What’s Coming Down the Pike?

2019
- Statement 83—Certain Asset Retirement Obligations
- Statement 88—Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements
- Implementation Guide 2018-1

2020
- Statement 84—Fiduciary Activities
- Statement 90—Majority Equity Interests
- Implementation Guide 2019-1

2021
- Statement 87—Leases
- Statement 89—Interest Cost Incurred before the End of a Construction Period

2022
- Statement 91—Conduit Debt Obligations
Debt Disclosures
Debt Disclosures—Audit Implications

- Do systems exist that will provide sufficiently reliable audit evidence regarding
  - Amounts of unused lines of credit
  - Assets pledged as collateral for debt
  - Events of default with finance-related consequences
  - Termination events with finance-related consequences
  - Subjective acceleration clauses
Fiduciary Activities
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

   1. Yes
   2. No

   3. Yes
   4. No
What Is A Component Unit?

- Generally, a trust is legally separate entity (a potential component unit)
- When determining whether those arrangements are component units:
  - A trust has no board; however, the primary government makes “board-like” decisions
    - Implementation guide 2019-2, Fiduciary Activities, equates these actions to board appointment
    - If the primary government is calling the shots—is it imposing its will?
    - Implications go beyond the primary government considering whether it has a financial burden if the primary government makes contributions to the pension or OPEB plan (the Statement 84 amendment to Statement 14).
Fiduciary Activities—Audit Implications

- New component units—those without a board
  - Some of which are not currently audited
    - Question 1—Is it significant?
    - Question 2—If so, what needs to be done between now and the effective date?

- How do the reclassifications (fiduciary funds to governmental funds) primarily due to administrative involvement impact the audit?
Leases
Leases—Audit Implications

- Potential for bond covenant or debt limit provision violations
  - Unless covenants or statues are modified

- Preparers will approach auditors regarding
  - Working threshold for assessing leases
  - Operationalization of “reasonably certain”
  - Operationalization of allocation procedures for nonlease components

- Will the system used to capture data related to lease terms, estimated lease payments, and other components of lease agreements that could effect the liability being reporting be sufficiently reliable
Statement 91: Conduit Debt Obligations
Conduit Debt—Audit Implications

- Do systems exist that will provide sufficiently reliable audit evidence regarding
  - Additional and voluntary commitments
    - Existence of these commitments
    - More likely than not that these commitments will result in a payment
  - Arrangements associated with capital assets
    - Who currently holds title and who ultimately will hold title to the underlying asset
  - Disclosure requirements
    - Amount of conduit debt outstanding
Project Update
## Other Projects

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AICPA Projects

Potential Impact on Accounting and Financial Reporting
Regulatory Reporting

Auditor Reporting AU-C 800, *Special Considerations—Audits of Financial Statements Prepared in Accordance With Special Purpose Frameworks*

- Should auditor reports continue to provide a dual opinion with an adverse GAAP opinion on financial statements prepared in accordance with a regulatory basis of accounting?

- GASB concern is that the elimination of the dual opinion would undermine the use of GAAP in the United States.
Ethics Rules

- Proposed Interpretation, *State and Local Government Client Affiliates* (formerly *Entities Included in State and Local Government Financial Statements*)
  - Original Exposure Draft—July 2017
  - Revised Exposure Draft—January 2019

- GASB concerns regarding the original Exposure Draft
  - Materiality thresholds for independence assessments differed from the authoritative guidance established for financial reporting purposes
  - Terms defined in GAAP presented with different meanings
    - Primary government
    - Investments

- Concerns appear to have been addressed in revised Exposure Draft
Questions

Website information: www.gasb.org
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