

GASB Update

National State Auditors Association

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



How Is GASB Responding to the Crisis?



GASB Actions

- Statement 95—fastest Statement (other than Statement 1) in GASB’s history
- Toolbox—website
- Lengthen comment period for Note Disclosure Framework (to June 30th) and rescheduled public hearing (July 28th)
- Paused interviews and surveys for research projects (restarted June 1) and Postimplementation Review (July 1)
- Lengthen Comment Period for upcoming due process documents—discuss later in the session
- Responding to technical inquiries regarding the CARES Act, Payroll Protection Program, and Municipal Liquidity Facility



Statement 95

Postponement of the Effective Dates of Certain
Authoritative Guidance



Provisions Include:

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 87, *Leases*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Statement No. 92, *Omnibus 2020*
- Statement No. 93, *Replacement of Interbank Offered Rates*
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*
- Implementation Guide No. 2019-3, *Leases*

Effective Dates—June 30

2021

- Statement 84—Fiduciary Activities
- Statement 90—Majority Equity Interests
- Statement 93—Replacement of Interbank Offered Rate
- Implementation Guide 2019-1
- Implementation Guide 2019-2

2022

- Statement 87—Leases
- Statement 89—Interest Cost Incurred before the End of a Construction Period
- Statement 92—Omnibus 2020 (multiple effective dates)
- Implementation Guide 2019-3
- Implementation Guide 2020-1

2023

- Statement 91—Conduit Debt
- Statement 94—Public Private Partnerships
- Statement 96—Subscription-Based IT Arrangements

Toolbox—GASB.ORG

- Over 30 references to authoritative literature for over 20 issues
- Issues range from asset impairment to troubled debt restructuring

Standards Under Review

- The GASB staff is currently conducting PIRs on six Statements
 - Statement 67—Pension Plan Reporting
 - Statement 68—Employer Reporting for Pensions
 - Statement 72—Fair Value Reporting
 - Statement 75—Employer Reporting for Other Postemployment Benefits
 - Statement 84—Fiduciary Activities
 - Statement 87—Leases

Statements 67 and 68—Pensions

- Status—Stage two PIR
- Statements issued June 2012
- Statement 68—
 - Last Effective Date: May 2016
 - Users have had information for a little over three years
- Lead staff: Jialan Su
 - Completed the archival analysis of audited financial reports from the original random sample of pension plans and governments.
 - Collecting financial reports from the additional sample of small governments and began to conduct archival analysis.
 - Continuing review of relevant academic and professional literature
 - Roundtables and surveys next year

Statement 72—Fair Value

- Status—Stage one PIR
- Statement issued February 2015
 - Last Effective Date: May 2017
 - Users have had information for less than 3 years
- Lead Staff: Scott Reeser
 - Continuing to analyze the results of the archival analysis and survey of the random sample of governments.
 - Continuing to draft summary results document
 - Complete Stage 1 this year



