NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2020, the State implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*,
- Statement No. 90, *Majority Equity Interests,*
- Statement No. 92*, Omnibus 2020,*
- Implementation Guide No. 2019-1, *Implementation Guidance Update – 2019.*

Statement No. 89 requires interest cost incurred before the end of a construction period be recognized as an expense in the period that it is incurred. The interest cost incurred before the end of a construction period will not be included in the historical cost of the capital asset reported in a business-type activity or enterprise fund.

Statement No. 90 defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if the government's holding of the equity interest meets the definition of an investment. If the majority equity interest is held for the purpose of investment, then the majority equity interest should be measured using the equity method, unless held by a special-purpose government engaged in fiduciary activities, a fiduciary fund, an endowment, or a permanent fund, which should be measured at fair value. The standard further provides that if the government's holding of the majority equity interest in a legally separate organization does not meet the definition of an investment, then the government should report the majority equity interest as a component unit and the government that holds the majority equity interest should report an asset related to the majority equity interest using the equity method.

Statement No. 92 provides guidance regarding the reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers. The standard also provides for changes in the terminology of *derivative* and *derivatives* to *derivative instrument* and *derivative instruments*.

Implementation Guide No. 2019-1 provides guidance and clarification for questions related to postemployment benefits, plan and employer accounting and financial reporting. The implementation guide also provides guidance for accounting and financial reporting for derivative instruments, nonexchange transactions, impairment of capital assets and insurance recoveries, sales and pledges of receivables and future revenues and intra-entity transfers of assets and future revenues, fund balance reporting and governmental fund type definitions, tax abatement disclosures, and irrevocable split-interest agreements.