VGFOA Fall Conference – October 2017

GASB Update

Leases and Fiduciary Activities

Paulina Haro

The views expressed in this presentation are those of Paulina Haro
Official positions of the GASB are reached only after extensive due process and deliberations.

FINANCIAL ACCOUNTING FOUNDATION · FINANCIAL ACCOUNTING STANDARDS BOARD · GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Presentation Overview

- List of Pronouncements currently being implemented
- Statement No. 84, Fiduciary Activities
- Statement No. 87, Leases
- Technical Agenda Projects

Pronouncements Currently Being Implemented

Effective Dates—June 30

- 2018
  - Statement 75—OPEB (employers)
  - Statement 81—irrevocable split-interest agreements
  - Statement 85—omnibus
  - Statement 86—certain debt extinguishment issues
  - Implementation Guide 2017-1
- 2019—Statement 83—certain asset retirement obligations
- 2020—Statement 84—fiduciary activities
- 2021—Statement 87—leases

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Fiduciary Activities

Statement No. 84

Fiduciary Activities

- **What:** The Board issued Statement 84 to clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements
- **Why:** Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; business-type activities are uncertain about how to report fiduciary activities
- **When:** Effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Overview

- Existing Guidance
- Identifying Fiduciary Activities
- Reporting Fiduciary Activities
- Effective Date/Transition Provisions

Existing Guidance—Fiduciary Funds

- The resources in fiduciary funds belong to others and are not available to the government
- Fiduciary funds use the economic resources measurement focus and accrual basis of accounting
- Fiduciary fund information is not included in the government-wide financial statements
- Governments must prepare two financial statements for fiduciary funds:
  - Statement of fiduciary net position
  - Statement of changes in fiduciary net position

Existing Guidance, continued

- Pension and Other Employee Benefit Trust Funds should be used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other postemployment benefit plans, or other employee benefit plans.

- Investment Trust Funds should be used to report the external portion of investment pools reported by the sponsoring government, as required by Statement 31, paragraph 18.

- Private-purpose Trust Funds, such as a fund used to report escheat property, should be used to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

- Agency Funds should be used to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments.

When Should a Government Report Assets in a Fiduciary Fund?

Four paths to making this determination:

- Component units that provide postemployment benefits 1
- Component units that do not provide postemployment benefits 2
- Postemployment benefit arrangements that are not component units 3
- All other activities 4

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Component Units That Provide Postemployment Benefits

- Generally, pension and OPEB plans administered through a trust as defined in Statements 67 and 74 are legally separate entities.
- When determining whether those arrangements are component units:
  - The primary government is considered to have a financial burden if it makes contributions to the pension or OPEB plan.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

1

Component Units That Provide Postemployment Benefits Are Fiduciary if…

- They are one of the following arrangements:
  - A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67
  - An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74
  - A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73
  - A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74.

Other Component Units Are Fiduciary if…

2

- They have one or more of the following characteristics:
  - The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is *not* a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government.
  - The assets are for the benefit of individuals and the government does *not* have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are *not* derived from the government's provision of goods or services to those individuals.
  - The assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition, the assets are *not* derived from the government's provision of goods or services to those organizations or other governments.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Postemployment Benefit That Are Not Component Units Are Fiduciary if…

- The government controls the assets of the arrangement and the arrangement is one of the following arrangements:
  - A pension plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 67
  - An OPEB plan that is administered through a trust that meets the criteria in paragraph 3 of Statement 74
  - A circumstance in which assets from entities that are not part of the reporting entity are accumulated for pensions as described in paragraph 116 of Statement 73
  - A circumstance in which assets from entities that are not part of the reporting entity are accumulated for OPEB as described in paragraph 59 of Statement 74.

