reporting.
- **Why:** Accounting guidance historically has been based upon FASB Statements 34 and 62, which were incorporated into the GASB literature by GASB Statement 62 but were not reconsidered in light of the definitions of financial statement elements in GASB Concepts Statement 4.
- **When:** Comment deadline was March 5, 2018.

Proposals

- Construction-period interest would be recognized as an expense in the period incurred.
- Proposed requirements would be effective for periods beginning after December 15, 2018, with earlier application encouraged.
- Proposed requirements would be applied prospectively.

Project Timeline

Added to Current Technical Agenda	December 2016
Deliberations Began	July 2017
Exposure Draft Approved	November 2017
Final Statement Expected	June 2018

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Conduit Debt: Reexamination of Interpretation 2

Conduit Debt

- **What:** The Board is considering improvements to the existing standards related to conduit debt.
- **Why:** Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated. Based on GASB research, the Board improvements are needed.
- **When:** The Board added the project to the current technical agenda in August 2017.

Tentative Board Decisions

- Elements of the definition of a conduit debt obligation:
  - Key characteristic – there are at least three participants: the government-issuer, the third-party obligor (borrower), and the bondholder
  - A third-party obligor and an issuer should not be within the same financial reporting entity
  - Purpose is not limited to capital financing
  - The terms *revenue bonds, limited obligation*, and *limited-obligation revenue bonds* should not be included in the definition of conduit debt
  - Whether a government-issuer is the recipient of debt proceeds or the provider of debt service payments should not be a defining characteristic

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Tentative Board Decisions

- Financial reporting of conduit debt
  - A conduit debt obligation—the total financing—should not be reported as a liability of the issuer
  - The issuer should report a liability only when a payment by the issuer is more likely than not.

Other Topics to Be Considered

- Given the definition of a liability in Concepts Statement 4, when should a conduit debt obligation be reported as a liability by a government-issuer, if ever?
- Are commitments by third-party borrowers to cover debt service or lease payments assets of government-issuers?
- What information should government-issuers disclose?

Project Timeline

Added to Current Technical Agenda	August 2017
Exposure Draft Expected	July 2018

Financial Reporting Model—Reexamination of Statement 34

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Financial Reporting Model Reexamination

- **What:** The Board is redeliberating over comments received in response to the December 2016 Invitation to Comment, the first due process document in the project reexamining the effectiveness of the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6.
- **Why:** A review of these standards found that they generally were effective, but that there were aspects that could be significantly improved.
- **When:** A Preliminary Views is planned for September 2018.

Tentative Decisions for the Preliminary Views (continued)

- Separate presentation of operating and nonoperating revenues and expenses—in proprietary fund and business-type activity (BTA) financial statements
  - Operating activities are those other than nonoperating activities
  - Nonoperating activities include
    - Subsidies received and provided
    - Revenues and expenses of financing
    - Resources from the disposal of capital assets and inventory
    - Investment income and expenses

Tentative Decisions for the Preliminary Views (continued)

- Separate presentation of operating and nonoperating revenues and expenses (continued)
  - 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
    - Includes resources for purchase of capital assets
  - Subtotal for *operating income (loss) and noncapital subsidies*

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

GASB County Hospital
Statement of Revenues, Expenses, and Changes in Net Position
With Additional Subtotal for Subsidies

	2016	2015
Operating revenues:		
Net patient service revenue before provision for bad debt	$ 33,834	$ 32,517
Provision for bad debt	(996)	(887)
Net patient service revenue	32,838	31,630
Other operating revenues	1,240	1,247
Total operating revenues	34,078	32,877
Operating expenses:		
Natural or functional expenses		
Total operating expenses	34,474	33,745
Income (loss) generated by operations	(396)	(868)
Noncapital subsidies:		
Taxes	618	548
Grants and gifts	11	65
Total noncapital subsidies	629	613
Operating income (loss) and noncapital subsidies	233	(255)
Financing and investing activities:		
Investment income	577	564
Interest expense	(339)	(373)
Loss from the disposition of capital assets	(1)	1
Total financing and investing activities	237	192
Income before other items	470	(63)
Other Items:		
Capital contributions	350	412
Increase (decrease) in net position	820	349
Net position--beginning	29,009	28,660
Net position--ending	$ 29,829	$ 29,009

Project Timeline

Pre-Agenda Research Started	April 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Expected	September 2018

Implementation Guidance Update—2018

Implementation Guidance Update

- **What:** GASB issued an Exposure Draft of the 2018 annual update to its Q&A implementation guidance
- **Why:** New guidance is added as new pronouncements are issued and new issues arise
- **When:** Comment deadline was February 16, 2018.