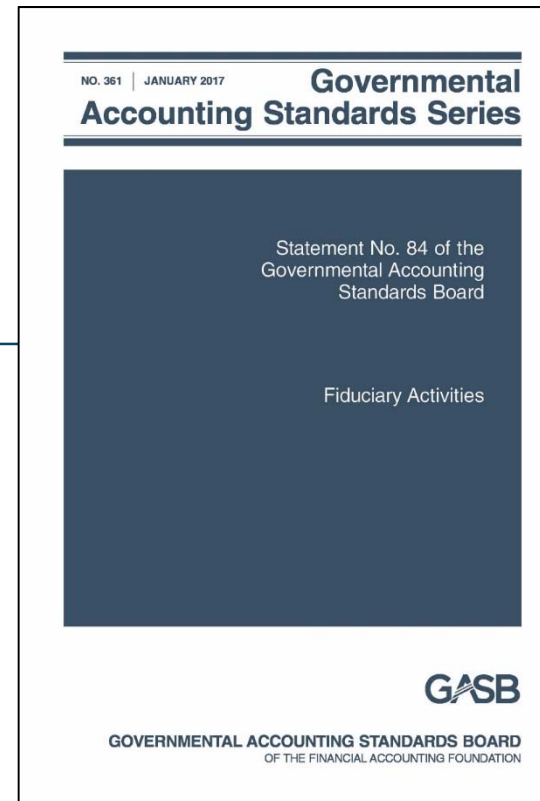
Statement 75—OPEB

- Status—Stage one PIR
- Statement issued June 2015
 - Last Effective Date: May 2019
 - Users have had information for less than 2 years
- Lead Staff: Lisa Parker
 - Continuing to seek volunteers from the random sample and governments in general to participate in the PIR.

Statements 84 and 87

- Statement 84–Stage one PIR
 - Statement issued January 2017
 - Last Effective Date: November 2021
 - Users only have had information for early implementers
- Lead Staff: Erin McKenzie
 - Continuing to distribute invitations to participate to the random sample of governments and to governments in general.
- Statement 87–Stage one PIR
 - Statement issued June 2017
 - Last Effective Date: May 2023
 - Users only have had information for early implementers
- Lead Staff: Emily Paul
 - Continuing to distribute invitations to participate to the random sample of governments and to governments in general.

