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Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*



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**Implementation Guide No. 2020-1,
*Implementation Guidance Update—2020***

April 2020



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
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Implementation Guide of the Governmental Accounting Standards Board

Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*

April 2020

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INTRODUCTION

1. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements.

IMPLEMENTATION GUIDANCE

Applicability of This Implementation Guide

2. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer.

3. This Implementation Guide amends *Implementation Guide No. 2015-1*, Questions 4.9.1, 5.61.1, 5.117.1, and 6.43.1; *Implementation Guide No. 2017-1, Implementation Guidance Update—2017*, Questions 5.7 and 5.20; *Implementation Guide No. 2017-2, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, Question 4.9; *Implementation Guide No. 2017-3, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Question 4.8; and *Implementation Guide No. 2019-2, Fiduciary Activities*, paragraph 6.

New Questions and Answers

4. Questions and answers in this paragraph are new Category B guidance in the hierarchy of generally accepted accounting principles.

The Financial Reporting Entity

4.1. Q—A legally separate organization that is a defined benefit pension plan sets a required contribution amount through an actuarial valuation. A primary government that is the only employer contributing to the plan has the authority to change the required contribution amount. Does this authority create fiscal dependency?

A—Yes. The authority of the primary government to change the required contribution amount is equivalent to approving rates of the defined benefit pension plan. The primary government holds the power to set the plan's rates; therefore, the defined benefit pension plan would be fiscally dependent on the primary government.

4.2. Q—In the example in Question 4.1, would the answer change if the primary government were required to contribute an amount set by the defined benefit pension plan?

A—Yes. If the primary government does not have the authority to change the required contribution amount set by the plan, the primary government would not hold the power to set the plan's rates. Unless the primary government holds one of the other substantive powers identified in paragraph 16 of Statement No. 14, *The Financial Reporting Entity*, the defined benefit pension plan would not be fiscally dependent on the primary government.

Accounting and Financial Reporting for Certain Investments and for External Investment Pools

- 4.3. Q—In the scenario in Question 6.43.1 in Implementation Guide 2015-1, as amended by Question 5.3 in this Implementation Guide, how should the state report the internal portion of the investment pool (its own resources)?

A—The internal portion of the investment pool's balances should be reported as assets or liabilities in the state's governmental fund balance sheet or proprietary fund statement of net position, as applicable, as well as in its government-wide statement of net position. Similarly, resource flows related to those balances should be reported as inflows of resources and outflows of resources in the state's governmental or proprietary fund resource flows statements, as applicable, as well as in its government-wide statement of activities.

Fiduciary Activities

- 4.4. Q—A county sheriff seizes cash and other financial assets from an individual suspected of committing a crime. The cash is deposited into a separate bank account in the county's name. The seized assets are held by the sheriff until the defendant is tried in court and the court issues a verdict. State law provides that the asset seizures are not the property of the county and cannot be spent until a judgment is rendered. If the court concludes that the assets were used in the commission of the crime, the cash and other financial assets are forfeited. Upon forfeiture, seized cash and other financial assets are distributed to various law enforcement agencies (including the county sheriff) pursuant to the court order. If the court concludes the assets were not used in the commission of the crime, the seized assets are returned to the defendant. Should the county report the holding of the seized cash and other financial assets as a fiduciary activity until a judgment is rendered?

A—Yes. The seized cash and other financial assets are held by the county; therefore, the control criterion as discussed in paragraph 12 of Statement No. 84, *Fiduciary Activities*, is met. The assets are not derived from the county's own-source revenues as discussed in paragraph 13 of Statement 84 because, based on the state law, resources held via asset seizures are not the property of the government until the court concludes that the assets were used in the commission of a crime; therefore, acquisition of those resources is not an imposed nonexchange revenue. The assets also are not derived from government-mandated nonexchange transactions or voluntary nonexchange transactions. Finally, the assets are for the benefit of an individual (the defendant), and the county does not have administrative involvement (it is not establishing specific guidelines for how the resources can be spent until after there is a judgment) or direct financial involvement. As a result, the activity (financial assets and related net position) should be reported as a fiduciary activity until a judgment is rendered.

- 4.5. Q—A school district holds the resources raised by the ski club. There is a school board policy that states that the resources raised by the ski club can be spent only on an annual ski club trip. The policy does not establish the specific types of ski trip disbursements that are acceptable for payment. A school district staff member is required to monitor compliance with the requirements of the activity. Does the school district have administrative involvement, as discussed in paragraph 11c(2) of Statement 84?

A—Yes, the school district has administrative involvement. The school district's role is substantive because the school district has established specific guidelines in an approved policy that defines the purposes for which the club's resources can be spent. In addition,

the school district has administrative involvement because a school district staff member is monitoring compliance with the requirements of the activity.

