

2019 GASB Updates

Association of Government Accountants
Phoenix Chapter – Professional Development Training

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GASB Standards

Effective June 30, 2019

- [Statement 83](#)—certain asset retirement obligations
- [Statement 88](#)—certain disclosures related to debt, including direct borrowings and direct placements
- [Implementation Guide No. 2018-1](#)—implementation guidance update—2018

GASB 83

Certain asset retirement obligations

EFFECTIVE JUNE 30, 2019

GASB 83

Certain asset retirement obligations

Asset retirement obligation

A legally enforceable liability associated with the retirement of a tangible capital asset (the permanent removal from service).

Examples:

- decommissioning of nuclear reactors
- removal and disposal of wind turbines in wind farms
- dismantling and removal of sewage treatment plants
- removal and disposal of x-ray machines

GASB 83

Certain asset retirement obligations

Initial recognition

Liability and deferred outflow of resources

Annually

- Adjust liability and deferred outflow of resources for inflation
- Recognize expense
- Evaluate factors expected to significantly change liability

GASB 83

Certain asset retirement obligations

Timing of recognition

- External obligating event
- Internal obligating event

Amount—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.

GASB 88

Certain disclosures related to debt,
including direct borrowings and direct
placements

EFFECTIVE JUNE 30, 2019

GASB 88

Certain disclosures related to debt

Debt

A liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established.

Does not include leases, except for contracts reported as a financed purchase of the underlying asset, or accounts payable.

GASB 88

Certain disclosures related to debt

Disclosures

- Amount of unused lines of credit
- Assets pledged as collateral for debt
- Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

Direct borrowing and direct placements separate from other debt

GASB Standards Effective June 30, 2020

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

GASB 84

Fiduciary activities

EFFECTIVE JUNE 30, 2020

DISCLAIMER: Implementation guidance is based on an exposure draft and is subject to change.

GASB 84

Fiduciary activities

Separate criteria for

- Fiduciary component units
- Pension and OPEB arrangements that are not component units
- Other fiduciary activities

Other fiduciary activities—criteria

- a. The assets associated with the activity are controlled by the government

Other fiduciary activities—criteria

- b. The assets associated with the activity are **not** derived either:
 - 1) Solely from the government's own-source revenues or
 - 2) From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants for which the government does not have administrative involvement or direct financial involvement.

Other fiduciary activities—criteria

- c. The assets associated with the activity have one or more of the following characteristics:
 - 1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government.

Other fiduciary activities—criteria

- c. The assets associated with the activity have one or more of the following characteristics:
 - 2) The assets are for the benefit of individuals and *the government does not have administrative involvement with the assets or direct financial involvement with the assets*. In addition, the assets are not derived from the government's provision of goods or services to those individuals.
 - 3) The assets are for the benefit of organizations or other governments that are not part of the financial reporting entity. In addition, the assets are not derived from the government's provision of goods or services to those organizations or other governments.

Fund reporting

Trust funds

- Pension/OPEB
- Investment
- Private purpose

Custodial funds

- External investment pool
- Other

Exception: Business-type activity 3 months or less

Financial statements

- **Statement of fiduciary net position**
- **Statement of changes in fiduciary net position**
 - **Additions by source**
 - **Deductions by type**
 - **Disaggregation exception**

GASB 90

Majority equity interest

EFFECTIVE JUNE 30, 2020

GASB 90

Majority equity interest

Equity interest

A financial interest in a legally separate organization evidenced by the ownership of shares of the organization's stock or by otherwise having an explicit, measurable right to the net resources of the organization that is usually based on an investment or financial or capital resources by a government.

GASB 90

Majority equity interest

Investment (GASB 72)

Follow equity method in GASB 62

Component unit—less than 100% equity interest

- Follow equity method in GASB 62
- Blended—eliminate asset and net position associated with equity interest

Component unit—100% equity interest

Follow government acquisitions in GASB 69

GASB Standards Effective June 30, 2021

- **Statement 87**—leases
- **Statement 89**—accounting for interest cost incurred before the end of construction period

GASB 87

Leases

EFFECTIVE JUNE 30, 2021

DISCLAIMER: Implementation guidance is based on an exposure draft and is subject to change.

