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LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

PPC's Guide to Preparing Governmental Financial Statements

Twenty-third Edition (September 2018)

Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC's Guide to Preparing Governmental Financial Statements*:

- **New GAAP.** Your *Guide* has been updated to include guidance on the latest GASB pronouncements, including GASB Statement Nos. 88, 89, and 90.
 - GASBS No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, defines debt for purposes of financial statement note disclosures and expands the debt disclosure requirements related to debt, including direct borrowings and direct placements. GASBS No. 88 is effective for reporting periods beginning after June 15, 2018.
 - GASBS No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*, ends the practice of capitalizing interest during construction periods and requires proprietary funds and other business-type activities to expense interest cost in the period in which the cost is incurred. GASBS No. 89 is effective for reporting periods beginning after December 15, 2019.
 - GASBS No. 90, *Majority Equity Interests, an amendment of GASB Statements No. 14 and No. 61*, clarifies how governments should report majority equity interests in a legally separate organization. Reporting differs for those interests that are held as investments compared to those that do not meet the definition of an investment. GASBS No. 90 also includes guidance for reporting a component unit if the primary government acquires a 100% equity interest. This standard is effective for reporting periods beginning after December 15, 2018.
- **Pension and OPEB Guidance.** Chapter 8 has been revised to focus on the implementation of standards for pensions and OPEB. Your *Guide* includes sample journal entries to illustrate how cost-sharing employers can record adjustments for their government-wide statements along with sample notes and RSI updated for GASBS No. 74. The illustrative CAFR in the 2018 *Guide* includes several types of pension and OPEB plans to provide additional examples of how governments are revising their financial reporting for pensions and OPEB.
- **Disclosure Illustrations for the Latest GASB Standards.** Your *Guide* has been updated to include a new illustrative CAFR for a town with several pension and OPEB plans, including a single employer pension plan, participation in a statewide cost-sharing plan, an agent plan, a closed pension plan, a defined contribution plan, and a single-employer OPEB plan.
- **GASB Comprehensive Implementation Guide and Implementation Guide Nos. 2017-3 and 2018-1.** Your *Guide* has been updated for changes included in the GASB Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*. Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, is one of the implementation guides specific to a particular GASB standard, GASBS No. 75.

Your *Guide* has been updated to include a variety of questions and answers from this new implementation guide to further assist you with implementing the employer OPEB standard, which was effective for fiscal years beginning after June 15, 2017. Implementation Guide No. 2018-1 supersedes or amends eight questions in previous implementation guides and adds nine new questions. We have highlighted some of the most interesting changes throughout this *Guide*. We continue to add a variety of Q&A's to Chapter 8 to help you implement the guidance for pension and OPEB plans in the governmental environment. Your *Guide* also includes references to the most recent *Comprehensive Implementation Guide*.

- **AICPA Audit and Accounting Guide, State and Local Governments.** Your *Guide* has been updated for revisions in the AICPA Audit and Accounting Guide, *State and Local Governments*.
- **GASB Projects Nearing Completion.** Your *Guide* also alerts you to GASB projects expected to be issued as final pronouncements in early in 2019, including the proposed statement on conduit debt. Your *Guide* also addresses a preliminary proposal on revisions to the reporting model, a preliminary proposal for a concepts statement on recognition principles, and the upcoming exposure draft of a new implementation guide on fiduciary activities.
- **Disclosure Checklist.** Your *Guide* continues to include the most comprehensive listing of disclosure requirements for governmental entities. We have updated our checklist again this year for the latest accounting and reporting pronouncements to help ensure that your financial statements are correct and complete.

In addition to these featured items, your *Guide* includes the following update items detailed below.

| <u>Chapter</u> | <u>Substantive Changes and Additions</u> | <u>Reference</u> |
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| GENERAL | 1. Addressed new GASB standards and the 2018 edition of the AICPA Audit and Accounting Guide, <i>State and Local Governments</i> . | Throughout chapters and practice aids (as applicable) |
| | 2. Addressed the GASB <i>Comprehensive Implementation Guide</i> , GASB Implementation Guide No. 2017-3, <i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)</i> , and GASB Implementation Guide No. 2018-1, <i>Implementation Guidance Update—2018</i> . | Throughout chapters and practice aids (as applicable) |
| | 3. Deleted references to superseded guidance in GASBS No. 45 to reflect the effective dates of new guidance for OPEB accounting and reporting. | Throughout chapters and practice aids (as applicable) |
| | 4. Updated references to illustrative financial statements in Appendix A-1 to highlight examples of key reporting issues. | Throughout chapters and practice aids |
| CHAPTER 1 Introduction | 1. Updated to cover pronouncements through GASBS No. 90, <i>Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61</i> , and GASB Implementation Guide No. 2018-1. | Paragraphs 100.8–.9 |
| | 2. Updated the discussion of the applicable pension and OPEB standards as newer standards supersede older guidance. | Paragraph 100.9 |