Leases

- 4.6. Q—A city enters into an agreement that allows an organization to use one floor of a city building at a market rate. The contract states that the space is to be used only for a restaurant. Does the organization have control of the right to determine the nature and manner of use of the space for purposes of meeting the criterion in paragraph 5b of Statement No. 87, *Leases*?

A—Yes. Paragraph 5b of Statement 87 states that control includes the “right to determine the nature and manner of use of the underlying asset *as specified in the contract*” (emphasis added). The organization has control of the right to determine the nature and manner of use of the space within the parameters of the contract (for a restaurant); therefore, the criterion in paragraph 5b is met.

- 4.7. Q—An electric utility enters into a contract with a nongovernmental telecommunications company that allows the telecommunications company to install an antenna on one of the electric utility’s transmission poles. The electric utility will determine the location of the antenna on the pole and retains the right to move the antenna to another location on the pole. Does this contract convey control of the right to use the underlying asset?

A—Yes. In this example, the electric utility conveys the right to use a connection point on the pole. As discussed in Question 4.9 in Implementation Guide No. 2019-3, *Leases*, a right of substitution does not affect the determination of whether a contract conveys control of the right to use an underlying asset. Even though the electric utility can change the specific connection point, the telecommunications company maintains the same right to obtain the present service capacity from use of a connection point.

- 4.8. Q—A county leases a piece of equipment. The noncancellable period is five years, and the county has an option to extend for another two years. The county initially determines that it is not reasonably certain that it will exercise the option to extend and, therefore, assesses the lease term to be five years. In year three, the county determines that it has become reasonably certain that it will exercise the option to extend but does not plan to make the election (by notifying the lessor) until year five. Should the county reassess the lease term in year three?

A—No. Paragraph 15 of Statement 87 provides that the lease term should be reassessed if the lessee elects to exercise an option that previously was not reasonably certain of being exercised. Therefore, the county should not reassess the lease term until it exercises the option to extend by notifying the lessor—in this case, in year five—even if it becomes reasonably certain of doing so in year three.

- 4.9. Q—A government enters into a three-year lease contract. However, both the lessee and the lessor have a right to cancel at any time with 60 days’ advance notice. For purposes of determining whether this lease is a short-term lease, what is the maximum possible term?

A—The maximum possible term is 60 days. Paragraph 16 of Statement 87 states, “for a lease that is cancelable by either the lessee or the lessor . . . the maximum possible term is the noncancelable period, including any notice periods.” In this example, there is no noncancellable period other than the notice period. Therefore, the maximum possible term is only the notice period of 60 days, and the lease is a short-term lease.

- 4.10. Q—A governmental housing authority enters into a 12-month residential lease contract that states the lessee may renew. If the lessee decides to renew, the housing authority and the lessee will enter into a separate lease contract at a later date for the subsequent 12-month period. Is the existing 12-month residential lease contract a short-term lease under Statement 87?

A—Yes. Paragraph 16 of Statement 87 provides that a short-term lease has a maximum possible term *under the contract* of 12 months or less, including any options to extend. Although the lease contract states that the lessee may renew, the lessee does not have a unilateral right to extend the existing contract because the housing authority and the lessee would enter into a new contract for the subsequent 12 months. Therefore, the maximum possible term under the existing contract is 12 months, and the lease is a short-term lease.

- 4.11. Q—A city leases boat slips in its marina to boat owners. Each lease is for 12 months and does not contain an option to extend. A certain boat owner has signed a new lease every year for the past 20 years, and the city expects her to continue to do so. Is this a short-term lease?

A—Yes. Whether a lease is a short-term lease depends on the terms of the contract. The history of new leases being signed every year and the likelihood of a new lease being signed next year are not relevant for making the determination of whether a lease is a short-term lease.

- 4.12. Q—A city leases a fleet of golf carts for its municipal golf course. The city will own the golf carts at the end of the agreement unless it exercises its option to terminate the lease, which it may do at any time without making further payments. For financial reporting purposes, should this transaction be reported as a lease or a financed purchase?

A—This transaction should be reported as a lease. Paragraph 19 of Statement 87 provides for a contract that transfers ownership to be reported as a financed purchase only if that contract does not contain termination options (although it may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised).

- 4.13. Q—A lessee is entitled to a rebate (lease incentive) of \$500,000 at the end of the 10th year of a lease. At the commencement of the lease, how should the lessee report the \$500,000 receivable from the lessor?

A—Paragraph 21 of Statement 87 requires that the lessee include the present value of the lease incentive receivable from the lessor in the initial measurement of the lease liability. In this example, the lessee should reduce the lease liability by the present value of \$500,000. Because paragraph 30 of Statement 87 requires the lessee to include the amount of the initial measurement of the lease liability in the amount of the initial measurement of the lease asset, the lease incentive receivable also affects the measurement of the lease asset.

