

# GASB Update

**Georgia Fiscal Management Council**  
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*The views expressed in this presentation are those of Mr. Mead. Official positions of the GASB on accounting matters are reached only after extensive due process and deliberation.*



# Presentation Overview

- Background about the GASB
- Reexamination of Statement 34
- Forthcoming Statement on leases

## GASB News

- All GASB pronouncements are available free on the website, including Statements, Concepts Statements, Interpretations, Technical Bulletins, and Implementation Guides
- Online version of GARS now available through website
  - Basic view is free

# About the GASB



# The GASB's Mission

*Establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports and educate stakeholders on how to most effectively understand and implement those standards*

- The GASB is recognized by the AICPA as the setter of generally accepted accounting principles (GAAP) for state and local governmental entities

# GASB was created in 1984 by agreement between the Financial Accounting Foundation and:

- American Institute of CPAs
- Council of State Governments
- Government Finance Officers Association
- International City/County Management Association
- National Association of Counties
- National Association of State Auditors, Comptrollers and Treasurers
- National Conference of State Legislatures
- National League of Cities
- National Governors' Association
- U.S. Conference of Mayors

# The Board

- Full-time chairman and six part-time members
  - Chair: Dave Vaudt, former Iowa state auditor
  - Vice-chair: Jan Sylvis, retired Tennessee chief of accounts
  - Jim Brown, retired partner, BKD LLP
  - Brian Caputo, CFO & treasurer, City of Aurora, IL
  - Michael Granof, distinguished professor, University of Texas
  - Jeffrey Previdi, former managing director, Standard & Poor's Ratings Services
  - David Sundstrom, retired auditor-controller/treasurer-tax collector, Sonoma County, CA

# Open Due Process

- Standards are set in full daylight with as much public input as possible
- Extensive research with stakeholders
- Open Board meetings (can be viewed live online or recorded in archive):
  - Three-day meetings in Norwalk every six weeks
  - Teleconference meeting in between each Norwalk meeting
- Public exposure of proposals for stakeholder comment, usually more than one round for major topics
  - For major topics, will conduct public hearings and user forums
  - Conduct field test of proposed standards with actual governments, including school districts

# Constant Stakeholder Feedback

- Interviews, roundtables, surveys, and other research that involves actual stakeholders
- Governmental Accounting Standards Advisory Council (GASAC)
  - 31 members representing various types of stakeholders
  - Meets three times a year
- Task forces for major topics, composed of stakeholders broadly representative of the community of preparers, auditors, and users of financial statements
- Communication throughout the project
- One or more rounds of public comment on proposals

# Setting Standards Is Just One Part of the Job

- Publishing implementation guidance in stand-alone guides to specific Statements and the annually updated Comprehensive Implementation Guide
- Answering technical inquiries from stakeholders
  - Form on website for submitting questions
- Writing articles for GASB and stakeholder publications
- Making presentations at conferences and seminars

# Ways to Get Involved in Standards Setting

- Let the GASB know about developing issues
- Sign up on the website visitor's register
- Volunteer for task forces and other consultative groups
- Participate in research and other surveys when invitations are sent out
- Respond to due process documents
- Contact the GASB when you have implementation questions

# Financial Reporting Model— Reexamination of Statement 34

# Financial Reporting Model Reexamination

- **What:** In September 2015, the Board decided to add a project to examine the effectiveness of the financial reporting model – Statements 34, 35, 37, 41, and 46, and Interpretation 6
- **Why:** The GASB is committed not only to establishing standards but also to ensuring that they continue to be effective; most of the requirements of Statement 34 became effective between 2002 and 2004; the provisions related to reporting existing general infrastructure assets were fully effective in 2006 and 2007
- **When:** Initial due process document expected at the end of 2016

# Current Developments

- Project plan anticipates three rounds of public comment on proposals, beginning with an Invitation to Comment (ITC) at end of 2016
- ITC tentatively would address these topics related to governmental fund financial statements:
  - Three alternatives for the measurement focus and basis of accounting:
    - Near-term financial resources
    - Short-term financial resources
    - Long-term financial resources
  - Two alternative formats of governmental fund resource flows statement
  - Governmental funds cash flows statement

# Near-Term Financial Resources

- Previously described in 2011 Preliminary Views
- Assets include resources that are receivable at period-end and normally due to convert to cash within the near term (as well as cash and other financial resources that are available to be converted to cash within the near term)
- Liabilities include those payable at period-end and normally due within the near term
- Outflows recognized as spending occurs, including payments made during the reporting period and shortly after period-end, and principal payments on matured debt and other-than-near-term obligations
- Inflows recognized for newly acquired financial resources that do not result in corresponding liabilities and are available for spending for that reporting period

# Short-Term Financial Resources

- Focused on a government's operating cycle
- Information related to current (defined as one year) financial and other noncapital assets and liabilities
- Assets include cash, other financial resources that are receivable at period-end and normally due to convert to cash within the subsequent operating cycle, and prepaid outflows and inventories that will be consumed in the subsequent next operating cycle
- Liabilities include those payable at period-end and normally due within the upcoming operating cycle (a current liability)
- Inflows and outflows recognized as the underlying transaction occurs rather than when the cash is disbursed or received (accrual)