All Other Activities Are Fiduciary if…

All three of the following are met:

- The government controls the assets
- Those assets are *not* derived either:
  - Solely from the government's own-source revenues, or
  - From government-mandated nonexchange transactions or voluntary nonexchange transactions with the exception of pass-through grants and for which the government does not have administrative or direct financial involvement
- One of the criteria on the next slide is met

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

All Other Activities, continued

- The assets are (1) administered through a trust agreement or equivalent arrangement in which the government itself is *not* a beneficiary, (2) dedicated to providing benefits to recipients in accordance with the benefit terms, and (3) legally protected from the creditors of the government.
- The assets are for the benefit of individuals and the government does *not* have administrative involvement with the assets or direct financial involvement with the assets. In addition, the assets are *not* derived from the government's provision of goods or services to those individuals.
- The assets are for the benefit of organizations or other governments that are *not* part of the financial reporting entity. In addition, the assets are *not* derived from the government's provision of goods or services to those organizations or other governments.

Reporting Fiduciary Activities—Fiduciary Funds

- Revised definitions for
  - Pension trust funds
  - Investment trust funds, and
  - Private-purpose trust
- *Custodial funds* would report fiduciary activities for which there is no trust agreement or equivalent arrangement.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Reporting Fiduciary Activities—Fiduciary Funds

- Pension (and other employee benefit) trust funds are used to report fiduciary activities for the following:
  - Pension plans and OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively
  - Other employee benefit plans for which (1) assets are held in a trust in which the government itself is not a beneficiary, the assets are dedicated to providing benefits to recipients in accordance with the benefit terms, and are legally protected from the creditors of the government and (2) contributions to the trust and earnings on those contributions are irrevocable.

Reporting Fiduciary Activities—Fiduciary Funds

- Investment trust funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the specific criteria (dedicated and protected).
- Private-purpose trust funds are used to report all fiduciary activities that:
  - Are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and
  - Are held in a trust that meets the specific criteria (dedicated and protected).

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Reporting Fiduciary Activities—Fiduciary Funds

- Custodial funds are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds.
  - The external portion of investment pools that are not held in a trust that meets the criteria (dedicated and protected) should be reported in a separate "external investment pool fund" column, under the custodial funds classification.

Other Reporting Requirements

- Additions would be presented disaggregated by source and, if applicable, separately display investment earnings, investment costs, and net investment earnings
- Deductions would be presented disaggregated by type and, if applicable, separately display administrative costs
  - Disaggregated additions and deductions requirement would apply to the statement of changes in fiduciary net position for all fiduciary funds *except* custodial funds held for three months or less

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Liability Recognition

- A government should recognize a liability to the ***beneficiaries*** in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
  - Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets.
    - County would recognize a liability when it collects taxes for other governments, even though it may not be required to distribute the taxes to those governments for a prescribed period
- Liabilities other than those to beneficiaries should be recognized in accordance with existing accounting standards using the economic resources measurement focus.

Effective Date & Transition

- Effective for reporting periods beginning after December 15, 2018
- Earlier application is encouraged
- Changes to conform to the provisions should be applied retroactively by restating financial statements, if practicable, for all prior periods presented
- In first period that this Statement is applied, the notes to the financial statements should disclose the nature of the restatement and its effect.

Leases

Statement No. 87

Leases

- **What:** The Board issued Statement 87 to improve lease accounting and financial reporting
- **Why:** The existing standards had been in effect for decades without review to determine if they remain appropriate in light of GASB conceptual framework 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:** Effective date is periods beginning after December 15, 2019

Approach

- 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

Scope

- 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

Scope Exclusions

1. Leases of intangible assets (mineral rights, patents, software, copyrights)
2. Leases of biological assets (including timber, living plants, and living animals)
3. Leases of inventory
4. Service concession arrangements (Statement 60)
5. Conduit Debt financed assets (unless both the asset and the debt are reported by the lessor)
6. Supply contracts (such as power purchase agreements)

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Reporting Model for Leases

- Underlying assumption that leases are <u>financings</u>
- No classification of leases into operating/capital or other categories
- Exceptions (lessors and lessees)
  - Short-term leases
  - Leases that transfer ownership and do not contain termination options
- Exceptions for lessors
  - Leases of assets that are investments
  - Certain regulated leases (e.g., airport-airline agreements)