- 4.14. Q—A port authority is a marine terminal operator as defined by the Federal Maritime Commission. The United States Shipping Act requires, in part, that a “marine terminal operator may not (1) agree with another marine terminal operator or with a common carrier to boycott, or unreasonably discriminate in the provision of terminal services to, a common carrier or ocean tramp; (2) give any undue or unreasonable preference or advantage or impose any undue or unreasonable prejudice or disadvantage with respect

to any person; or (3) unreasonably refuse to deal or negotiate.” For leases subject to those regulations, has the requirement in paragraph 43c of Statement 87 been met?

A—Yes. Paragraph 43c of Statement 87 requires prohibition of unjust discrimination in leasing. The requirements of the United States Shipping Act quoted above related to terminal services meet that requirement.

- 4.15. Q—Paragraph 47 of Statement 87 requires a lessor to discount the future lease payments to be received using the interest rate the lessor charges the lessee. How should the lessor determine that rate?

A—If the lease contract contains a stated interest rate, the stated rate generally is the rate the lessor charges the lessee. If the stated rate is the rate the lessor charges the lessee, the lessor should use that rate. If there is no stated rate (or if the stated rate is not the rate the lessor charges the lessee), the lessor should determine whether the rate implicit in the lease can be estimated. Paragraph 47 of Statement 87 provides that lessors may apply the guidance for imputation of interest in paragraphs 173–187 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. Paragraph 183 of Statement 62 states that “the prevailing rates for similar instruments of issuers with similar credit ratings will normally help determine the appropriate interest rate. . . .” Lessors should use professional judgment to determine their best estimate for the interest rate, maximizing the use of observable information; for example, using the lessee’s estimated incremental borrowing rate or published market rates for similar instruments. If there is no stated rate (or if the stated rate is not the rate the lessor charges the lessee) and the implicit rate cannot be determined, the lessor may presume (unless there is persuasive evidence to the contrary) that it is recovering its cost associated with interest cost and use the lessor’s own incremental borrowing rate as the discount rate.

- 4.16. Q—A governmental lessor receives payments related to a building lease during a construction period before the lessee gains access to the building. How are those payments reported by the lessor?

A—The lessor should recognize a liability at the time the payments are received from the lessee. At the commencement of the lease term, the liability should be reduced, and the payments should be included in the initial measurement of the deferred inflow of resources to the extent that they relate to future periods in accordance with paragraph 53b of Statement 87.

- 4.17. Q—Paragraph 61 of Statement 87 states that a lessor’s assumption of a lessee’s preexisting lease obligations to a third party is an example of a lease incentive. Should a lessee derecognize its preexisting lease liability when the lessor agrees to make the remaining payments on the preexisting lease?

A—No. The lessee should continue to report the preexisting lease liability until payments to the preexisting lessor are made or the liability is otherwise legally relieved.

Other Implementation Guidance

Statement No. 83, Certain Asset Retirement Obligations

- 4.18. Q—Paragraph 6c of Statement No. 83, *Certain Asset Retirement Obligations*, stipulates that the provisions of that Statement do not apply to obligations for pollution remediation that result from other-than-normal operation of a tangible capital asset. Are all asbestos removal obligations considered to be the result of other-than-normal operations of

tangible capital assets for financial reporting purposes and, therefore, pollution remediation obligations within the scope of Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, rather than asset retirement obligations?

A—Yes. Asbestos removal is required by environmental laws and regulations and is intended to minimize the release of asbestos fibers during activities that potentially would disturb asbestos if it is left in place. Those activities include demolitions and renovations of all facilities, including but not limited to structures, installations, and buildings. As such, asbestos removal does not result from normal operations of capital assets including facilities, and asbestos removal obligations are not asset retirement obligations; rather, they are pollution remediation obligations. Consequently, all obligations for asbestos removal are within the scope of Statement 49 rather than Statement 83.

Statement No. 91, Conduit Debt Obligations

- 4.19. Q—A government issues debt on behalf of a third-party obligor. Issuance fees are paid to the government directly from the debt proceeds, with the remainder of the debt proceeds being paid to the third-party obligor. Does this arrangement have the characteristic described in paragraph 6d of Statement No. 91, *Conduit Debt Obligations*—that is, in this circumstance, has the third-party obligor, or its agent, ultimately received the debt proceeds?

A—Yes. When issuance fees are paid directly from bond proceeds, generally it is a matter of convenience so that the third-party obligor does not have to make a separate payment to the government issuer for those fees. In this example, the arrangement has the characteristic described in paragraph 6d even though issuance fees are paid directly to the issuer from the debt proceeds.

- 4.20. Q—A state issues conduit debt on behalf of a local government. The local government also receives appropriations from the state. As part of the conduit debt agreement, the state will pay directly to the bond trustee a portion of the appropriation made to the local government in order to cover the debt service payments for the conduit debt. Those payments are not associated with significant financial stress of the local government. Does this appropriation intercept constitute an additional commitment or a voluntary commitment, as described in paragraphs 8 and 9 of Statement 91?

