

# 1 NEW DEVELOPMENTS

<b>Introduction</b>	1	Implementation Guide Update – 2020	3
<b>Recently Issued Gasb Statements and their Effective Dates</b>	1	Replacement of Interbank Offered Rates	4
<b>Exposure Drafts</b>	3	Public-Private and Public-Public Partnerships and Availability Payment Arrangements	4
Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans	3	Subscription-Based Information Technology Arrangements	4
Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement No. 32	3	<b>Preliminary Views</b>	<b>4</b>
Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements	3	Financial Reporting Model Improvements	4
		<b>Invitation to Comment</b>	<b>5</b>
		Revenue and Expense Recognition	5
		<b>GASB Project Plan</b>	<b>5</b>
		<b>Summary</b>	<b>5</b>

## INTRODUCTION

The 2020 Governmental GAAP Guide incorporates all of the pronouncements issued by the Governmental Accounting Standards Board (GASB) through January 2019. 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>
74	Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans	Fiscal years beginning after June 15, 2016	Chapter 22
75	Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions	Fiscal years beginning after June 15, 2017	Chapter 17
76	The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments	Periods beginning after June 15, 2015	Chapter 2

<i>GASB Statement</i>	<i>Effective Date</i>	<i>Where in This Book</i>
77 Tax Abatement Disclosures	Periods beginning after December 15, 2015	Chapter 9
78 Pensions Provided through Certain Multi-Employer Defined Benefit Plans	Periods beginning after December 15, 2015	Chapter 17
79 Certain External Investment Pools	Periods beginning after June 15, 2015	Chapter 12
80 Blending Requirements for Certain Component Units—An Amendment of GASB Statement No. 14	Periods beginning after June 15, 2016	Chapter 11
81 Irrevocable Split-Interest Agreements	Periods beginning after December 15, 2016	Chapter 12
82 Pension Issues—An Amendment of GASB Statements No. 67, No. 68, and No. 73	Periods beginning after June 15, 2016	Chapter 17
83 Certain Asset Retirement Obligations	Periods beginning after June 15, 2018	Chapter 14
84 Fiduciary Activities	Periods beginning after December 15, 2018	Chapter 8
85 Omnibus 2017	Periods beginning after June 15, 2017	Chapters 11, 12, 14, 17
86 Certain Debt Extinguishment Issues	Periods beginning after June 15, 2017	Chapter 15
87 Leases	Periods beginning after December 15, 2019	Chapter 19
88 Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements	Periods beginning after June 15, 2018	Chapter 15
89 Accounting for Interest Costs Incurred before the End of a Construction Period	Periods beginning after December 15, 2019	Chapter 15
90 Majority Equity Interests—An Amendment of GASB Statements No. 14 and No. 61	Periods beginning after December 15, 2018	Chapter 11
91 Conduit Debt Obligations	Periods beginning after December 15, 2020	Chapter 15
92 Omnibus	Issuance/Periods beginning after June 15, 2020	Chapters 14, 17, 19, 21, 22

The GASB has a number of Exposure Drafts, Preliminary Views, 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**

---

### **Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans**

The accounting guidance in this Exposure Draft would require that for purposes of determining whether a primary government is financially accountable for a potential component unit, except for a potential component unit that is a defined contribution pension plan, a defined contribution OPEB plan, or another employee benefit plan (for example, a Section 457 plan to which only employees contribute), the absence of a governing board should be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically performs.

This Exposure Draft also would require that the financial burden criterion in GASB Statement No. 84, *Fiduciary Activities*, be applicable to only defined benefit pension plans and defined benefit OPEB plans that are administered through trusts.

Also, this Exposure Draft would require that all accounting and financial reporting requirements relevant to pension plans be applied to Section 457 plans that meet the definition of a pension plan. Similarly, all accounting and financial reporting requirements relevant to pensions should be applied to benefits provided through Section 457 plans that meet the definition of a pension plan.