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Lease Term

- For *financial reporting,* when does the lease start and end?
  - Starts with the noncancelable period, plus periods covered by lessees' and lessors' options to:
    - Extend the lease, if the option is *reasonably certain* of being exercised
    - Terminate the lease, if the option is *reasonably certain* of NOT being exercised
  - Excludes "cancelable" periods
    - Periods for which lessee and lessor each have the option to terminate or both parties have to agree to extend
      - Rolling month-to-month leases
  - Fiscal funding/cancelation clauses ignored unless *reasonably certain* of being exercised

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Reassessment of Lease Term

- Reassess the lease term only if one or more of the following occurs:
  a. Lessee or lessor elects to exercise an option even though originally determined that the lessee or lessor would *not* exercise that option
  b. Lessee or lessor elects to *not* exercise an option even though previously determined that the lessee or lessor would exercise that option
  c. An event specified in the contract that requires an extension or termination of the lease takes place.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Leases Overview—Initial Reporting

	Assets	Liability	Deferred Inflow
LESSEE	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
LESSOR	• Lease receivable (generally including same items as lessee liability) • Continue to report leased asset	NA	Equal to lease receivable plus any cash received up front that relates to a future period

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Leases Overview—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	• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less payment needed to cover accrued interest)	NA	Recognize revenue over the lease term in a systematic and rational manner

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Recognition & Measurement

- Recognize:
  - A liability for future lease payments, and
  - An intangible capital asset for the right to use the underlying asset (the "lease asset")

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Initial Measurement

- Initial measurement of a lease liability includes:
  - Fixed payments (less any lease incentives receivable from the lessor)
  - Variable payments based on an index or rate (such as CPI), using the rate as of the beginning of lease
  - Variable payments that are fixed in substance
  - Residual value guarantees *reasonably certain* of being required
  - Purchase options *reasonably certain* of being exercised
  - Termination penalties, if lease term reflects lessee exercising termination options/fiscal funding clauses
  - Any other *reasonably certain* payments

LESEE—Initial Measurement, continued

- Lease liability does not include lease payments that are dependent on a lessee's performance or usage of an underlying asset
- Lease liability payments discounted using the rate the lessor charges the lessee (may be implicit) or, if that rate cannot be readily determined, the lessee's incremental borrowing rate

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Subsequent Recognition

- Lease liability reduced for actual payments less amortization of discount on lease liability (interest expense)

- EXAMPLE:

Interest Expense			$4,000	
Lease Liability			$18,000	
	Cash			$22,000
(To record cash payment, interest expense, and reduction of liability.)				

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Remeasurement

- Remeasure lease liability when certain changes occur if it is expected to significantly affect liability measurement (paragraph 25)
- If liability remeasured
  - Adjust liability for change in variable payments index/rate
  - Update discount rate when certain other judgments change
- Adjustments to the lease liability generally should adjust the lease asset by the same amount
  - Exception if adjustment is greater than carrying value of asset, difference is recognized in the flows statement

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Lease Asset

- Lessee's right-to-use lease asset
  - Initially measure lease asset as the sum of:
    a. Initial lease liability
    b. Any prepayments (amounts paid for the lease prior to measuring the lease liability)
       - Less any incentives *received* from the lessor
    c. Initial direct costs that are necessary ancillary charges to place the leased asset into use
       - Other initial direct costs (e.g., insurance, legal, administrative) should be expensed

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Lease Asset, continued

- Lease asset amortized using a systematic and rational manner over the shorter of the useful life of the underlying asset or the lease term
  - Lease asset amortization *may* be combined with depreciation expense for other capital assets
  - If the lease has a purchase option which is reasonably certain of being exercised, amortize over the useful life of the underlying asset as if the lessee owns the underlying asset, using the lessee's depreciation policy
  - If the underlying asset is non-depreciable the lease asset should not be amortized