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| | 3. Updated to explain annual revisions to the <i>GASB Comprehensive Implementation Guide</i> , the issuance of an annual update Q&A Guide (GASB Implementation Guide No. 2018-1) and GASB Implementation Guide No. 2017-3, and the changes in the AICPA Audit and Accounting Guide, <i>State and Local Governments</i> . | Paragraphs 100.19 and 107.13–14 |
| | 4. Updated the discussion to reflect (a) the issuance of the 2018 Yellow Book and the revised guidance for auditor independence, and (b) the delay in the effective date of the AICPA interpretation on hosting services. | Section 111 |
| | 5. Updated the future developments section to list current exposure drafts discussed in the <i>Guide</i> . Expanded the discussion of GASBS No. 84 and the Exposure Draft that is expected to be released of a GASBS No. 84 Implementation Guide. | Section 112 |
| CHAPTER 2 Fund Accounting Overview | 1. Updated for new GASB pronouncements. | Throughout, including Paragraphs 200.6 and 205.13 |
| | 2. Updated the discussion of the GASB recognition concepts project for actions taken to date and current status, including the new Preliminary Views documents on recognition concepts and financial reporting improvements. | Paragraph 202.2 and Section 211 |
| CHAPTER 3 Fund Definitions and Interfund Activity | 1. Expanded the discussion of upcoming changes in fiduciary funds when GASBS No. 84 is implemented. | Paragraphs 300.9 and 300.42 |
| | 2. Added a discussion of the Exposure Draft that is expected to be released of a GASBS No. 84 Implementation Guide. | Paragraph 300.69 |
| | 3. Expanded the discussion of recent GASB pronouncements. | Appendix 3B |
| | 4. Added a new worksheet to determine fiduciary reporting under GASBS No. 84. | Appendix 3C |
| CHAPTER 5 Operating Expenditures/ Expenses and Liabilities (Other Than Employee Benefits) | 1. Updated references to GASB Implementation Guides. | Paragraphs 507.1 and 507.3 |
| | 2. Updated the guidance to only reflect currently effective guidance in GASBS No. 75. | Paragraphs 507.31–507.32 |
| | 3. Added a discussion of GASBS No. 89, <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i> . | Section 515 |

| <u>Chapter</u> | <u>Substantive Changes and Additions</u> | <u>Reference</u> |
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| CHAPTER 6 Cash and Investments | 1. Added discussion of GASBS No. 90, <i>Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61</i> . | Paragraphs 600.4(y), 600.5 (Exhibit 6-1), 602.6–602.7, 602.30–602.33, and 608.3 |
| CHAPTER 7 Capital Assets, Including Intangibles and Infrastructure | 1. Added a discussion of GASBS No. 89, <i>Accounting for Interest Cost Incurred Before the End of a Construction Period</i> . | Paragraphs 702.6, 702.22, 708.4, 709.1, and 710.2 |
| CHAPTER 8 Employee Benefits | 1. Expanded the discussion of OPEB Q&A guidance in the GASB Implementation Guides 2017-2 and 2017-3 and updated references to questions that have been incorporated into the <i>GASB Comprehensive Implementation Guide</i> . | Paragraph 800.13 and Sections 803 and 806–808 |
| | 2. Revised Appendix 8C to illustrate GASBS No. 75 disclosures and RSI for employers participating in a single-employer, agent multiple-employer, cost-sharing, and a plan without a trust. | Appendix 8C |
| | 3. Revised Appendix 8D to illustrate GASBS No. 74 plan reporting, disclosures, and RSI for a single-employer plan. | Appendix 8D |
| CHAPTER 9 Debt and Debt Service | 1. Expanded the discussion of debt service fund reserves required by bond indentures. | Paragraph 904.20 |
| | 2. Added a discussion of GASBS No. 88, <i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i> . | Paragraphs 916.5–916.6 |
| | 3. Added a discussion of the GASB Exposure Draft, <i>Conduit Debt Obligations</i> . | Paragraphs 912.5 and Section 919 |
| CHAPTER 10 Financial Reporting Overview | 1. Added a discussion of GASBS No. 90 provisions relating to financial reporting. | Paragraphs 1000.9, 1005.11, 1006.3, and 1006.38 |
| | 2. Added a discussion of the GASB Preliminary Views document, <i>Financial Model Reporting Improvements</i> . | Paragraphs 1000.34–1000.37 |
| | 3. Expanded the discussion of interim financial reports. | Paragraph 1002.4 |
| | 4. Updated Appendix 10A for relevant provisions from GASBS Nos. 84, 85, and 90 so that it can be used regardless of whether GASBS Nos. 84 or 90 have been implemented. (GASBS No. 85 is already effective.) Added practical considerations to outline key changes caused by these new reporting standards. | Appendix 10A |
| CHAPTER 11 Presenting Fund Financial Statements | 1. Added a discussion of GASBS Nos. 84 and 90 provisions relating to financial reporting. | Paragraphs 1100.5–.6 |