A—No. An additional commitment or a voluntary commitment requires an issuer to use its own resources to support debt service payments in the event the third-party obligor is, or will be, unable to do so. In this example, the debt service is being paid from the local government's resources, and the state is performing only an administrative function. The redirection of state appropriations is not done because the third-party obligor will be unable to make its debt service payments. Therefore, this intercept mechanism does not constitute an additional commitment or a voluntary commitment on the part of the state.

- 4.21. Q—In an arrangement associated with conduit debt described in paragraph 18 of Statement 91, the third-party obligor has an option to purchase the capital asset that can be exercised only at the end of the arrangement. How should the issuer report this arrangement?

A—The financial reporting treatment for the arrangement depends on whether the title to the capital asset passes to the third-party obligor at the end of the arrangement. In this example, the issuer should base the reporting for the arrangement on either paragraph 21 or paragraphs 22 and 23 of Statement 91, which are applicable when an issuer retains title, until such time (if any) as the purchase option is exercised. If the third-party obligor has exclusive use of the *entire* capital asset during the arrangement, the issuer

would apply paragraph 21 of Statement 91. If, at the end of the arrangement, the third-party obligor exercises the option to purchase the capital asset, the issuer would not recognize the capital asset but would recognize an inflow of resources for the purchase price. If the third-party obligor has exclusive use of *portions of* the capital asset during the arrangement, the issuer would apply paragraphs 22 and 23 of Statement 91. If, at the end of the arrangement, the third-party obligor exercises the option to purchase the capital asset, the issuer would derecognize the capital asset and recognize an inflow or outflow of resources, as appropriate, for the difference between the carrying value of the capital asset and the purchase price.

Amendments to Previously Issued Questions and Answers

5. Questions and answers in this paragraph amend questions and answers in previously issued Implementation Guides.

Pensions—Plan and Employer Accounting and Reporting

Question 5.61.1 in Implementation Guide 2015-1, as Amended by Question 5.7 in Implementation Guide 2017-1

5.1. Q—A pension plan’s trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with a plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 3a of Statement No. 67, *Financial Reporting for Pension Plans*, regarding the irrevocability of contributions?

A—Yes. As used in paragraph 3a of Statement 67, irrevocability is understood to mean that an employer no longer has ownership of or a right to the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

Question 5.117.1 in Implementation Guide 2015-1, as Amended by Question 5.20 in Implementation Guide 2017-1

5.2. Q—A pension plan’s trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with a plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 4a of Statement No. 68, *Accounting and Financial Reporting for Pensions*, regarding the irrevocability of contributions?

A—Yes. As used in paragraph 4a of Statement 68, irrevocability is understood to mean that an employer no longer has ownership of or a right to the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

Accounting and Financial Reporting for Certain Investments and for External Investment Pools

Question 6.43.1 in Implementation Guide 2015-1

- 5.3. Q—A state government sponsors an investment pool for its own moneys and moneys of legally separate entities that are not component units. The state has determined that the external portion of the pool (that is, the portion for the legally separate entities that are not component units) is a fiduciary activity and that the assets associated with the external portion of the pool have the characteristics identified in paragraph 11c(1) of Statement 84. What are the requirements for presenting the external portion of this pool in the state's annual financial report?

A—The state should report the external portion of the pool as an investment trust fund in the fiduciary fund financial statements. (See Exhibits 41 and 42 in nonauthoritative Appendix B7-1 in Implementation Guide 2015-1.)

Postemployment Benefits Other Than Pensions—Plan and Employer Accounting and Reporting

Question 4.9 in Implementation Guide 2017-2

- 5.4. Q—An other postemployment benefit (OPEB) plan's trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 3a of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, regarding the irrevocability of contributions?

A—Yes. As used in paragraph 3a of Statement 74, irrevocability is understood to mean that an employer no longer has ownership of or a right to the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of paragraph 3 of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

Question 4.8 in Implementation Guide 2017-3

- 5.5. Q—An OPEB plan's trust agreement includes a provision for return of amounts remaining in the trust to an employer if all obligations associated with the plan that is administered through the trust have been fulfilled. Is this provision consistent with the criterion in paragraph 4a of Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, regarding the irrevocability of contributions?

A—Yes. As used in paragraph 4a of Statement 75, irrevocability is understood to mean that an employer no longer has ownership of or a right to the assets, except for any reversionary right once *all* benefits have been paid. That is, for purposes of paragraph 4 of the Statement, the trust should be so constituted that assets may flow from an employer to the trust, but not from the trust to an employer—unless and until all obligations to pay benefits in accordance with the plan terms have been satisfied by payment or by

defeasance with no remaining risk regarding the amounts to be paid or the value of assets held in the trust.