LESSEE—Lease Asset, continued

- Lease asset generally adjusted by the same amount as lease liability.
  - If this change reduces the carrying value of the lease asset to zero, any remaining amount is a gain
- If the underlying asset becomes impaired, apply capital asset impairment guidance of Statement 42 to the right-to-use lease asset

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSEE—Disclosures

a. A general description of leasing arrangements, including
   1. Basis, terms, and conditions, on which variable lease payments are determined
   2. Existence, terms, and conditions, of residual value guarantees provided by the lessee

b. Total amount of assets recorded under leases, and the related accumulated amortization, disclosed separately from other capital assets

c. Lease assets disaggregated by major classes of underlying assets, disclosed separately from other capital assets

d. Variable lease payments recognized during the period but not previously included in the lease liability

LESSEE—Disclosures, continued

e. Other payments recognized during the period but not previously included in the lease liability (such as residual value guarantees or penalties)

f. A maturity analysis of all future lease payments
   - Payments for each of the first five years
   - Payments in five-year increments thereafter
   - Show principal and interest separately

g. Lease commitments, other than short-term leases, for which the lease term has not yet begun

h. Components of any net impairment loss (gross impairment loss less change in lease liability)

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSOR—Recognition & Measurement

- Recognize a lease receivable and deferred inflow of resources
- Do not derecognize the underlying asset and do not recognize a residual asset
  - Depreciate underlying asset as would otherwise, unless required to be returned in its original or enhanced condition or has an indefinite useful life
- In governmental funds, report lease receivable and deferred inflow of resources
  - Recognize deferred inflow of resources as revenue when "available"

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

LESSOR—Disclosures

- Lease activities may be grouped for disclosure purposes

a) A general description of leasing arrangements

b) The total amount of inflows recognized in the reporting period related to leases, if not displayed on face of financials

c) The lease inflows related to variable lease payments and other payments not previously included in the lease receivable

d) If lease payments secure lessor's debt

Other Accounting & Reporting Provisions

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Other Accounting and Reporting Provisions

- Contracts with multiple components
- Contract Combinations
- Subleases
- Sale-Leasebacks
- Lease-Leasebacks
- Intra-Entity Leases

Contracts with Multiple Components

- Separate contracts into lease and nonlease components or multiple lease components
- Allocate consideration to multiple underlying assets if:
  - Differing lease terms, or
  - Are in differing major asset classes for disclosure
- Allocation process:
  - First — use any prices for individual components if price allocation not unreasonable based on contract terms and professional judgment (maximizing observable information)
  - If no prices or if not reasonable, use best estimate based on professional judgment (maximizing observable information)
  - If not practicable to determine best estimate, may account for components as single lease unit

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Contract Combinations

- Contracts entered into at or near the same time with the same counterparty should be considered part of the same lease contract if either of the following criteria is met:
  a. The contracts are negotiated as a package with a single objective
  b. The amount of consideration to be paid in one contract depends on the price or performance of the other contract
- Combined contract then subject to multiple components guidance

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Subleases

- Accounted for as transactions separate from the original lease
  - Do not offset original lease liability and sublease receivable
- Disclosures for original lessee (now the lessor)
  - Include subleases in the general description of lease arrangements
  - *Lessor* transactions related to subleases should be disclosed separately from the original lessee transactions

Sale-Leasebacks

- Qualifying sale required (otherwise it is a borrowing)
- Accounted for as two separate transactions—a sale transaction and a lease transaction—except that
  - Any gain or loss on sale portion deferred and recognized over term of leaseback (but immediately recognize if leaseback is short-term lease)
- If terms are significantly off-market, report based on the substance of the transaction, e.g.:
  - Borrowing, Nonexchange transaction, Advance lease payment
- Disclose terms and conditions of sale-leaseback

Lease-Leasebacks

Example: A school district leases land to a developer. The developer builds a school and leases the school and land back to the school district.

