

# New Hampshire Government Finance Officers Association



## GASB UPDATE

Lisa R. Parker, CPA, CGMA, Senior Project Manager

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The views expressed in this presentation are those of Ms. Parker.  
Official positions of the GASB are reached only after extensive due process and deliberations.

# Presentation Overview



Pronouncements being implemented



Projects currently being deliberated  
by the Board



Pre-agenda research activities



Post-implementation review

# Effective Dates

## December 31: Fiscal Year 2022

- Statement 87 – leases
- Statement 91 – conduit debt
- Statement 92 – omnibus 2020 (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- Statement 99 – omnibus 2022 (extension of LIBOR, SNAP distributions, nonmonetary transaction disclosures, pledges of future revenues, clarification of provisions in Statement 34, and terminology updates)
- IG 2019-3 – leases
- IG 2020-1 – update
- IG 2021-1 – update (4.22)

## December 31: Fiscal Year 2023

- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

## December 31: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- Statement 101 – compensated absences
- IG 2021-1 – update (5.1)

# Effective Dates

## June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2020-1 – update (4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

## June 30: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- IG 2021-1 – update (5.1)

## June 30: Fiscal Year 2025

- Statement 101 – compensated absences



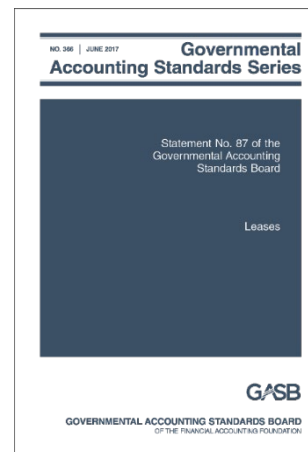
# Pronouncements Being Implemented

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# Leases

## Statement 87

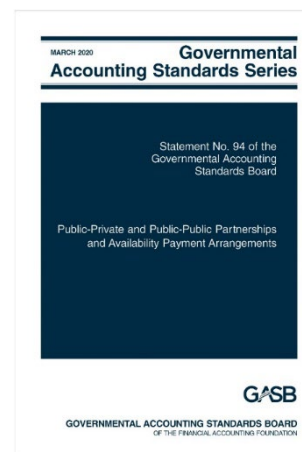
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# Public-Private and Public-Public Partnerships and Availability Payment Arrangements

## Statement 94

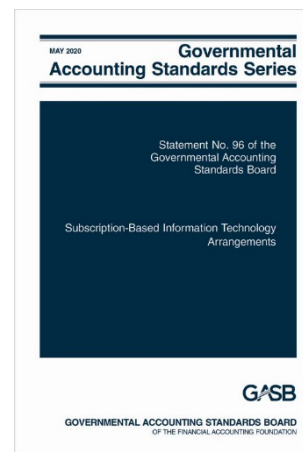
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# Subscription-Based Information Technology Arrangements