Deferral of Effective Date of Certain Questions and Answers in Implementation Guide 2019-2

6. Questions 4.3, 4.5, and 4.6 in Implementation Guide 2019-2 address issues related to the application of Statement 14 or Statement 84 in specific circumstances involving pension plans or OPEB plans. The effective date of those questions and answers is deferred indefinitely.

EFFECTIVE DATE AND TRANSITION

7. The requirements of this Implementation Guide are effective as follows:
- a. Questions 4.1–4.5, 4.18, and 5.3 for reporting periods beginning after June 15, 2021
 - b. Questions 4.6–4.17 for fiscal years beginning after December 15, 2021, and all reporting periods thereafter
 - c. Questions 4.19–4.21 for reporting periods beginning after December 15, 2021
 - d. Questions 5.1, 5.2, 5.4, and 5.5 for fiscal years beginning after June 15, 2021
 - e. The provisions of paragraph 6 are effective immediately.

Earlier application is encouraged if the pronouncement addressed by the question and answer has been implemented.

8. Changes adopted to conform to the provisions of this Implementation Guide should be applied retroactively by restating financial statements, if practicable, for all prior fiscal years or reporting periods, as described in paragraph 7, presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying this Implementation Guide should be reported as a restatement of beginning net position (or fund balance or fund net position, as applicable) for the earliest period restated. In each fiscal year or reporting period that any requirement of this Implementation Guide is first applied, the notes to financial statements should disclose the nature of the restatement (if any) and its effect. Also, the reason for not restating prior fiscal years or reporting periods presented should be disclosed.

The Governmental Accounting Standards Board has authorized its staff to prepare Implementation Guides that provide timely guidance on issues encountered during the implementation and application of GASB pronouncements. The GASB has reviewed this Implementation Guide and does not object to its issuance.

The requirements of this Implementation Guide need not be applied to immaterial items.

Appendix A

BACKGROUND

A1. In June 2015, the GASB issued Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. As a result of that Statement, GASB Implementation Guides were elevated to Category B in the hierarchy of generally accepted accounting principles. Since that time, the GASB has cleared additional implementation guidance to assist its stakeholders by clarifying, explaining, or elaborating on the requirements of its Statements.

A2. New questions and answers are included in this Implementation Guide to address issues raised by the GASB's stakeholders through inquiries posed to the GASB. Other questions and answers address issues identified by the GASB in anticipation of questions that will arise during implementation of GASB pronouncements.

A3. In addition to new questions and answers, this Implementation Guide includes amendments to previously issued implementation guidance to address issues identified by the GASB subsequent to the clearance of that guidance.

A4. The Exposure Draft of this Implementation Guide was issued for public comment in November 2019. Twenty-three comment letters were received in response to the proposal. Respondents to the Exposure Draft recommended specific changes to the proposed questions and answers. In response to those comments, certain questions and answers were clarified and certain others were removed. Respondents also suggested additional topics for consideration. Those issues are not addressed in this Implementation Guide but will continue to be monitored.

A5. Subsequent to issuance of the Exposure Draft of this Implementation Guide, the GASB added a project to its technical agenda to reexamine certain issues related to the application of Statement 14 or Statement 84 in circumstances involving certain types of employee benefit plans, including pension plans and OPEB plans. As a result, the Board concluded that the effective date of Questions 4.3, 4.5, and 4.6 in Implementation Guide 2019-2, which address related issues, should be deferred indefinitely pending the outcome of that project. This Implementation Guide includes the necessary provisions to effect that deferral.

Appendix B

DESCRIPTION OF NEW QUESTIONS AND ANSWERS AND AMENDMENTS TO PREVIOUSLY ISSUED QUESTIONS AND ANSWERS

B1. This appendix describes the issues addressed in new questions and answers presented in paragraph 4 of this Implementation Guide, the reasons for modifications to previously issued questions and answers that are included in paragraph 5 of this Guide, and the provisions of paragraph 6.

Primary Reference(s)	Description
Q4.1–Q4.2	New questions and answers to address the evaluation of fiscal dependency of a legally separate defined benefit pension plan.
Q4.3	New question and answer to address the reporting of the internal portion of an investment pool.
Q4.4	New question and answer to address the application of Statement 84 to a circumstance involving seized assets.
Q4.5	New question and answer to address the evaluation of administrative involvement in a single-purpose student activity fund for purposes of applying Statement 84.
Q4.6–Q4.7	New questions and answers to address the application of the definition of a lease in Statement 87.
Q4.8	New question and answer to address reassessment of the lease term in Statement 87.
Q4.9–Q4.11	New questions and answers to address the application of the definition of a short-term lease in Statement 87.
Q4.12	New question and answer to clarify the application of the guidance in Statement 87 related to contracts that transfer ownership.
Q4.13	New question and answer to clarify the application of the guidance in Statement 87 related to initial measurement by a lessee.
Q4.14	New question and answer to address the application of the regulated lease guidance in Statement 87.
Q4.15–Q4.16	New questions and answers to address the application of lessor recognition and measurement requirements in Statement 87.
Q4.17	New question and answer to address the initial application of lease incentive guidance in Statement 87.