Proposals

- Adds, among other things, two regulated operations accounting questions
  - Question 4.4 explains that conservation outlays may qualify as regulatory assets
  - Question 4.5 explains that the regulated operation guidance should not be applied to only part of an entity’s operations

Project Timeline

Exposure Draft Cleared	November 2017
Comment Deadline	February 16, 2018
Final Guide Expected	May 2018

Questions?

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Pre-Agenda Research Activities

Going Concern Disclosures: Reexamination of Statement 56

Going Concern Disclosures

- **What:** A review of existing standards related to going concern considerations, which were incorporated into GASB literature mostly as-is from the AICPA literature in Statement 56
- **Why:** As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; AICPA and others have asked the GASB to examine the issue
- **When:** The Board added the pre-agenda research in April 2015

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Topics to Be Considered

- Are the current going concern indicators presented in note disclosures appropriate for state and local governments, in light of the fact that, even under severe financial stress, few governments cease to operate even when encountering such indicators?
- What other criteria might better achieve the objective of disclosing severe financial stress uncertainties with respect to governments?
- What information do financial statement users need with respect to the disclosure of severe financial stress uncertainties?

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Information Technology Arrangements, including Cloud Computing

Information Technology Arrangements

- **What:** Research current practices with respect to reporting cloud computing contracts and similar information technology (IT) arrangements and identify whether there is a need for specific guidance
- **Why:** Stakeholders are concerned that these transactions may not be covered by the guidance in Statement 51 or the forthcoming leases standards.
- **When:** The Board added the pre-agenda research in April 2017.

Topics to Be Considered

- What are the features of contracts for cloud computing and similar IT arrangements entered into by governments?
  - Do they contain components related to services, hardware, software, or a combination of all three?
- How are governments accounting for and reporting cloud computing contracts at present?
- Could existing standards be appropriately applied to these arrangements, or is there a need for specific guidance for cloud computing contracts?
- What information needs do users have, if any, with regard to these arrangements?

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Note Disclosures Reexamination

Note Disclosures

- **What:** A review of existing standards related to note disclosures except for those (1) required by pronouncements that have not been effective for at least three years, and (2) related to leases, debt extinguishments, outstanding debt, conduit debt, and going concern (which are the subjects of separate projects or research)
- **Why:** A comprehensive review of note disclosures has not been conducted since 1997
- **When:** The Board added the pre-agenda research in April 2016

Topics to Be Considered

- Does Concepts Statement 3 provide a sufficient framework for establishing disclosure requirements or should additional framework criteria be developed for all disclosures? What approach, if any, would help to reduce repetition within disclosures and the overall length of the notes section?
- Do the required note disclosures meet their intended objectives and continue to provide information that is useful for making decisions and assessing accountability?
- What unmet user needs exist that might require new note disclosures? Alternatively, what existing disclosure requirements do not provide useful information to users of governmental financial reports?

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Topics to Be Considered (continued)

- What is the nature and extent of disclosures that governments currently include in their financial reports that are not specifically required by existing financial reporting standards?
- Is there sufficient guidance for determining what information about component units should be included in a primary government's notes? If not, how can the existing guidance be improved?

Public-Private Partnerships, including Reexamination of Statement 60

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Public-Private Partnerships

- **What:** Research to identify public-private partnerships (P3s) that may not be subject to Statement 60 on service concession arrangements or the forthcoming leases standards and to evaluate the effectiveness of Statement 60
- **Why:** The GASB routinely reviews whether existing standards are meeting their intended objectives. In addition, stakeholders are concerned that some P3 transactions outside the scope of Statement 51 also will not be covered by the forthcoming leases standards.
- **When:** The Board added the pre-agenda research in April 2017.

Topics to Be Considered

- What transactions, if any, are outside the scope of both Statement 60 and Statement 87 on leases?
  - If so, which standards should be applied to them?
- Do the existing standards continue to appropriately capture the economic substance of SCAs?
- Have disclosures presented in conformity with the requirements of Statement 60 sufficiently met user needs?

