

GASB Update and the Standard Setting Process

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TODAY'S PRESENTER

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Presentation Overview



- GASB Standards-Setting Process
- GASB Updates



GASB Standards-Setting Process


“The GASB accomplishes its mission through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Financial Accounting Foundation’s Board of Trustees.”

Overview of Process and Procedures

GASB Home >> REFERENCE LIBRARY >> GASB Standards-Setting Process

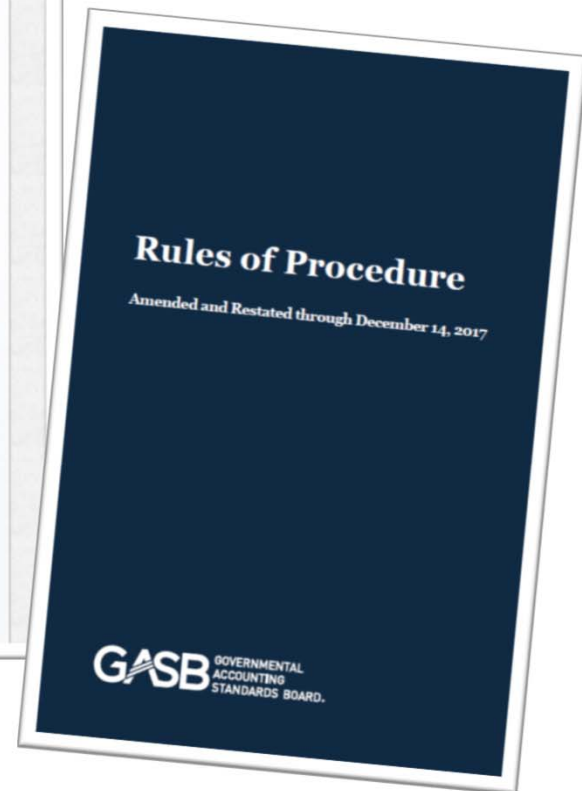
GASB STANDARDS-SETTING PROCESS

The GASB accomplishes its mission through a comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and is subject to oversight by the Financial Accounting Foundation's Board of Trustees.



How We Create Accounting Standards explores how, like home builders, the FASB and the GASB engage in many steps to develop a quality, well-constructed standard.

The Rules of Procedure describe the GASB's operating procedures, including the due process activities that are to be open to public participation or observation to provide transparency into the standards-setting process.



<https://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176156714545>

The Standards-Setting Process



1. Identify Topic



- Identify what is the accounting problem/issue and how it can be solved
- Speak to those most affected by the problem
 - Such as governments, companies, auditors, investors, etc.

2. Conduct Pre-agenda Research



- GASB will classify issues based on the characteristics/scope of the financial accounting and reporting information
 - **Group 1:** Clearly in GASB's scope.
 - **Group 2:** May be in scope; requires additional research, stakeholder outreach, and consultation with other committees to determine scope.
 - **Group 3:** Clearly outside of GASB's scope.

3. Make Agenda Decision



- Define the issues to be researched and begin preparing a discussion document
- Phase includes consultation, studies of existing literature on the subject, and general research on topic or related topics if necessary
- May include a task force or other consultative group during the early stages of staff research on an agenda project

4. Deliberate at Public Meeting



- GASB meetings and meetings of task forces are open to public observation
- Lay out preliminary ideas for a new standard
- Discuss possible solutions for issues being addressed

5. Issue Document for Public Comment



- Initial drafts are made available to the public
- Discussion documents may be issued at any time, from the research process to the issue resolution process
 - Depends on potential impacts and consequences of issues
- Discussion documents can take the form of Discussion Memorandum, Invitation to Comment, or Preliminary View

6. Host Public Hearings or Round Tables (Major Projects)

- Detailed feedback is gathered through written comments, public meetings, and face-to-face communications
- Basis for hearing will generally be a discussion document or an Exposure Draft
 - Can also be held in relation to any study, report, or other matter
- Public hearings/forums are conducted by one or more members of GASB or its technical staff

7. Re-deliberate Based on Comments & Research



- GASB considers feedback and modifies the standard accordingly

8. Issue Final Standard



- Final Statements include:
 - Final standards of governmental financial accounting and reporting
 - Effective date of application and method of transition
 - Background information
 - Basis for conclusions
 - Implementation instructions
 - Codification instructions

9. Education



- Help people understand the new standard, especially those affected by it
- Includes publications, events, meetings, live and recorded webinars, and other speaking engagements

10. Implementation



- GASB issues implementation guides to provide guidance on implementing new Statements and Interpretations
- Intended to clarify, explain, or elaborate on standards in pronouncements and/or issues relates to specific entities affected

Current Projects: Technical Agenda Overview



Technical Agenda Overview

Revised October 2, 2018

FRAMEWORK PROJECTS	Current Stage	Timing
Conceptual Framework: Disclosure Framework	Initial Deliberations	
Conceptual Framework: Recognition	Preliminary Views	Q3 2018