GASB 87

Leases

Lease

A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lease term

GASB 87 Leases

Short-term leases

Contracts that transfer ownership

Capitalization threshold

Proposed GASB standards

- **Conduit debt obligations**
 - Exposure draft comment deadline: November 2018
 - Final standard: May 2019
 - Effective: June 30, 2022

Exposure draft

Conduit debt obligations

PROPOSED EFFECTIVE DATE—JUNE 30, 2022

Exposure draft

Conduit debt obligations

- Supersedes Interpretation 2
- Defines conduit debt obligations
- Requires
 - Disclosure of all conduit debt obligations
 - Recognition of liability and expense if it is more likely than not that the issuer will support debt service payments for a conduit debt obligation

Proposed GASB implementation guides

- **2019 annual implementation guide update**
 - Exposure draft comment deadline: January 2019
 - Final implementation guide: April 2019
 - Effective: June 30, 2020
- **Statement 84—fiduciary activities implementation guide**
 - Exposure draft comment deadline: February 2019
 - Final implementation guide: May 2019
 - Effective: June 30, 2020
- **Statement 87—leases implementation guide**
 - Exposure draft comment deadline: **April 30, 2019**
 - Final guide: June 2019
 - Effective: June 30, 2021

GASB exposure drafts coming soon— (part 1)

- Subscription-based information technology arrangements
 - Exposure draft: May 2019
 - Final standard: March 2020
- Deferred compensation plans—reexamination of Statement 32
 - Exposure draft: June 2019
 - Final standard: December 2019
- Omnibus
 - Exposure draft: June 2019
 - Final standard: January 2020

GASB exposure drafts coming soon— (part 2)

- Public-private partnerships, including reexamination of Statement 60
 - Exposure draft: June 2019
 - Final standard: March 2020
- Secured overnight financing rate—LIBOR replacement
 - Exposure draft: August 2019
 - Final standard: May 2020

Preliminary views on GASB standard and concept statement

- **Financial reporting model**
 - Preliminary views comment deadline: February 2019
 - Exposure draft: June 2020
 - Final standard: February 2022
- **Conceptual framework: recognition**
 - Preliminary views comment deadline: February 2019
 - Exposure draft: June 2020
 - Final concept statement: February 2022

Preliminary views

Financial reporting model

FINAL STANDARD FEBRUARY 2022

Preliminary views

Financial reporting model

Governmental fund statements

- Short-term financial resources measurement focus
 - Short-term transactions as they occur
 - Long-term transactions when payments are due
- New terminology
 - Statement titles and explanation
 - Inflows/outflows instead of revenues/expenditures
- New format for resources flows statement
 - Current and noncurrent activity format

Preliminary views

Financial reporting model

Proprietary fund statements

- Define operating and nonoperating for revenues and expenses
- New subtotal on flows statement before nonoperating revenues and expenses
 - “Operating income (loss) and noncapital subsidies”
 - Defines subsidies

Preliminary views

Financial reporting model

Budgetary comparison information

- Removes option for presentation in basic financial statements—RSI presentation only
- Requires variance columns for
 - Final budget to actual amounts
 - Original budget to final budget amounts

Preliminary views

Financial reporting model

Other issues

- Removes option to present major component unit financial statements in notes—combining statement in basic financial statement presentation only
- Supplementary information (CAFR only)—schedule of natural classification of government-wide expenses

Preliminary views

Financial reporting model

Rejected ideas

- Revised format for government-wide statement of activities
- Cash flow statements for government-wide and governmental funds
- Same-page reconciliations for governmental fund statements

GASB due process documents coming in 2020—preliminary views

- **Conceptual framework: disclosure framework**
 - **Preliminary views: February 2020**
 - Exposure draft: April 2021
 - Final concept statement: May 2022

- **Revenue and expense recognition**
 - Invitation to comment: January 2018
 - **Preliminary views: May 2020**
 - Exposure draft: December 2021
 - Final standard: March 2023

Questions?

Thank you for your attention!