Fiduciary Activities

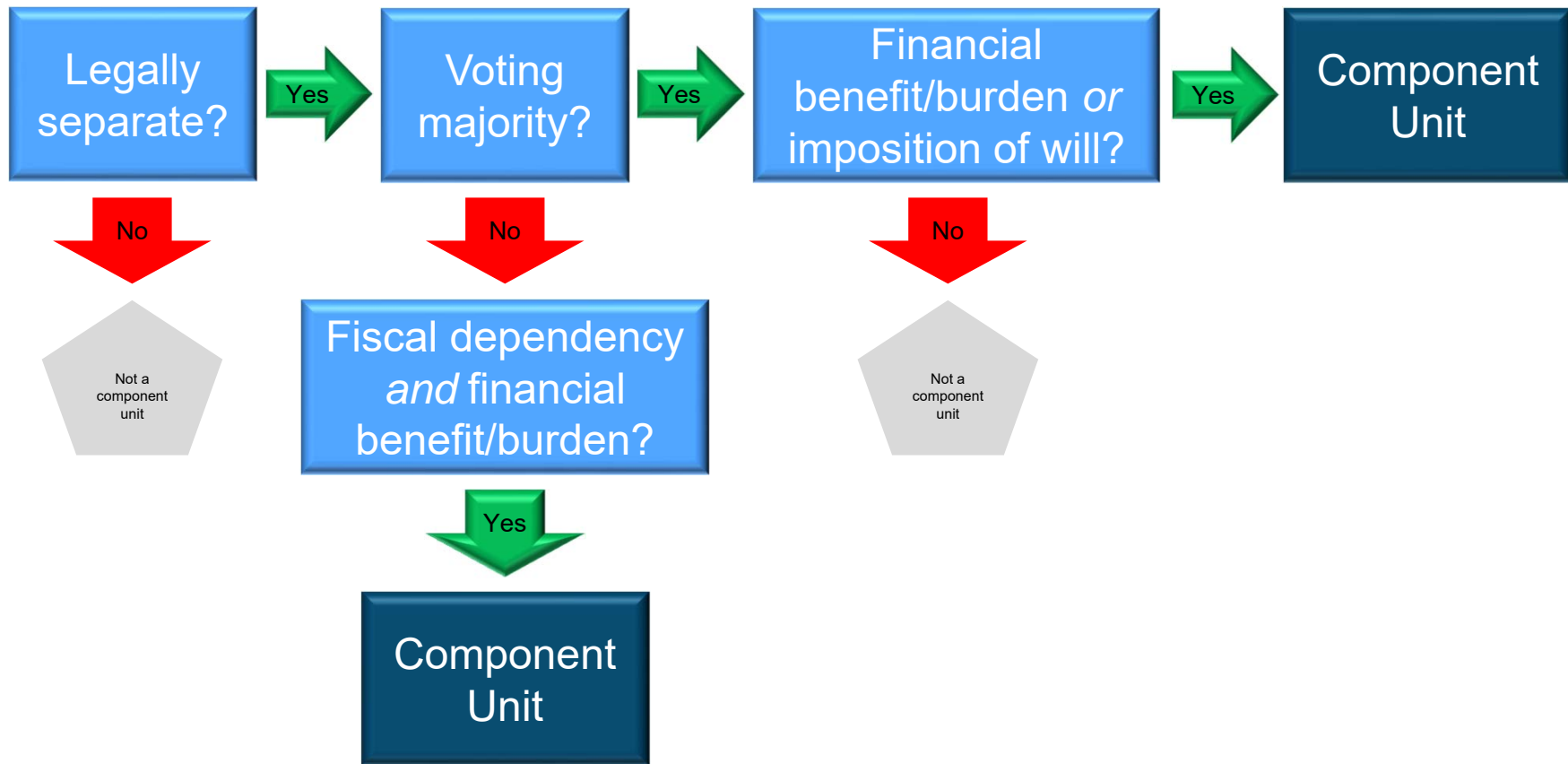


Identifying Fiduciary Activities Q&As

- Fiduciary Component Units
 - Intended to clarify other Implications of Statement 14, as amended
 - Financial accountability applicability (Q4.4-Q4.6)
 - No board equivalent to appointment of a majority of board if government performs the duties that the Board normally would (Q4.5)
 - Implication of being legally obligated or otherwise assuming the obligation to make contributions to a pension or OPEB plan (Q4.7)



When Is There a Component Unit?



Resolution Step 1— Implementation Guide

- Implementation Guide 2020-1 deferred the following questions and answers in Implementation Guide 2019-2 indefinitely
 - Question 4.3—Legally separate
 - Question 4.5—No governing board
 - Question 4.6—Defined benefit and defined contribution

Resolution Step 2—Proposals

- Bring “the primary government is performing the duties that a governing board would” guidance into Level A literature
- Exclude defined contribution pension and OPEB plans administered through trusts that meet the criteria and other employee benefit plans that otherwise would be defined contribution pension plans but to which only employees contribute from the provision—immediately
- Exclude those plans from financial burden modification introduced in Statement 84 (employer contributions)—immediately

Projects



Due Process

- **Three Major Documents**

- Revenue and expense recognition
- Financial reporting model
- Recognition concepts

- **Original Plan**

- Comment deadline—September 30, 2020
- Public hearings and forums—October and November 2020

- **New Plan**

- Comment deadline—February 26, 2021
- Hearings and forums—March and April 2021



Financial Reporting Model



Recognition Framework

Two Measurement Focuses

Economic Resources

(applied in government-wide, proprietary fund, and fiduciary fund financial statements)

Short-Term Financial Resources

(would replace current financial resources in the governmental funds)

Short-Term Financial Resources Measurement Focus

Recognition Terms

- *Terms* – the specific applicable binding arrangement terms (including statutory terms) of the transaction or other event
 - Estimated payments when there are no binding arrangement terms

Recognition Method

- Items arising from *short-term* transactions or other events – recognize *when incurred*
- Items arising from *long-term* transactions or other events – recognize *when due*
 - The date at which payment is scheduled to be made (if not scheduled, expected) in accordance with the recognition terms

Recognition Period

Will be converted to or generate cash (or other financial assets) or require the use of cash (or other financial assets) *within one year* from the inception of the transaction or other event

Revenue and Expense Recognition

Revenue and Expense Recognition Model

Categorization

Identify the *type* of transaction



Recognition

Determine *what* element should be reported and *when*



Measurement

Determine the *amount* to report

Major Accomplishments



Due Process

- Statement 75, OPEB
- Statement 77, Tax Abatement
- Statement 84, Fiduciary Activities
- Statement 87, Leases
- Statements 94 and 96, PPP and SBITA
- Statement 95, Postponement
- Stakeholder Outreach



Closing Comments



Thank you!



Website information:

www.gasb.org