Primary Reference(s)	Description
Q4.18	New question and answer to clarify the classification of asbestos removal obligations as pollution remediation obligations.
Q4.19	New question and answer to clarify the definition of <i>conduit debt obligation</i> in Statement 91.
Q4.20	New question and answer to clarify the definition of <i>commitments</i> in Statement 91.
Q4.21	New question and answer to clarify reporting of an arrangement associated with conduit debt in Statement 91 in a circumstance in which there is an option to purchase the capital asset.
Q5.1, Q5.2, Q5.4, and Q5.5	Amend the following questions and answers to clarify the meaning of <i>irrevocability</i> within the context of criteria specified in Statements 67, 68, 74, and 75: <ul style="list-style-type: none"> • Questions 5.61.1 and 5.117.1 in Implementation Guide 2015-1, as amended • Question 4.9 in Implementation Guide 2017-2 • Question 4.8 in Implementation Guide 2017-3.
Q5.3	Amends Question 6.43.1 in Implementation Guide 2015-1 to clarify the applicability of the answer to the reporting of the external portion of an investment pool.
Paragraph 6	Defers the effective date of Questions 4.3, 4.5, and 4.6 in Implementation Guide 2019-2 indefinitely pending the outcome of a project addressing related issues.

Appendix C

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2020 Update

C1. The instructions that follow update the December 31, 2019 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification) for the provisions of this Implementation Guide that are effective immediately.

* * *

[Update cross-references throughout.]

* * *

FUND ACCOUNTING

SECTION 1300

[Remove Questions .716-3, .716-5, and .716-6; renumber subsequent questions.]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE

SECTION 2600

[Remove Questions .702-4, .702-6, and .702-7; renumber subsequent questions.]

* * *

Codification of Governmental Accounting and Financial Reporting Standards—June 2021 Update

C2. The instructions that follow update the December 31, 2019 Codification for the provisions of this Implementation Guide that are effective for reporting periods or fiscal years beginning after June 15, 2021. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

FUND ACCOUNTING

SECTION 1300

Sources: [Add GASBIG 2020-1.]

[Insert new Question .716-5 as follows; renumber subsequent questions.]

.716-5 [GASBIG 2020-1, Q4.3]

[Insert new Question .716-24 as follows; renumber subsequent questions.]

.716-24 [GASBIG 2020-1, Q4.4]

[Insert new Question .716-26 as follows; renumber subsequent questions.]

.716-26 [GASBIG 2020-1, Q4.5]

* * *

DEFINING THE FINANCIAL REPORTING ENTITY

SECTION 2100

Sources: [Add GASBIG 2020-1.]

[Remove Question .707-4; renumber subsequent questions.]

.708-1 [Replace .708-7 with .708-7–.708-9, replace .716-7 with .716-8, and replace .708-8 and .708-9 with .708-10 and .708-11.] [GASBIG 2015-1, Q4.9.1, as amended by GASBIG 2020-1, Q4.1 and Q4.2]

[Insert new Questions .708-8–.708-9 as follows; renumber subsequent questions.]

.708-8–.708-9 [GASBIG 2020-1, Q4.1–Q4.2]

[Remove Questions .713-5 and .713-6; renumber subsequent questions.]

* * *

CERTAIN ASSET RETIREMENT OBLIGATIONS

SECTION A10

Sources: [Add GASBIG 2020-1.]

[Insert new Implementation Guidance material as follows:]

GASB IMPLEMENTATION GUIDES

.701 Scope and Applicability of This Section

.701-1 [GASBIG 2020-1, Q4.18]

.702 Recognition

No questions assigned.

.703 Recognition of an ARO

No questions assigned.

.704 Recognition of a Deferred Outflow of Resources

No questions assigned.

.705 Initial Measurement

No questions assigned.

.706 Initial Measurement of an ARO

No questions assigned.

.707 Initial ARO Measurement Exception for a Minority Owner

No questions assigned.

.708 Initial Measurement of a Deferred Outflow of Resources

No questions assigned.

.709 Subsequent Measurement and Recognition

No questions assigned.

.710 Subsequent Measurement and Recognition of an ARO

No questions assigned.

.711 Subsequent ARO Measurement Exception for a Minority Owner

No questions assigned.

.712 Subsequent Measurement and Recognition of a Deferred Outflow of Resources

No questions assigned.

.713 Recognition and Measurement in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

No questions assigned.

.714 Effects of Funding and Assurance Provisions

No questions assigned.

.715 Notes to Financial Statements

No questions assigned.

* * *

INVESTMENTS

SECTION I50

Sources: [Add GASBIG 2020-1.]