### **Internal Revenue Code Section 457 Deferred Compensation Plans That Meet the Definition of a Pension Plan and Supersession of GASB Statement No. 32**

This Exposure Draft would require that all accounting and financial reporting requirements relevant to pension plans be applied to Section 457 plans that meet the definition of a pension plan. Similarly, the Exposure Draft would specify that all accounting and financial reporting requirements relevant to pensions be applied to benefits provided through Section 457 plans that meet the definition of a pension plan.

### **Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements**

This is an Exposure Draft of a Concepts Statement that will provide a conceptual basis to the GASB for use in consideration of a project to review the notes to financial statements to determine:

- The types of information disclosed in notes to the financial statements
- The types of information not appropriate for the financial statements
- The degree of important that information disclosed in the financial statements should possess.

### **Implementation Guide Update – 2020**

This is an Exposure Draft of an Implementation Guide for various GASB pronouncements.

### **Replacement of Interbank Offered Rates**

This Exposure Draft is in response to the widely-used London Interbank Offered Rate (LIBOR) not expected to exist in its current form by 2021. The resulting accounting guidance from this Exposure Draft would do the following relative to LIBOR being replaced:

- Providing an exception for certain hedging derivative instruments to the hedge accounting termination provisions when an Interbank Offered Rate (IBOR) is replaced as the reference rate of the hedging derivative instrument
- Clarifying the hedge accounting termination provisions when an IBOR is replaced as the reference rate of a hedged item
- Clarifying that the uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether a hedged expected transaction is probable
- Removing LIBOR as an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap
- Identifying the Secured Overnight Financing Rate and the Effective Federal Funds Rate as appropriate benchmark interest rates for the qualitative evaluation of the effectiveness of an interest rate swap
- Clarifying the definition of reference rate, as it is used in Statement 53
- Providing an exception to the lease modifications guidance in Statement 87 for certain lease contracts that are amended to replace an IBOR as the rate upon which variable payments depend.

### **Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

The accounting guidance resulting from this Exposure Draft broadens the accounting guidance that currently exists for service concession arrangements to include many more types of public-private and public-public partnerships. It also incorporates the guidance of GASBS 87 *Leases* into circumstances when these types of arrangements are in the form of a leases.

### **Subscription-Based Information Technology Arrangements**

This Exposure Draft defines a subscription-based information technology arrangement (SBITA) as a contract that conveys control of the right to use another party's (a SBITA vendor) hardware, software, or both, including information technology infrastructure (the underlying hardware or software), as specified in the contract for a period of time in an exchange or exchange-like transaction. This Exposure Draft addresses types of arrangement generally referred to as "cloud" computing and treats these arrangements very similarly to leases and bases much of its accounting guidance on GASBS 87.

## **PRELIMINARY VIEWS**

---

### **Financial Reporting Model Improvements**

In September 2018 the GASB issued this PV to address the accounting used by governmental funds, currently the modified accrual basis of accounting and the current financial resources measurement focus. This PV follows the Invitation to Comment on the same topic. The GASB has reached a preliminary view that the current financial resources measurement focus will be replaced by a short-term financial resource model, where short-term is defined as one year.

The PV also addresses other issues including the format of the resource flows statement for the governmental funds, communication of major component unit information, a schedule of government-wide expenses by natural classification, and budgetary comparison reporting.

There is a “companion” Preliminary Views document of a Concepts Statement, *Recognition of Elements of Financial Statements*, which will serve as a conceptual underpinning of the financial reporting model improvements project.

## 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 Exposure Drafts, Preliminary Views Documents, and the Invitation to Comment discussed above comprise a substantial portion of the GASB’s project plan, particularly as the financial reporting model and revenue and expense recognition projects are substantial projects that will have far-reaching impacts on government accounting and financial reporting.

The other projects included in the GASB’s project plan include a re-examination of accounting for compensated absences and a project to examine prior-period adjustments, accounting changes, and error corrections.

## 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.

