

1 NEW DEVELOPMENTS

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INTRODUCTION

The 2018 Governmental GAAP Guide incorporates all of the pronouncements issued by the Governmental Accounting Standards Board (GASB) through February 2018. This chapter is designed to keep the reader up to date on all pronouncements recently issued by the GASB and their effective dates, as well as to report on the Exposure Drafts, Preliminary Views, and Invitations to Comment (ITCs) for proposed new statements or interpretations that are currently outstanding. This chapter also includes relevant information on the GASB's Technical Agenda for the upcoming year to give readers information as to potential areas for future GASB requirements.

RECENTLY ISSUED GASB STATEMENTS AND THEIR EFFECTIVE DATES

| <i>GASB Statement</i> | <i>Effective Date</i> | <i>Where in This Book</i> |
|--|---|---------------------------|
| 72 <i>Fair Value Measurement and Application</i> | Periods beginning after June 15, 2015 | Chapter 12 |
| 73 <i>Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68</i> | Fiscal years beginning after June 15, 2016, for pensions not within the scope of GASB 68 Fiscal years beginning after June 15, 2015, for asset reporting and GASB 67 and 68 Amendments | Chapter 17 |

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|----|--|--|-------------------------|
| 74 | <i>Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans</i> | Fiscal years beginning after June 15, 2016 | Chapter 22 |
| 75 | <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i> | Fiscal years beginning after June 15, 2017 | Chapter 17 |
| 76 | <i>The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments</i> | Periods beginning after June 15, 2015 | Chapter 2 |
| 77 | <i>Tax Abatement Disclosures</i> | Periods beginning after December 15, 2015 | Chapter 9 |
| 78 | <i>Pensions Provided through Certain Multi-Employer Defined Benefit Plans</i> | Periods beginning after December 15, 2015 | Chapter 17 |
| 79 | <i>Certain External Investment Pools</i> | Periods beginning after June 15, 2015 | Chapter 12 |
| 80 | <i>Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14</i> | Periods beginning after June 15, 2016 | Chapter 11 |
| 81 | <i>Irrevocable Split-Interest Agreements</i> | Periods beginning after December 15, 2016 | Chapter 12 |
| 82 | <i>Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73</i> | Periods beginning after June 15, 2016 | |
| 83 | <i>Certain Asset Retirement Obligations</i> | Periods beginning after June 15, 2018 | Chapter 14 |
| 84 | <i>Fiduciary Activities</i> | Periods beginning after December 15, 2018 | Chapter 8 |
| 85 | <i>Omnibus 2017</i> | Periods beginning after June 15, 2017 | Chapters 11, 12, 14, 17 |
| 86 | <i>Certain Debt Extinguishment Issues</i> | Periods beginning after June 15, 2017 | Chapter 15 |
| 87 | <i>Leases</i> | Periods beginning after December 15, 2019 | Chapter 19 |

The GASB has a number of Exposure Drafts and Invitations to Comment that it has issued, which will affect future accounting and financial reporting requirements when final standards are developed. The following provides a brief synopsis of what is being covered by each Exposure Draft and Invitation to Comment document. Readers should always be aware that the GASB often modifies proposal stage literature based upon its continuing deliberations and consideration of comments that it receives on each Exposure Draft and Invitation to Comment document.

EXPOSURE DRAFTS

Exposure Drafts—Implementation Guide

The GASB issued an Exposure Draft of a Comprehensive Implementation Guide that addresses a variety of new questions and amends certain answers in previously issued Implementation Guides. The requirements of a final Implementation Guide would be effective for periods beginning after June 15, 2018.

GASB Implementation Guides are considered authoritative GAAP for governments and consist of a series of very specific questions and answers that are designed to assist financial statement preparers and auditors to implement GASB Statements. In some cases, they address

practice questions that arise; in another case, they address questions that the GASB chose not to specifically address in a GASB Statement itself.

Exposure Draft—Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements—An Amendment of GASB Statements No. 34 and No. 38

The GASB issued this Exposure Draft in June 2017 to provide an update and clarification to the disclosures required for debt. The Exposure Draft defines debt for purposes of disclosure in notes to financial statements as 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. This definition is meant to clarify that the debt disclosures apply to private placements of debt, for which there had been some diversity in practice. In addition, existing disclosures and proposed additional information are to be provided for direct borrowings and direct placements of debt separately from other debt.