[Replace current Question .725-3 with the following:]

.725-3 [GASBIG 2020-1, Q5.3] [GASBIG 2015-1, Q6.43.1, as amended by GASBIG 2020-1, Q5.3]

[Insert new Question .725-4 as follows; renumber subsequent questions.]

.725-4 [GASBIG 2020-1, Q4.3]

* * *

**PENSION ACTIVITIES—REPORTING FOR
BENEFITS PROVIDED THROUGH TRUSTS
THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT**

SECTION P20

.701-12 [Replace current Question .701-12 with GASBIG 2020-1, Q5.2.] [GASBIG 2015-1, Q5.117.1, as amended by GASBIG 2017-1, Q5.20 and GASBIG 2020-1, Q5.2]

* * *

**POSTEMPLOYMENT BENEFITS OTHER THAN
PENSIONS—REPORTING FOR BENEFITS PROVIDED
THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—
DEFINED BENEFIT**

SECTION P50

.701-8 [Replace current Question .701-8 with GASBIG 2020-1, Q5.5.] [GASBIG 2017-3, Q4.8, as amended by GASBIG 2020-1, Q5.5]

* * *

**REPORTING ASSETS ACCUMULATED FOR
DEFINED BENEFIT POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS NOT PROVIDED
THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA**

SECTION P53

.701-3 [Replace current Question .701-3 with GASBIG 2020-1, Q5.4.] [GASBIG 2017-2, Q4.9, as amended by GASBIG 2020-1, Q5.4]

* * *

**PENSION PLANS ADMINISTERED THROUGH
TRUSTS THAT MEET SPECIFIED CRITERIA—
DEFINED BENEFIT**

SECTION Pe5

.701-9 [Replace current Question .701-9 with GASBIG 2020-1, Q5.1.] [GASBIG 2015-1, Q5.61.1, as amended by GASBIG 2017-1, Q5.7 and GASBIG 2020-1, Q5.1]

* * *

POSTEMPLOYMENT BENEFIT PLANS (OTHER THAN PENSION PLANS) ADMINISTERED THROUGH TRUSTS THAT MEET SPECIFIED CRITERIA—DEFINED BENEFIT

SECTION Po50

.701-8 [Replace current Question .701-8 with GASBIG 2020-1, Q5.5.] [GASBIG 2017-3, Q4.8, as amended by GASBIG 2020-1, Q5.5]

* * *

Codification of Governmental Accounting and Financial Reporting Standards—December 2021 Update

C3. The instructions that follow update the December 31, 2019 Codification for the provisions of this Implementation Guide that are effective for fiscal years beginning after December 15, 2021, and all reporting periods thereafter. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

LEASES

SECTION L20

Sources: [Add GASBIG 2020-1.]

[Insert new Questions .701-10–.701-11 as follows; renumber subsequent questions:]

.701-10–.701-11 [GASBIG 2020-1, Q4.6–Q4.7]

[Insert new Question .702-6 as follows:]

.702-6 [GASBIG 2020-1, Q4.8]

[Insert new Question .703-4 as follows; renumber subsequent question.]

.703-4 [GASBIG 2020-1, Q4.9]

[Insert new Questions .703-6–.703-7 as follows:]

.703-6–.703-7 [GASBIG 2020-1, Q4.10–Q4.11]

[Insert new Question .706-3 as follows:]

.706-3 [GASBIG 2020-1, Q4.12]

[Insert new Question .708-8 as follows; renumber subsequent questions.]

.708-8 [GASBIG 2020-1, Q4.13]

[Insert new Question .714-2 as follows:]

.714-2 [GASBIG 2020-1, Q4.14]

[Insert new Question .715-3 as follows; renumber subsequent question.]

.715-3 [GASBIG 2020-1, Q4.15]

[Insert new Question .716-1 as follows; renumber subsequent questions.]

.716-1 [GASBIG 2020-1, Q4.16]

[Insert new Question .721-2 as follows:]

.721-2 [GASBIG 2020-1, Q4.17]

* * *

C4. The instructions that follow update paragraph D1 of Statement 91 for the provisions of this Implementation Guide that are effective for reporting periods beginning after December 15, 2021. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

CONDUIT DEBT OBLIGATIONS

SECTION C65

Sources: [Add GASBIG 2020-1.]

[Replace all Implementation Guidance material with the following:]

.701 Scope and Applicability of This Section

No questions assigned.

.702 Definition of a Conduit Debt Obligation

.702-1 [GASBIG 2020-1, Q4.19]

.703 *Limited, Additional, and Voluntary Commitments Extended by Issuers Associated with Conduit Debt Obligations*

.703-1 [GASBIG 2020-1, Q4.20]

.704 Recognition and Measurement

No questions assigned.

.705 Recognition and Measurement in Financial Statements Prepared Using the Economic Resources Measurement Focus

No questions assigned.

.706 Recognition and Measurement in Financial Statements Prepared Using the Current Financial Resources Measurement Focus

No questions assigned.