## Statement 96

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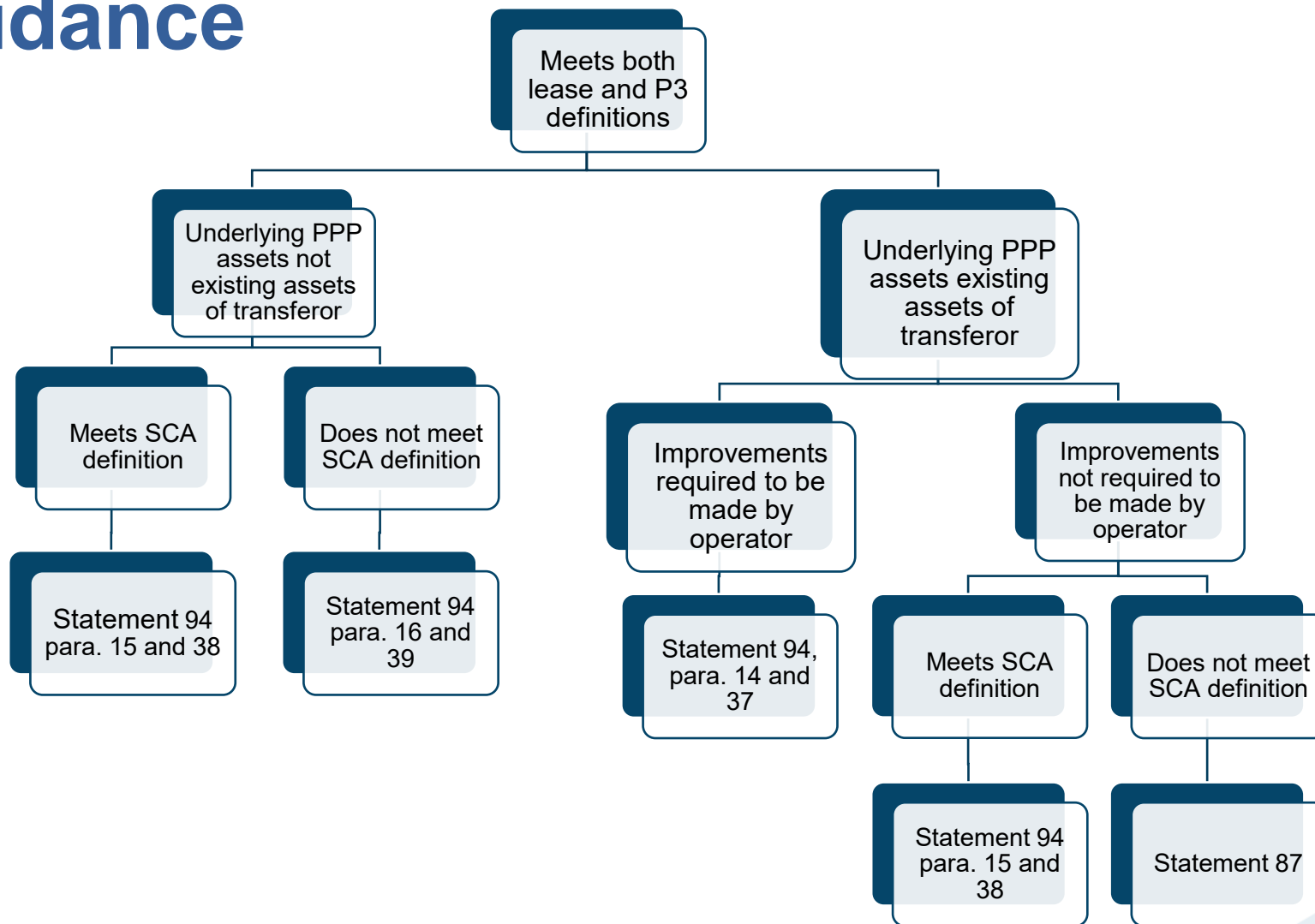
# Definitions

Lease - a **contract** that **conveys control of the right** to use another entity's nonfinancial asset (the **underlying asset**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

P3 - arrangement in which a government (the transferor) **contracts** with an operator [governmental or nongovernmental] to provide public services by **conveying control of the right** to operate a nonfinancial asset, such as infrastructure or other capital asset (the **underlying PPP asset**), for a **period of time** in an **exchange or exchange-like transaction**.

SBITA - a **contract** that **conveys control of the right** to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the **underlying IT assets**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

# Recognition and Measurement Guidance



# Relationship between Leases and SBITAs

- All SBITAs meet definition of lease
- Depends on what the underlying asset is:
  - Tangible capital assets alone – Statement 87
  - IT software alone – Statement 96
  - IT software in combination with tangible capital assets:
    - Software component is insignificant compared to cost of underlying tangible capital asset – Statement 87
    - Otherwise – Statement 96
- Also excluded from Statement 96:
  - Governments acting as SBITA vendors
  - Contracts that meet the definition of a P3 in Statement 94
  - Perpetual software licenses

# Topics That Are The Same

- Lease/PPP/Subscription Term
- Short-Term Lease/SBITA
- General recognition and measurement

# Lease/PPP/Subscription Term

- For financial reporting purposes, when does the lease/PPP/subscription term start and end?

- Start with the **noncancelable period**



2021.....2027.....2031

- Plus periods covered by options to:
  - **Extend**, if reasonably certain of being exercised
  - **Terminate**, if reasonably certain of *not* being exercised
- Excludes cancelable periods
  - Periods for which lessee/transferor and lessor/operator both have option to extend or terminate (such as rolling month-to-month leases/PPPs/subscriptions)
- Fiscal funding and cancellation clauses are ignored unless reasonably certain of being exercised

# Short-Term Leases/SBITAs

Definition	<p>At beginning of lease/SBITA, <i>maximum possible term</i> under the contract is 12 months or less</p> <ul style="list-style-type: none"><li>• Includes all one-party options to extend</li><li>• Excludes cancellable periods</li></ul>
Lessee accounting	<ul style="list-style-type: none"><li>• Recognize expenses/expenditures based on the terms of the contract</li><li>• Do not recognize assets or liabilities associated with the right to use the underlying asset</li></ul>
Lessor accounting	<ul style="list-style-type: none"><li>• Recognize lease payments as revenue based on the payment provisions of the contract</li><li>• Do not recognize receivables or deferred inflows</li></ul>