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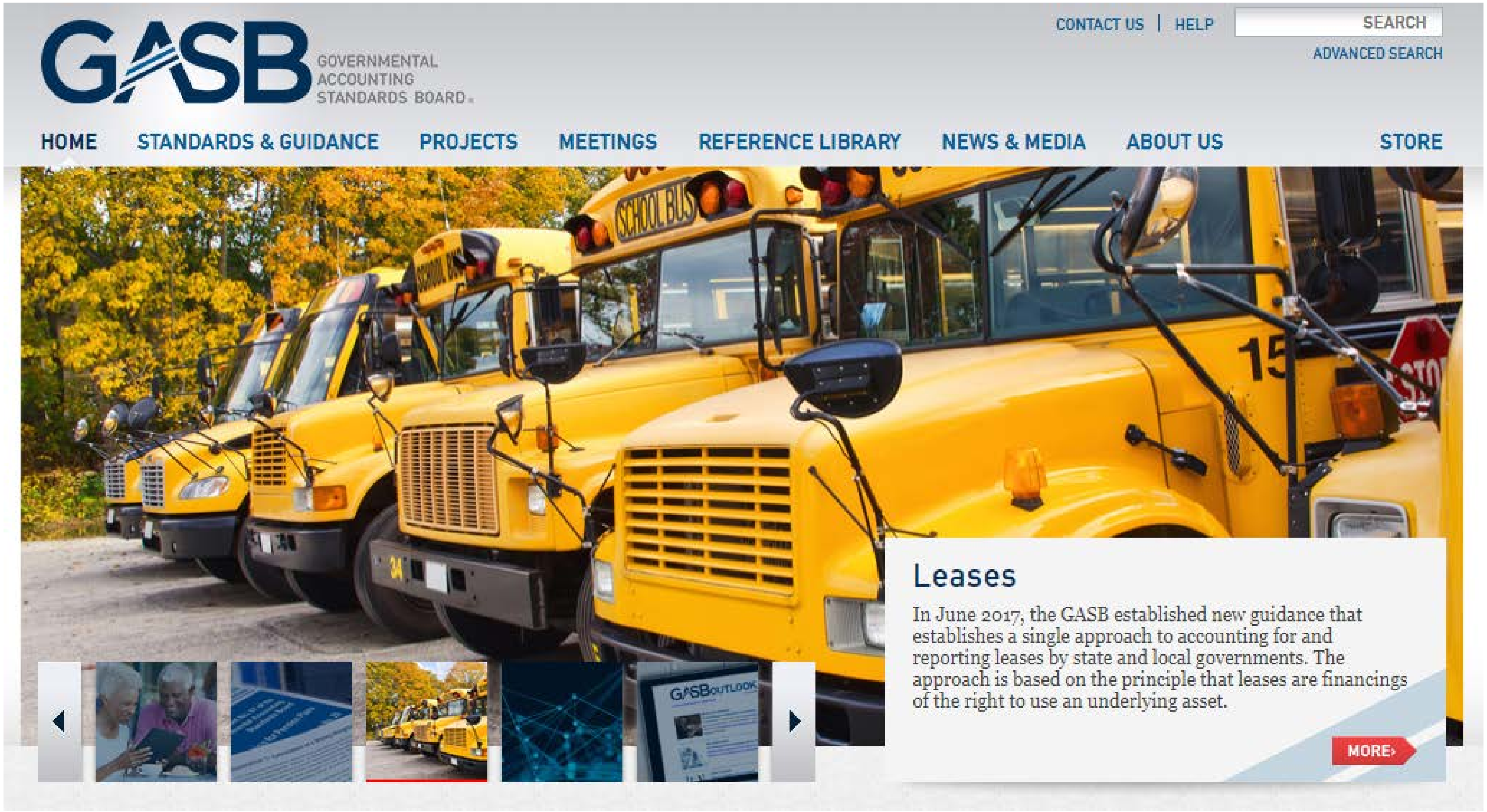

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Leases
In June 2017, the GASB established new guidance that establishes a single approach to accounting for and reporting leases by state and local governments. The approach is based on the principle that leases are financings of the right to use an underlying asset.
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Website Resources

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

Plain-Language Materials

- The GASB is committed to communicating in plain language with constituents about its standards and standards-setting activities.
- Revised version of "Why Governmental Accounting Is—and Should Be—Different" (October 2017)
- Fact Sheets are prepared for complex projects to answer commonly raised questions – most recently on the Invitation to Comment (ITC) on revenue and expense recognition
- Series of 5 brief videos developed regarding the ITC