# Short-Term Financial Resources (continued)

- For pay-as-you-go pensions and OPEB, liability is the amount expected to be paid in the subsequent operating cycle
- For pensions and OPEB paid through a plan, liability is the cumulative excess of the actuarially determined contribution, including interest, over amount contributed to the plan

# Long-Term Financial Resources

- Similar to, but not the same as the total financial resources concept previously described in Statement 11
- Financial resources are cash, claims to cash, claims to goods or services, consumable goods, and equity securities of another entity obtained or controlled as a result of past transactions or events
- Recognize all noncapital assets and liabilities on the accrual basis of accounting; would not be limited to those collectible or payable in either the near-term or current operating cycle
- Does not report assets for capital assets or liabilities for debt related to capital assets

# Other Issues in the ITC

- **Governmental funds cash flows statement**
  - Could be needed for short-term or long-term financial resources approaches, which both use accrual for the resource flows statements
- **Format of governmental funds resource flows statement**
  - Existing statement of revenues, expenditures, and changes in fund balances format
  - Current and long-term activities format

# Topics to Be Addressed in Later Phases

- Government-Wide Statement of Activities
- Proprietary Fund and Business-Type Activity (BTA) Financial Statements
- Budgetary Comparisons
- Permanent Funds
- Extraordinary and Special Items
- Management's Discussion and Analysis (MD&A)
- Debt Service Funds

# Project Timeline

|                                   |                |
|-----------------------------------|----------------|
| Pre-Agenda Research Started       | August 2013    |
| Added to Current Technical Agenda | September 2015 |
| Invitation to Comment Expected    | December 2016  |

# Leases



GOVERNMENTAL  
ACCOUNTING  
STANDARDS BOARD

# Leases

- **What:** In January 2016, the GASB issued an Exposure Draft proposing revisions to existing standards on lease accounting and financial reporting (primarily Statement 62) based on public comments received on the November 2014 Preliminary Views
- **Why:** The existing standards have been in effect for decades without review to determine if they remain appropriate and continue to result in useful information; FASB and IASB conducted a joint project to update their lease standards; opportunity to increase comparability and usefulness of information and reduce complexity for preparers
- **When:** Comment period ended May 31, 2016; final Statement expected May 2017

# Tentative Decisions: Scope and Approach

- Applied to any contract that meets the definition of a lease:  
“A lease is a contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.”
  - The right-to-use asset is that “specified in the contract”
  - Control is manifested by (1) the right to obtain present service capacity from use of the underlying asset and (2) the right to determine the nature and manner of use of the underlying asset
- Leases are financings of the right to use an underlying asset
  - Therefore, single approach applied to accounting for leases with some exceptions, such as short-term leases

# Tentative Decisions: Initial Reporting

|               | Assets   | Liability   | Deferred Inflow   |
|---------------|--|---|---|
| <b>Lessee</b> | Intangible asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use         | Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.) | NA  |
| <b>Lessor</b> | <ul style="list-style-type: none"> <li>• Lease receivable (generally including same items as lessee liability)</li> <li>• Continue to report leased asset</li> </ul> | NA  | Equal to lease receivable plus any cash received up front that relates to a future period |

# Tentative Decisions: Subsequent Reporting

|        | Assets   | Liability   | Deferred Inflow   |
|--------|--|---|---|
| Lessee | Amortize the intangible asset over shorter of useful life or lease term  | Reduce by lease payments (less amount for interest expense) | NA  |
| Lessor | <ul style="list-style-type: none"> <li>• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition)</li> <li>• Reduce receivable by lease payments (less payment needed to cover accrued interest)</li> </ul> | NA  | Recognize revenue over the lease term in a systematic and rational manner |

# Tentative Decisions: Short-Term Leases

- At beginning of lease, maximum possible term under the contract is 12 months or less
- Lessees recognize expenses/expenditures based on the terms of the contract
  - Do not recognize assets or liabilities associated with the right to use the underlying asset for short-term leases
- Lessors recognize lease payments as revenue based on the payment provisions of the contract
  - Do not recognize receivables or deferred inflows associated with the lease

# Project Timeline

|                                   |               |
|-----------------------------------|---------------|
| Pre-Agenda Research Started       | April 2011    |
| Added to Current Technical Agenda | April 2013    |
| Preliminary Views Approved        | November 2014 |
| Exposure Draft Issued             | January 2016  |
| Final Statement Expected          | May 2017      |

# Questions?

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Visit [www.gasb.org](http://www.gasb.org)





### Documents for Public Comment

Comment on the proposals on Measurement of Elements of Financial Statements and on Fair Value Measurement and Application.



[MORE](#)

# Website Resources

- Free download of Statements, Interpretations, Concepts Statements and other pronouncements
- Free access to the basic view of the Codification
- 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
- Electronic newsletter and other resources for users

# Plain-Language Materials

- The GASB is committed to communicating in plain language with constituents about its standards and standards-setting activities.
- Plain-language articles accompany major proposals and final pronouncements
- Fact Sheets are prepared for complex projects to answer commonly raised questions
  - Series of 8 fact sheets on Statements 67 & 68 on pensions