



North Carolina Office of the State Controller

Financial Reporting Update

GASB 89 Effective for FY 2020 (Early Implementation)

July 31, 2019

In June 2018, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period* (GASB 89). GASB 89 simplifies accounting for interest cost incurred before the end of the construction period. It also enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period.

GASB 89 requires interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. This means the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. For financial statements prepared using the current financial resources measurement focus, interest incurred before the end of construction should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB 89 should be applied prospectively in the year of implementation. For construction-in-progress, interest cost incurred after the beginning of the first reporting period GASB 89 is implemented should not be capitalized. This standard is required to be implemented by fiscal year end June 30, 2021, but with the requests from component units of the State to implement early, and the anticipated ease of implementing this standard, GASB 89 will be implemented statewide in fiscal year end June 30, 2020, one year early.

To gain additional understanding of GASB 89, please refer to the following resource:

- The GASB webpage from which you can access a PDF file of GASB 89 as well as other GASB pronouncements – [GASB Resources](#)

Thank you for your time and attention to this important change. Questions regarding this specific update should be directed to Kim Battle at (919) 707-0521 or Kim.Battle@osc.nc.gov.