MAJOR PROJECTS	Current Stage	Timing
Financial Reporting Model	Preliminary Views	Q3 2018
Public Private Partnerships, including Reexamination of Statement 60	Initial Deliberations	
Revenue and Expense Recognition	ITC Redeliberations	

PRACTICE ISSUES	Current Stage	Timing
Conduit Debt—Reexamination of Interpretation 2	Exposure Draft Comment Period	Ends November 2, 2018
Implementation Guidance—Fiduciary Activities	Initial Deliberations	
Implementation Guidance—Leases	Added to Agenda	December 2017
Subscription-Based Information Technology Arrangements	Initial Deliberations	

<https://www.gasb.org/jsp/GASB/Page/GASBTechnicalAgendaPage&cid=1175805489332>

Current Projects & Pre-Agenda Research

The screenshot displays a web interface for project management. At the top, there is a navigation bar with the following tabs: CONCEPTUAL FRAMEWORK, MAJOR PROJECTS (selected), PRACTICE ISSUES, PRE-AGENDA RESEARCH, and ALL PROJECTS/ISSUES. Below the navigation bar, the main content area is titled 'MAJOR PROJECTS'. A specific project is highlighted: 'FINANCIAL REPORTING MODEL', with a sub-header 'COMPLETED STAGES'. The project details include: 'Updated October 02, 2018', 'Current Stage: PRELIMINARY VIEWS', and 'Estimated Completion: Q3 2018'. A progress indicator shows a series of 10 circles, with the 8th circle filled and the 9th circle highlighted. The 'COMPLETED STAGES' section contains two columns: 'Pre-Agenda Research' and 'Added to Agenda', both marked with a checkmark. A right-side navigation arrow is visible.

Project Pages



- Project Description
- Status
- Background/Accounting and Financial Reporting Issues
- Project History
- Current Developments
- Work Plan
- Recent Minutes/Minutes Archive
- Tentative Board Decisions to Date
- Task Force
- Project staff

Documents for Public Comment

[GASB Home](#) » [PROJECTS](#) » [Documents for Public Comment](#)

DOCUMENTS FOR PUBLIC COMMENT

The full text of the GASB's proposed standards is available to download below. Subscribers to [The GASB Subscription](#) receive special email notifications about proposals immediately upon their release.

PROVIDING WRITTEN COMMENTS

Any individual or organization that wishes to provide written comments on GASB documents for public comment is encouraged to do so by following the instructions provided in the Request for Written Comments section of each of the downloadable documents listed below. Comments should not be submitted directly through the website.

Current Documents for Public Comment

- 1. *Financial Reporting Model Improvements* (Comment Deadline: February 15, 2019)**
(Preliminary Views)
September 12, 2018 (Approved by Board)
 - [Preliminary Views](#)
- 2. *Recognition of Elements of Financial Statements* (Comment Deadline: February 15, 2019)**
(Preliminary Views)
September 12, 2018 (Approved by Board)
 - [Preliminary Views](#)
- 3. *Conduit Debt Obligations* (Comment Deadline: November 2, 2018)**
(Exposure Draft)
July 30, 2018 (Approved by Board)
 - [Exposure Draft](#)
- 4. *Revenue and Expense Recognition* (Comment Deadline: April 27, 2018)**
(Invitation to Comment)
January 23, 2018 (Cleared by Board)
 - [Invitation to Comment](#)

Current Documents for Public Comment



*Financial Reporting Model Improvements
(Preliminary Views)*

- Includes information about the status of the project (such as upcoming hearings/forums, deadlines, notice to recipients, etc.)
- Information contained in the document varies depending on the stage of the project

Comment Letters

- All letters become part of a project's public records
- Posted to the GASB website shortly after received
- Organized online by project and document title

Select Document Title for List of Letters			
Project	Document Title	Type of Document	Issue Date
Conceptual Framework: Recognition	<u>Recognition of Elements of Financial Statements</u>	Preliminary Views	Sept. 2018
Financial Reporting Reexamination	<u>Financial Reporting Model Improvements</u>	Preliminary Views	Sept. 2018

<https://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176157116776>

GASB Updates

Effective Dates—June 30



- 2018
 - Statement 75—OPEB (employers)
 - Statement 81—irrevocable split-interest agreements
 - Statement 85—omnibus#
 - Statement 86—certain debt extinguishment issues
 - Implementation Guide 2017-1

Effective Dates—June 30 (continued)

- 2019—Statement 83—certain asset retirement obligations
- 2020—Statement 84—fiduciary activities
- 2021—Statement 87—leases
- 2021 – Statement 89 – Accounting for Interest Cost