| <u>Chapter</u> | <u>Substantive Changes and Additions</u> | <u>Reference</u> |
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| | 2. Added a reference to examples in <i>PPC's Governmental Financial Statement Illustrations and Trends</i> . | Paragraph 1105.12 |
| CHAPTER 12 Deriving Government-wide Financial Statements from Fund Financial Statements | 1. Added a discussion of the differences between net position at the government-wide level and fund balances in the governmental fund statements. | Paragraph 1200.11 |
| | 2. Revised Appendix 12A to illustrate the effect of recent GASB standards and add journal entries to illustrate recording for deferred outflows of resources and deferred inflows of resources. | Appendix 12A |
| CHAPTER 13 Notes to Basic Financial Statements | 1. Expanded the discussion of the purpose of the notes to provide additional advice to preparers. | Paragraph 1301.4 |
| | 2. Added a discussion of GASBS No. 88. | Paragraphs 1305.5–1305.6 |
| | 3. Updated the illustrative summary of significant accounting policies to include accounting information about pension and OPEB financial reporting. | Appendix 13A |
| CHAPTER 14 Budgetary Reporting | 1. Added a discussion of governments that combine several funds used for budgetary purposes to report a single General Fund for GAAP purposes. | Paragraph 1402.10 |
| CHAPTER 15 Management's Discussion and Analysis | 1. Updated the discussion to reflect (a) the issuance of the 2018 Yellow Book and the revised guidance for auditor independence, and (b) the delay in the effective date of the AICPA interpretation on hosting services. | Paragraph 1503.2, footnotes 1 and 2 |
| | 2. Expanded the illustrative MD&A to outline how implementation of new OPEB accounting standards has affected the government. Revised the summary tables to separate pension and OPEB information. | Appendix 15A |
| | 3. Added a question about implementation of GASB Standards and the effect on a government's financial reporting. | Appendix 15B, Part II, Item 3 |
| | 4. Expanded the discussion of the Financial Highlights section of the MD&A. | Appendix 15B, Part II, Item 17 |
| CHAPTER 17 States and Special Purpose Governments | 1. Updated the discussion of and references to <i>GASB Comprehensive Implementation Guide</i> . | Paragraphs 1700.17–1700.18 and 1704.1 |
| | 2. Deleted references to GFOA's Certificate of Conformance program, which has been discontinued. | Section 1703 |
| | 3. Added a reference to <i>PPC's Governmental Financial Statement Illustrations and Trends</i> for examples of school district reporting. | Paragraph 1703.62 |

| <u>Chapter</u> | <u>Substantive Changes and Additions</u> | <u>Reference</u> |
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| APPENDIX A Comprehensive Annual Financial Reports (CAFR) | 1. Included a new set of illustrative financial statements that address new accounting pronouncements. | Appendix A-1 |
| APPENDIX B Governmental Disclosure Checklist | 1. Updated the governmental disclosure checklists for recently issued accounting pronouncements. | Appendixes B-1, B-1a, and B-1b |