# Initial Reporting

	Assets	Liability	Deferred Inflow
<b>Lessee/ Operator/ SBITA</b>	Intangible lease asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use	Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)	NA
<b>Lessor/ Transferor</b>	<ul style="list-style-type: none"> <li>• Lease receivable (generally includes same items as lessee's liability)</li> <li>• Continue to report the underlying asset</li> </ul>	NA	Equal to lease receivable plus any payments received up front that relates to a future period

# Subsequent Reporting

	Assets	Liability	Deferred Inflow
Lessee/ Operator/ SBITA	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)	NA
Lessor/ Transferor	<ul style="list-style-type: none"> <li>• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition)</li> <li>• Reduce receivable by lease payments (less amount needed to cover accrued interest)</li> </ul>	NA	Recognize revenue over the lease term in a systematic and rational manner

# Other Topics That Are The Same

- Contracts with multiple components
  - Generally, account for lease (etc) and non-lease (etc) components as separate contracts and multiple underlying assets as separate lease (etc) components
  - Allocate contract price to different components
- Modifications and terminations

# Modifications

- Both parties – account for an amendment resulting in a modification to the contract as a separate contract (separate from the most recent contract before the modification) if the following conditions are met:
  - The modification adds one or more underlying assets that were not included in the original contract
  - The increase in payments for the additional asset does not appear to be unreasonable based on (1) the terms of the amended contract and (2) professional judgment

# Terminations

- When the lessee's/operator's/SBITA's right to use the underlying asset decreases – partial or full termination
  - Lessee/Operator/SBITA-
    - Reduces the carrying values of the asset and liability
    - Recognizes a gain or loss for the difference
  - Lessor-
    - Reduces the carrying value of the receivable and related deferred inflow of resources
    - Recognizes a gain or loss for the difference

# Topics Unique to Statement 94

- Service Concession Arrangements
  - Retained definition from Statement 60
    - Except for public services do not have to relate to primary function of underlying asset
  - Retained general approach from Statement 60

# Topics Unique to Statement 94

- New or Improved Underlying PPP Assets
  - Transferor:
    - SCA – recognize at acquisition value when placed in service
    - Not SCA – recognize receivable at operator’s estimated carrying value at date of future transfer and additional deferred inflow
  - Operator:
    - SCA – recognize intangible right-to-use asset
    - Not SCA – recognize deferred outflow and liability for future transfer

# Topics Unique to Statement 94

## ■ Availability Payment Arrangements

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components
  - Design, construction, financing components and ownership transfers – financed purchase
  - Service components – outflows of the period



# Topics Unique to Statement 96

## ■ Implementation Costs

- Preliminary project stage
  - Expense
- Initial implementation stage
  - Generally capitalize
  - Expense if short-term SBITA
- Operation and additional implementation stage
  - Generally expense
  - Capitalize if specific criteria met
- Training costs always expensed

# Topics Unique to Statement 96

## ■ Subscription Term

- Commences when initial implementation stage is completed
- No subscription liability or subscription asset until then
- Payments made before are prepayment until commencement

## ■ Multiple Modules

- Subscription term begins when first module (or set of interdependent modules) is implemented

# Statement 96 Scope Exclusions

- Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meet the definition of a lease in Statement 87 in which the software component is insignificant when compared to the cost of the underlying tangible capital asset (for example, a computer with operating software or a smart copier that is connected to an IT system)
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
- Contracts that meet the definition of a public-private and public-public partnership in paragraph 5 of Statement 94
- Licensing arrangements that provide a *perpetual* license to governments to use a vendor's computer, subject to Statement 51 (Microsoft 365 - is not excluded versus before subscription models when governments were buying a software license that they owned and not obligated to purchase updates - is excluded)

# Implementation Guidance

- Implementation Guide No. 2023-1, Implementation Guidance Update—2023
  - Working through feedback on Exposure Draft, expected issuance in June
  - Six new and one amended questions on leases
    - Don't forget the over 100 questions in leases in prior implementation guides
  - Three questions on SBITAs (see next slides)
  - One question on Accounting Changes

# Proposed SBITA Questions and Answers

**Q—Is a licensing agreement for a vendor's computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?**

**A—No.** A provision under which a licensing agreement automatically renews until cancelled is an option to terminate the agreement at each renewal date. An agreement that includes an option to terminate is not a purchase, whereas a perpetual license is a purchase in which a government is granted a permanent right to use the vendor's computer software. Therefore, a licensing agreement for a vendor's computer software that automatically renews until cancelled does not provide a perpetual license.

