

APPENDIX 7
GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS (GASB)
EFFECTIVE FISCAL YEAR 2009 AND FUTURE YEARS

Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. Issued November 2006. This statement establishes accounting and financial reporting standards for pollution remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution (e.g. hazardous waste spills and asbestos contamination) by participating in pollution remediation activities, such as site assessments and cleanups. Pollution remediation obligations excludes pollution prevention or control obligations relating to current operations and future pollution remediation activities, such as, landfill closure and post-closure care. The Statement identifies the obligating events which require a governmental entity to estimate the components of expected pollution remediation outlays, and determine whether outlays for these components should be accrued as a liability or, if appropriate, capitalized when goods or services are acquired. This statement is effective in Fiscal Year 2009. City agencies that generally perform pollution remediation activities were invited to a seminar at the Comptroller’s Office during fiscal year 2009 to introduce a Questionnaire and Reporting Package and Policies and Procedures Manual regarding the implementation of GASB No. 49. Both the Package and Manual can be downloaded from the Comptroller’s website. In order for the City to be in compliance with GASB statement No. 49, it is important that the following information be completed and submitted back to the Comptroller’s Office by the required due dates listed below:

Information Package	Due Date:
Agency’s GASB 49 Contact Information	June 30, 2009
Appendix D-2008 Questionnaire & Reporting Package for the Year Ended 6/30/08 (via email)	June 30, 2009
Appendix D-2009 Questionnaire & Reporting Package for the Year Ended 6/30/09 (via email)	August 15, 2009

All completed information should be forwarded to Ms. Vivian Kwok of the Bureau of Accountancy at vkwok@comptroller.nyc.gov

Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Issued June 2007. This statement requires that all intangible assets not specifically excluded by its scope provisions be classified as capital assets. Accordingly, existing authoritative guidance relating to the accounting and financial reporting for capital assets should be applied to these intangible assets. The objective of the statement is to reduce inconsistencies relating to recognition, initial measurement, and amortization, thereby enhancing the comparability of the accounting and financial reporting of such assets. Intangible assets are assets that lack physical substance, are nonfinancial in nature, and the initial useful life extends beyond a single reporting period. For internally generated computer software, outlays associated only in the application development stage may be capitalized. Activities in this stage include the design of the chosen path, including software configuration and software interfaces, coding, installation to hardware, and testing, including the parallel processing phase. Capitalization of such outlays should cease no later than the point at which the computer software is substantially complete and operational. Agencies should also consult Internal Control and Accountability Directive 30, *Capital Assets*, to determine if an asset may be capitalized. Statement No. 51 is effective in Fiscal Year 2010. The *GASB 51 Survey* and a *GASB 51 Questionnaire* has been prepared to assist in the implementation of GASB Stement No. 51 for Fiscal Year 2010. City agencies should familiarize themselves with the provisions and guidance contained in the Survey before completing the Questionnaire. A Questionnaire must be completed for each potential intangible asset. The Questionnaire will help agencies determine whether the potential intangible asset(s) are subject to the provisions of GASB Statement No. 51. The Questionnaire and Survey can be downloaded from the Comptroller’s website. Please forward all questionnaires, including the

questionnaires which resulted in the intangible asset(s) not being subject to the provisions of Statement No.51, to Susan Cornwall, Unit Chief, Bureau of Accountancy, 1 Centre Street, Rm. 827 or email to scornwa@comptroller.nyc.gov by November 2, 2009.

Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments.* Issued June, 2009. This Statement requires endowments to report their land and other real estate investments at fair value. While the provisions of Statement No. 52 are effective in fiscal year 2009 there is presently no impact on the City's financial statements.

Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments.* Issued June, 2009. The objective of the Statement is to enhance the usefulness and comparability of derivative instrument information by providing a comprehensive framework for the recognition, measurement and disclosure of derivative instrument transactions. Examples of derivative instruments are interest rate and commodity swaps, interest rate locks, options (caps, floors, and collars), swaptions, forward contracts and futures contracts. Derivative transactions are entered into for the following purposes: as investments; as hedges of identified financial risks associated with assets or liabilities, or expected transactions; to lower the cost of borrowing; to effectively fix cash flow or synthetically fix prices; or to offset the changes in fair value of hedgeable items. A key provision of the Statement is that certain derivative instruments are reported at fair value in the government-wide financial statements. Changes in fair value are recognized in the reporting period to which they relate. The changes in fair value of hedging derivative instruments do not affect investment income and are therefore reported as deferrals. Alternatively, the changes in fair value of investment derivative instruments are reported as part of investment revenue in the current reporting period. This statement become effective in fiscal year 2010.

Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions.* Issued February 2009. This statement sets out new standards of accounting and financial reporting intended to improve the clarity and consistency of the fund balance information provided to financial report users. It also clarifies the definitions of existing governmental fund types.

The five classifications depicting the relative strength of the constraints that control how specific amounts can be spent is:

- Nonspendable- Fund balance includes amounts that are not in spendable form or are required to be maintained intact.
- Restricted- Fund balance includes amounts that can be spent only for the specific purposes stipulated by external resource providers, constitutionally or through enabling legislation.
- Committed- Fund balance includes amounts that can be used only for the specific purposes determined by formal action of the government's highest level of decision-making authority.
- Assigned- Fund balance comprises amounts intended to be used by the government for specific purposes. In governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed.
- Unassigned- Fund balance is the residual classification for the general fund and includes all amounts not contained in the other classifications.

This statement becomes effective in fiscal year 2011.

Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles.* Issued March 2009. This Statement incorporates the hierarchy of Generally Accepted Accounting Principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature. The GAAP hierarchy consists of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The hierarchy consists of:

- a. Officially established accounting principles- GASB Statements and Interpretations.
- b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA, Industry Audit and Accounting Guides, and AICPA Statements of Position.
- c. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and by the GASB
- d. Implementation guides (Q&As) published by the GASB staff, as well as practices that are widely recognized and prevalent in state and local government.

This statement became effective upon issuance.

Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards. Issued March 2009. This Statement incorporates into GASB authoritative literature certain accounting and financial reporting guidance presented in the AICPA Statements on Auditing Standards (SAS). There are three areas incorporated into GASB authoritative literature which consist of related party transactions, subsequent events and going concern considerations.

- Related Party Transactions- If the substance of a particular transaction is significantly different from its form because of the involvement of related parties, financial statements should recognize the substance of the transaction rather than merely its legal form.
- Subsequent Events- Events or transactions that affect the financial statements sometimes occur subsequent to the *Statement of Net Assets* date but before financial statements are issued. Some of those transactions and events require adjustments to the financial statements (if the condition existed at the date of the *Statement of Net Assets*) while others may require disclosure in the notes to the financial statements (if the condition did not exist at the date of the *Statement of Net Assets*).
- Going Concern Considerations- Continuation of a legally separate governmental entity as a Going Concern is assumed in financial reporting in the absence of significant information to the contrary. Financial preparers have a responsibility to evaluate whether there is substantial doubt about a government's ability to continue as a Going Concern for 12 months beyond the financial statement date. The Statement provides indicators that there may be substantial doubt about a governmental entity's ability to continue as a Going Concern.

This statement became effective upon issuance.

Updates to Directives

Directive 10, *Charges to the Capital Projects Fund* and Directive 30, *Capitol Assets*, are in process and are anticipated to be completed by June 30, 2009.