- Accounted for as a *net* transaction (because of right of setoff)
- Disclose (both parties)
  - Gross amounts of the lease and the leaseback

Intra-Entity Leases

- Leases with/between blended component units
  - Eliminations for internal leasing activity take place before the financial statements are aggregated
- Leases with/between discretely-presented component units
  - Treat like normal leases, but
    - Present receivables and payables separately

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Effective Date & Transition

- Effective for periods beginning after December 15, 2019
  - Earlier application encouraged
- Transition
  - Apply retroactively
    - Restate if practicable, cumulative effect if not
  - Leases recognized and measured *using the facts and circumstances that exist at the beginning of the period of implementation* (hindsight)
  - Lessors should *not* restate the assets underlying their existing sales-type or direct financing leases
    - Any residual assets for those leases would become the carrying values of the underlying assets

Financial Reporting Model—Reexamination of Statement 34

Financial Reporting Model Reexamination

- **What:** The Board is redeliberating over comments received in response to the December 2016 Invitation to Comment, the first due process document in the project reexamining the effectiveness of the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6.
- **Why:** A review of these standards found that they generally were effective, but that there were aspects that could be significantly improved.
- **When:** A Preliminary Views is planned for September 2018.

Concerns with Governmental Funds Financial Statements

- Lack of conceptual consistency in recognition of assets and liabilities
- Lack of foundation from which to develop standards for complex transactions
- Some consider it ineffective in conveying that the information is related to fiscal accountability (rather than operational accountability)
  - Focus on financial resources, rather than on economic resources
  - Shorter time perspective than information in government-wide financial statements

Topics Covered in the Invitation to Comment

- Three possible recognition approaches to replace current financial resources/modified accrual:
  - Near-term financial resources
  - Short-term financial resources
  - Long-term financial resources
- Format of governmental funds resource flows statement
  - Existing format v. Current and long-term activities format
- Governmental funds cash flows statement
  - Could be needed for short-term and long-term financial resources approaches because the time perspective is not close to cash

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Tentative Decisions for the Preliminary Views

- Separate presentation of operating and nonoperating revenues and expenses—in proprietary fund and business-type activity (BTA) financial statements
- Budgetary comparisons would be presented in required supplementary information (no option for basic statements)
- Improved format for the government-wide statement of activities
- Permanent funds: determine recognition approach

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Topics Expected to Be Addressed in an Exposure Draft

- Extraordinary and special items—explore options for clarifying the guidance for more consistent reporting
- Management's discussion and analysis (MD&A)
  - Enhance the financial statement analysis component
  - Eliminate boilerplate
  - Clarify guidance for presenting currently known facts, decisions, or conditions
- Debt service funds—explore options for providing additional information, either individually or in aggregate in the financial statements or the notes

Revenue and Expense Recognition

Revenue and Expense Recognition

- **What:** The Board is developing a comprehensive application model for recognition of revenues and expenses from all types of transactions.

- **Why:** Stakeholders have raised questions about how to account for revenues from transactions that are neither fully exchange or nonexchange; the revenue recognition standards incorporated in Statement 62 have not been revised for governments in nearly 50 years; current literature does not provide guidance for exchange and exchange-like expenses.

- **When:** The Board added the project in April 2016.

Tentative Decisions: Project Scope

- The project scope broadly encompasses “all” revenue and expense recognition but excludes the following:

  1. Standards developed considering the current conceptual framework, such as pensions and other post-employment benefits
  2. Standards related to financial transactions, such as investments, derivatives, leases, and insurance
  3. Guidance related to transactions arising from recognition of capital assets or certain liabilities, such as depreciation, asset retirement obligations, and pollution remediation obligations

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Revenue and Expense Recognition Models