# Proposed SBITA Questions and Answers

**Q—A government enters into a six-year subscription-based information technology arrangement (SBITA) contract with no options to extend or terminate the contract and begins making semi-annual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. What is the subscription term?**

**A—The subscription term is four years.** The initial implementation stage is completed at the end of the second year of the contract. Therefore, in accordance with paragraphs 9 and 15 of Statement 96, the subscription term commences at the beginning of the third year and ends at the conclusion of the sixth year when the SBITA contract ends.

# Proposed SBITA Questions and Answers

**Q—Does a cloud computing arrangement meet the definition of a subscription-based information technology arrangement (SBITA)?**

**A—**A cloud computing arrangement may or may not meet the definition of a SBITA in paragraph 6 of Statement 96. Cloud computing arrangements have three common deployment models: Software as a Service, Platform as a Service, and Infrastructure as a Service. All three deployment models provide the customer with the right to use a combination of another party's IT software and tangible capital assets. The definition of a SBITA requires, in part, that a contract convey control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets). Therefore, as part of its determination of whether a cloud computing arrangement meets the definition of a SBITA, a government should evaluate whether the contract conveys control of the right to use the underlying IT assets in accordance with paragraph 7 of Statement 96.

# Effective Dates

Pronouncement	Beginning After
Statement 87	June 15, 2021*
Statement 94	June 15, 2022**
Statement 96	June 15, 2022*
Implementation Guide 2019-3	June 15, 2021*
Implementation Guide 2020-1 (Statement 87 questions)	December 15, 2021*

\* Fiscal years beginning after this date, and all reporting periods thereafter

\*\* Reporting periods beginning after this date



# Conduit Debt Obligations

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## Statement No. 91

MAY 2019

### Governmental Accounting Standards Series

Statement No. 91 of the  
Governmental Accounting  
Standards Board

Conduit Debt Obligations



GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
OF THE FINANCIAL ACCOUNTING FOUNDATION

# Conduit Debt

## What?

The Board improved the standards related to conduit debt obligations by providing a single reporting method for government issuers

## Why?

Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, improvements were needed to eliminate diversity in practice

## When?

Effective for periods beginning after December 15, 2021

Earlier application is encouraged

# Definition of Conduit Debt

1. There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
2. The issuer and the third-party obligor are *not* within the same financial reporting entity.
3. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
4. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
5. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.

# Limited, Additional & Voluntary Commitments Extended by Issuers

Generally, issuers' commitments are **limited** to the resources provided by the third-party obligor.

Occasionally, an issuer may extend an **additional commitment** to support debt service in the event of the third-party obligor's default.

For example:

- Extending a moral obligation pledge
- Extending an appropriation pledge
- Extending a financial guarantee
- Pledging its own property, revenue, or other assets as security

Under a **voluntary commitment**, issuer voluntarily decides to make a debt service payment or request an appropriation for a payment in the event that the third-party is, or will be, unable to pay.

# Recognition by the Issuer

Do *not* recognize a conduit debt obligation as a liability

May have a related liability arising out of an additional or voluntary commitment

**Additional commitment:** report a liability when qualitative factors indicate it is *more likely than not* that the issuer will support debt service payments for a conduit debt obligation

**Voluntary commitment:** if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is *more likely than not* that the issuer will support debt service payments

Voluntary commitments for which a liability is recognized and all additional commitments: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding

# Arrangements and Capital Assets

Some conduit debt obligations include arrangements\* that involve capital assets to be used by the third-party obligor but owned by the issuer.

- Capital asset is built or acquired with proceeds of the conduit debt obligation.
- Issuer retains title to the capital asset from the beginning of the arrangement.
- Payments from the third-party obligor are to cover debt service payments.
- Payment schedule of the arrangement coincides with the debt service repayment schedule.