Effective Dates—December 31

- 2018
 - Statement 75—OPEB (employers)
 - Statement 85—omnibus#
 - Statement 86—certain debt extinguishment issues
 - Implementation Guide 2017-1
- 2019
 - Statement 83—asset retirement obligations
 - Statement 84—fiduciary activities
- 2020
 - Statement 87—leases
 - Statement 89 – Accounting for interest cost

GASB 75: Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

- **What:** The Board issued Statements 74 (plans) and 75 (employers), making OPEB accounting and financial reporting consistent with the pension standards in Statements 67 and 68
- **Why:** Pension and OPEB standards were updated subsequent to a review of the effectiveness of the standards—objective was to establish a consistent set of standards for all postemployment benefits, providing more transparent reporting of the liability and more useful information about the liability and costs of benefits
- **When:** Effective for periods beginning after June 15, 2016 (plans) and June 15, 2017 (employers)

Implementing GASB 75

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Governments

CRI can provide your organization with a roadmap to financial and operational success.

Governmental entities face some of the toughest regulatory challenges of any sector. In addition to complex accounting models (consisting of up to three models of financial statement reporting: full accrual accounting, modified accrual accounting, and cash basis accounting) and federal and state grant requirements, they must also comply with ever-changing mandates from the [Government Accounting Standards Board \(GASB\)](#). These twists and turns impact accounting, administrative procedures, and reporting – and can seem overwhelming. However, a CPA and advisory firm with in-depth experience addressing governmental regulations and the increasing transparency requirements can potentially provide turn-by-turn directions to head you toward financial and operational success.

CRI serves hundreds of governmental clients – such as municipalities, school districts, and state agencies – with revenues ranging from less than \$100,000 to more than \$1 billion. We deliver a variety of cost-effective, comprehensive solutions, including:

- Financial Statement Audits under Yellow Book
- Federal Single Audits under the Uniform Grant
- Internal Control Reviews and Recommendation
- Payroll Processing
- Budget Consulting Services
- Grant Audits

450+ GOVERNMENTAL CLIENTS

IMPLEMENTING GASB 75

INVITE US TO SPEAK

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CLEAR RELIABLE INSIGHTS

IMPLEMENTING GASB 75

Government Standards Accounting Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (GASB 75)* is going to change the government-wide statements for many governmental employers significantly. GASB 75 was issued in June 2015 and became effective for fiscal years beginning after June 15, 2018, and beyond.

Why GASB 75?

The new reporting requirements for an employer's other post-employment benefits (OPEB) parallel the changes in reporting requirements as outlined by GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB 68)*, which applies similar accounting and financial reporting principles to pension plans. Like GASB 68, GASB 75 intends to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions by changing the way OPEB liabilities are calculated and increasing transparency in reporting.

Basic Overview of GASB 75

GASB 75 replaces GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45)* and establishes new standards for recognizing and measuring liabilities, expenses/pensions, deferred outflows of resources, and deferred inflows of resources regarding OPEB. The new GASB statement requires the presentation of liability for OPEB obligations in the employer's financial statements.

Major Impacts

- New terminology and calculations.** The total OPEB liability under the new standard will be equal to the actuarial accrued liability for the plan. For plans administered through a qualifying trust, the net OPEB liability is equal to the total OPEB liability minus the fiduciary net position. For the plans not managed through a qualifying trust, the net OPEB liability will equal the total OPEB liability, as there is no fiduciary net position. The previous annual required cost is replaced by the new OPEB expense calculation.
- Entire unfunded OPEB liability will appear in the Statement of Net Position.** GASB 45 focused more on the funding of the annual required contribution (ARC). If the ARC was fully funded each year, it is possible that little or no liability has been reported. GASB 75 changes the focus from, "are required annual contributions adequate?" to, "how large is the net OPEB liability?" and recording that liability on the Statement of Net Position.
- Actuarial valuation and measurement dates.** GASB 75 allows for a measurement date of the total OPEB liability of up to twelve (12) months prior to the reporting date (fiscal year end), and the actuarial valuation should be as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year end.
- More frequent valuations.** Biennial valuations are now required for all plans, although more frequent annual valuations are still encouraged. Triennial valuations for smaller plans (less than 200 members) are no longer allowed. However, the alternative measurement method continues to be available for plans with less than 100 members.

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GASB 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.

GASB 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

GASB 89: Accounting for Interest Cost Incurred before the End of Construction Period

- **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:** The requirements of this Statement are effective for reporting periods beginning after December 15, 2019.

Implementation Guides



- Once a year GASB puts out an implementation guide answering questions from constituents about issues they've run into.
- In addition, bigger standards such as GASBs 84 and 87 receive their own implementation guides
- Great place to go for specific situations

Financial Statement Reporting Model Improvements



- The objective of this project is to make improvements to the financial reporting model, including GASB 34
- The preliminary views is out on this project and has a comment period through February 15, 2019.

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