	Exchange/Nonexchange Model	Performance Obligation/No Performance Obligation Model
Step 1: Classification	Is the transaction an exchange or nonexchange transaction?	Does the transaction contain a performance obligation?
Step 2: Recognition	***Exchange Transaction*** Recognize based on earnings approach	***Transaction contains a performance obligation*** **-** Recognize based on performance obligation approach
	Nonexchange Transaction Recognize based on eligibility requirements approach (Statement 33)	***Transaction does <u>not</u> contains a performance obligation*** Recognize based on eligibility requirements approach (Statement 33)
Step 3: Measurement	***Measurement is not addressed in this Invitation to Comment and will be addressed in a later due process document.***	

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

GASB Projects

- Exposure Draft, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Capitalization of Interest Cost
- Conduit Debt: Reexamination of Interpretation 2
- Equity Interest Ownership Issues

GASB Pre-Agenda Research Activities

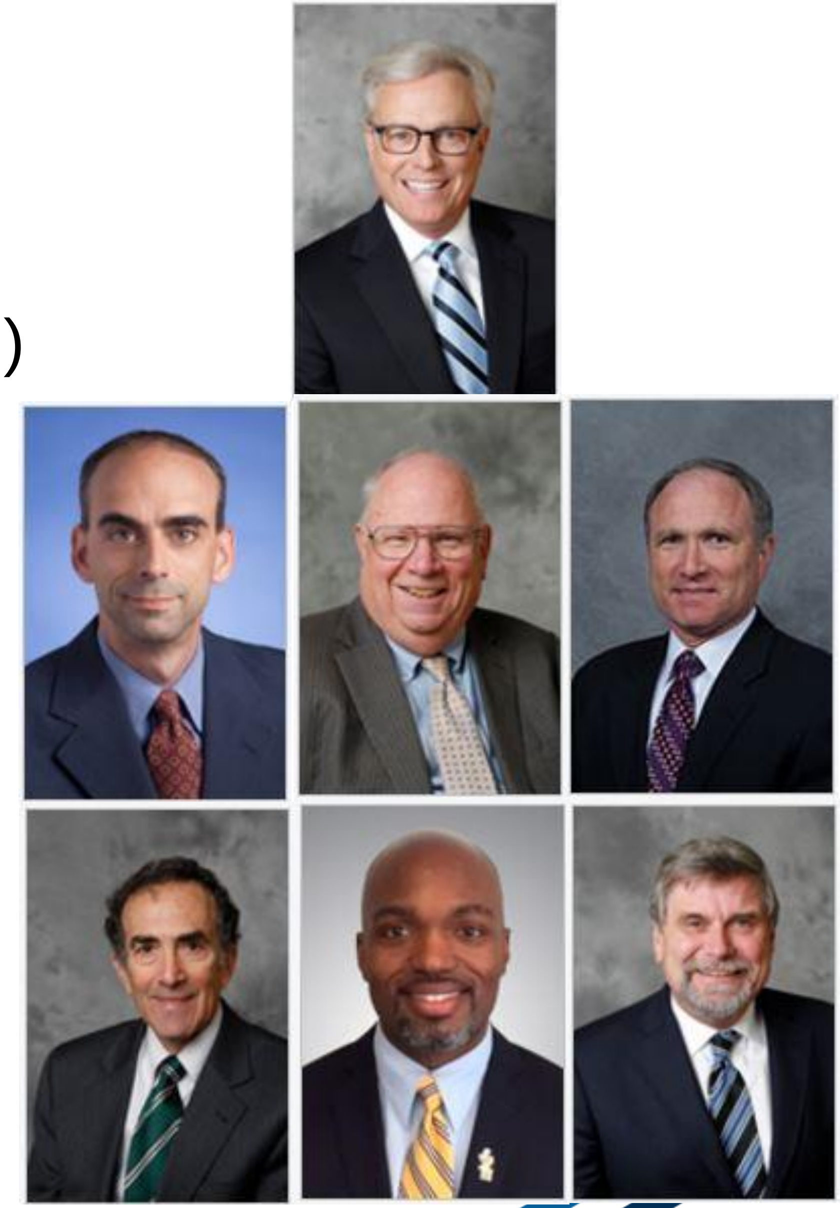
- Going Concern Disclosures: Reexamination of Statement 56
- Information Technology Arrangements, including Cloud Computing
- Note Disclosures Reexamination
- Public-Private Partnerships, including Reexamination of Statement 60
- Social Impact Bonds

Questions?