Effective Date

The requirements of this proposed Statement would be effective for reporting periods beginning after June 15, 2018. Earlier application would be encouraged.

Exposure Draft—Accounting and Financial Reporting for Majority Equity Interests

In November 2017 the GASB issued this Exposure Draft to improve the consistency of reporting a government's majority interest in a legally separate organization. The Exposure Draft specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment.

A majority equity interest that meets the definition of an investment would be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or a permanent fund, which would measure the majority equity interest at fair value. For all other holdings of a majority equity interest in a legally separate organization, a government would report the legally separate organization as a component unit, and the government or fund that holds the equity interest would report an asset related to the majority equity interest using the equity method.

The Exposure Draft also would require that governments use acquisition value to measure the assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of acquisition of a component unit in which the primary government acquired a 100 percent equity interest. Transactions presented in flows statements of the component unit in that circumstance would include only transactions that occurred subsequent to the acquisition.

Effective Date

The requirements of this proposed Statement would be effective for reporting periods beginning after December 15, 2018. Earlier application would be encouraged.

Exposure Draft—Accounting for Interest Cost during the Period of Construction

The GASB issued this Exposure Draft in November 2017 to address the capitalization of interest during a construction period. Under the provisions of the Exposure Draft, interest incurred during the period of construction would be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resource. In other words, interest would no longer be capitalized during construction, meaning that it would no longer be included in the historical cost of a capital asset.

Effective Date

The requirements of this proposed Statement would be effective for reporting periods beginning after December 15, 2018. Earlier application would be encouraged.

INVITATION TO COMMENT

Financial Reporting Model Improvements—Governmental Funds

In December 2016 the GASB issued this ITC to address the accounting used by governmental funds, currently the modified accrual basis of accounting and the current financial resources measurement focus. This ITC requests commentary on three different replacement models for the current model. These are the near-term financial resource model (near-term meaning 60–90 days), the short-term resources model (short-term meaning one year), and the long-term financial resources model (similar accounting to what is used in the government-wide statements, except that capital assets would not be recorded).

The ITC also requests comments on alternative presentations for the resource flows statement, the requirement for presenting a cash flows statement, and a proposed simplification between the government-wide and governmental fund financial statements.

While this is a very preliminary phase of this project, it seems almost certain that there will be changes made to the basis of accounting and measurement focus used by governmental funds.

INVITATION TO COMMENT

Revenue and Expense Recognition

In January 2018 the GASB issued this ITC related to a project to develop a comprehensive revenue and expense model. According to the ITC, the GASB believes this is necessary because:

- Existing guidance for exchange revenue and expense transactions is limited, resulting in inconsistent reporting of information by governments.
- Existing guidance for nonexchange revenue and expense transactions, though generally effective, could be clarified and improved.
- Other accounting standards setters are considering or implementing a “performance obligation” approach for revenue recognition.
- A comprehensive model is expected to result in more robust, principles-based guidance for addressing a wide range of transactions that will improve comparability and provide more useful information.

As stated, the GASB will be considering whether it would be appropriate to adopt a “performance obligation” approach for revenue recognition, which is the basis used in a recent FASB standard on revenue recognition. Clearly, this project is broader than the FASB’s standard in that it also addresses expense recognition.

GASB PROJECT PLAN

The GASB has a number of additional important projects on its agenda that will likely affect governmental accounting and financial reporting in the future. Some of the more significant projects are as follows.

Financial reporting model. The first ITC discussed earlier in this chapter is part of this project, which is taking a fresh look at the basic financial reporting model required by GASBS 34, as amended, to determine if it is working effectively and whether any changes to the model need to be made.

Conduit debt. This project will address the accounting and financial reporting for entities that issue debt on behalf of other organizations, such as industrial development agencies. In most cases, these entities do not report the debt on their financial statements. This project will address whether that continues to be the appropriate accounting treatment and whether there would be any circumstance in which the debt would be reported by the issuing entity.

SUMMARY

The GASB, as always, maintains an active agenda, and the accounting and financial reporting standards for governments are consistently evolving. Financial statement preparers need to keep an eye on emerging new GASB pronouncements to ensure that they have adequate time to plan for their implementation, as well as to inform financial statement users about their potential impacts.