.707 Arrangements Associated with Conduit Debt Obligations

No questions assigned.

.708 General Attributes

.708-1 [GASBIG 2020-1, Q4.21]

.709 Issuer Relinquishes Title at the End of the Arrangement

No questions assigned.

.710 Issuer Retains Title and Third-Party Obligor Has Exclusive Use of the Entire Capital Asset

No questions assigned.

.711 Issuer Retains Title and Third-Party Obligor Has Exclusive Use of Portions of the Capital Asset

No questions assigned.

.712 Notes to Financial Statements

No questions assigned.

* * *

Comprehensive Implementation Guide—June 2020 Update

C5. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide that are effective immediately.

* * *

[In Questions 11.5.3, 11.5.5, and 11.5.6, replace the question and answer with *[Question number not used]*.]

* * *

Comprehensive Implementation Guide—June 2021 Update

C6. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide that are effective for reporting periods or fiscal years beginning after June 15, 2021. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide*.

* * *

[Update cross-references throughout.]

* * *

[Insert the following new content:]

4.11.7–4.11.8. [GASBIG 2020-1, Q4.1–Q4.2]

6.43.6. [GASBIG 2020-1, Q4.3]

11.11.8. [GASBIG 2020-1, Q4.4]

11.24.9. [GASBIG 2020-1, Q4.5]

[After Question Z.81.2, insert new heading and question and answer as follows:]

Z.83 Statement No. 83, *Certain Asset Retirement Obligations*

Z.83.1. [GASBIG 2020-1, Q4.18]

* * *

[Revise the following questions as indicated:]

4.6.1. [In subparagraph (b), replace *Questions 11.5.1–11.5.3* with *Questions 11.5.1 and 11.5.2*.] [GASBIG 2015-1, Q4.6.1, as amended by GASBIG 2019-2, Q4.1 and Q4.2]

4.9.1. [Replace *Questions 4.11.1–4.11.5* with *Questions 4.11.1–4.11.8*.] [GASBIG 2015-1, Q4.9.1, as amended by GASBIG 2020-1, Q4.1 and Q4.2]

4.9.6. [In the parenthetical sentence in the answer, replace *Questions 11.5.4–11.5.7* with *Questions 11.5.4 and 11.5.7*.] [GASBIG 2015-1, Q4.9.6, as amended by GASBIG 2019-2, Q4.4 and Q4.7]

5.61.1. [Replace current Question 5.61.1 with GASBIG 2020-1, Q5.1.] [GASBIG 2015-1, Q5.61.1, as amended by GASBIG 2017-1, Q5.7 and GASBIG 2020-1, Q5.1]

5.117.1. [Replace current Question 5.117.1 with GASBIG 2020-1, Q5.2.] [GASBIG 2015-1, Q5.117.1, as amended by GASBIG 2017-1, Q5.20 and GASBIG 2020-1, Q5.2]

6.43.1. [Replace current Question 6.43.1 with GASBIG 2020-1, Q5.3.] [GASBIG 2015-1, Q6.43.1, as amended by GASBIG 2020-1, Q5.3]

8.94.2. [Replace current Question 8.94.2 with GASBIG 2020-1, Q5.4.] [GASBIG 2017-2, Q4.9, as amended by GASBIG 2020-1, Q5.4]

8.178.1. [Replace current Question 8.178.1 with GASBIG 2020-1, Q5.5.] [GASBIG 2017-3, Q4.8, as amended by GASBIG 2020-1, Q5.5]

* * *

Comprehensive Implementation Guide—December 2021 Update

C7. The instructions that follow update the December 31, 2019 *Comprehensive Implementation Guide* for the provisions of this Implementation Guide that are effective for reporting periods beginning after December 15, 2021, or for fiscal years beginning after December 15, 2021, and all reporting periods thereafter. Only the question number from this Implementation Guide is listed if the question and answer will be cited in full in the *Comprehensive Implementation Guide*.

* * *

[Update cross-references throughout.]

* * *

[Insert the following new content:]

12.3.2–12.3.3. [GASBIG 2020-1, Q4.6–Q4.7]

12.16.1. [GASBIG 2020-1, Q4.8]

12.17.5–12.17.7. [GASBIG 2020-1, Q4.9–Q4.11]

12.20.3. [GASBIG 2020-1, Q4.12]

12.30.1. [GASBIG 2020-1, Q4.13]

12.62.2. [GASBIG 2020-1, Q4.14]

12.71.1. [GASBIG 2020-1, Q4.15]

12.78.1. [GASBIG 2020-1, Q4.16]

12.99.2. [GASBIG 2020-1, Q4.17]

[After Question Z.83.1, insert new heading and question and answer as follows:]

Z.91 Statement No. 91, *Conduit Debt Obligations*

Z.91.1–Z.91.3. [GASBIG 2020-1, Q4.19–Q4.21]