Visit www.gasb.org

GASB Members

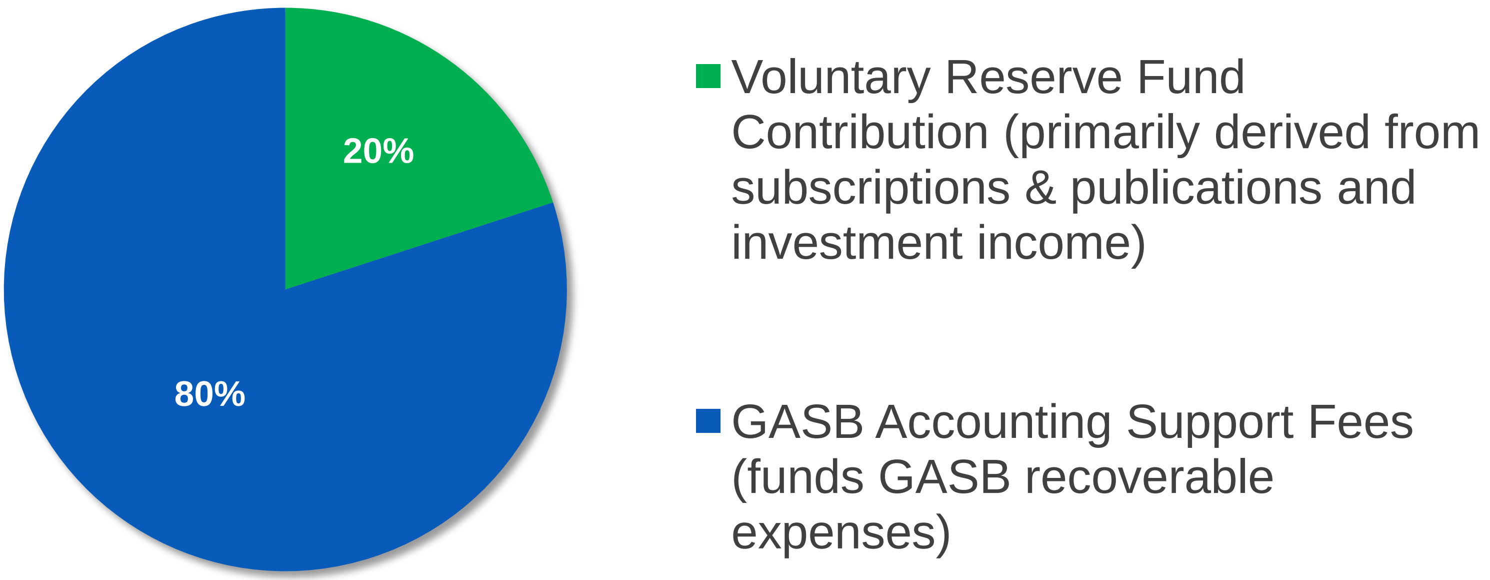
- David A. Vaudt (Chairman)
- Jeffrey J. Previdi (Vice Chairman)
- James E. Brown
- Brian W. Caputo
- Michael H. Granof
- Kristopher E. Knight
- David E. Sundstrom



GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

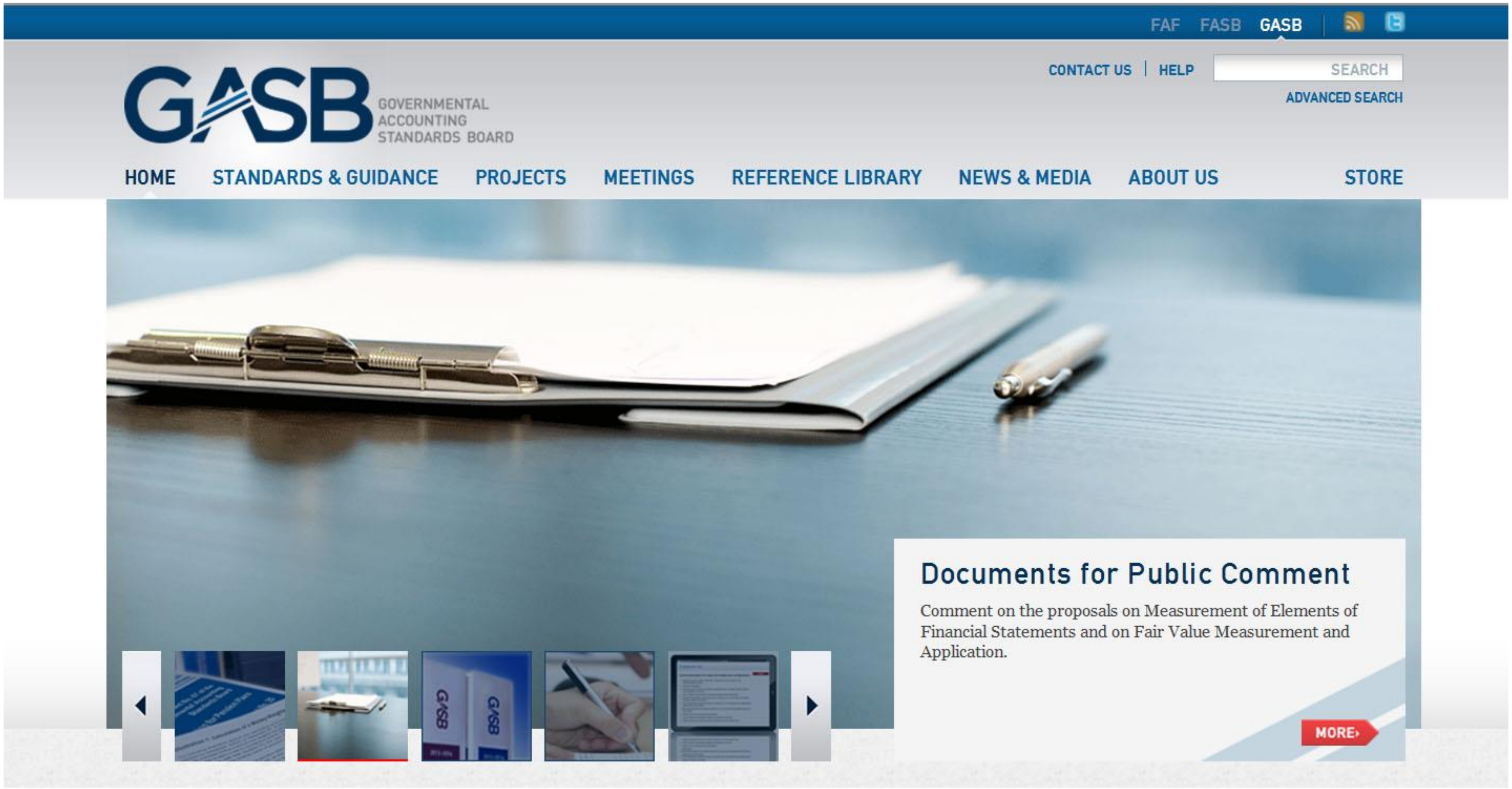
2017

How Is the GASB Funded?



GASB 2017 Accounting Support Fee Assessment
Approx. 440 municipal bond broker-dealers (per Dodd-Frank)
$8.3 million (approx. $52 per firm per day)

www.gasb.org


FAF FASB GASB
CONTACT US | HELP
SEARCH
ADVANCED SEARCH
GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD
HOME STANDARDS & GUIDANCE PROJECTS MEETINGS REFERENCE LIBRARY NEWS & MEDIA ABOUT US STORE
Documents for Public Comment
Comment on the proposals on Measurement of Elements of Financial Statements and on Fair Value Measurement and Application.
MORE›