\*Often characterized as “leases”

# Arrangements and Capital Assets (continued)

Accounting by the issuer:

Do *not* report those arrangements as leases

Do *not* recognize a liability for the related conduit debt obligations

Do *not* recognize a receivable for the payments related to those arrangements

If the arrangement meets the definition of a service concession arrangement, follow Statement 60

# Arrangements and Capital Assets (continued)

Does title pass to third-party obligor at end of arrangement?	Does the issuer recognize a capital asset?	Does the issuer recognize a deferred inflow of resources?
Yes	No	No
No, and third party has exclusive use of <i>entire</i> capital asset	Yes, when the arrangement ends	No
No, and third party has exclusive use of only <i>portions</i> of the capital asset	Yes, at the inception of the arrangement	Yes, at the inception of the arrangement; deferred inflow recognized as revenue over the term of the arrangement



# Disclosures by Type of Commitment

A general description of the issuer's conduit debt obligations

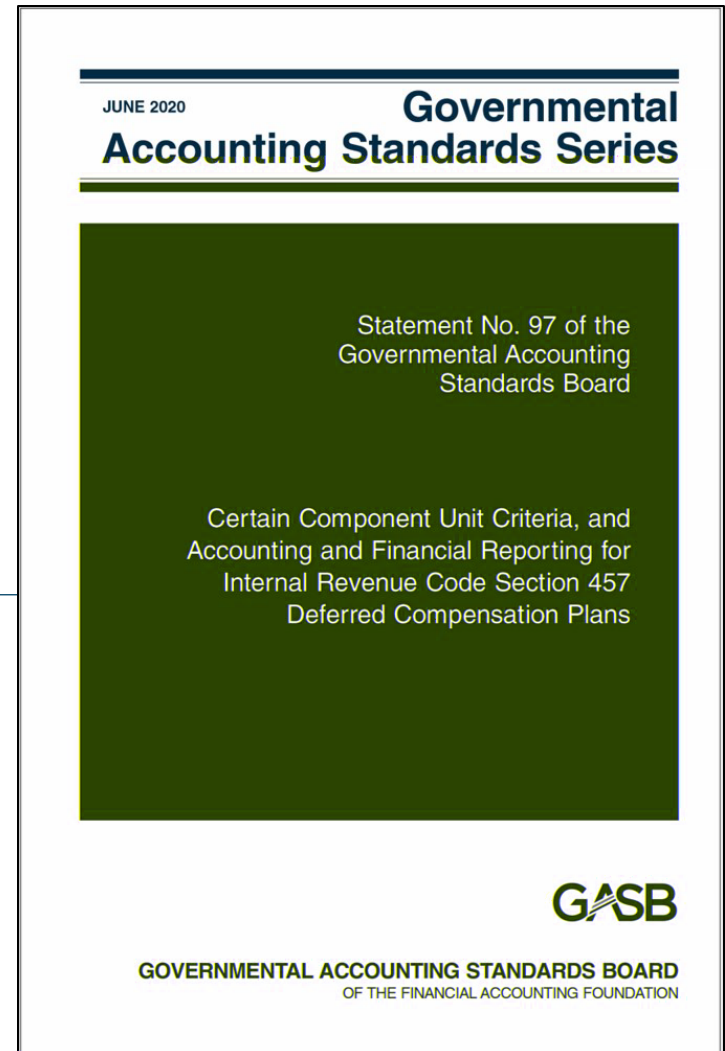
- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

If the issuer recognizes a related liability

- Description of timing of recognition and measurement of the liability
- Beginning balances, increases, decreases, ending balances
- Cumulative payments that have been made
- Amounts expected to be recovered, if any, for those payments

# Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

## Statement No. 97



# Fiduciary Component Units and Deferred Compensation Plans

## What?

The GASB has changed the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans

## Why?

Some 457 plan characteristics have changed due, in part, to changes in the IRC; questions have been raised about whether certain employee benefit plans should be included as component units

## When?

Effective dates vary by topic

Earlier application is encouraged and permitted for certain topics

# Relevant Guidance on Fiduciary Component Units

Paragraph 7 of Statement 84 amended Statement 14 to indicate that a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to a pension plan or OPEB plan

Implementation Guide 2019-2 provided guidance that in the absence of a governing board, a government performing the duties of a governing board for a defined contribution (DC) plan that is administered through a trust that meets the criteria in Statement 67 is effectively the same as appointment of a voting majority

# Relevant Guidance on Fiduciary Component Units (continued)

The implication of that existing and considered guidance is that many governments would be required to report DC plans and other employee benefit plans as component units in their fiduciary fund financial statements

The Board directed the staff to conduct additional outreach on the structure of those types of arrangements and user needs for information about them

Based on the outreach, the Board decided to expand the project and issue guidance on component units

# Component Unit Criteria

For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is perform the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for DC pension plans, DC OPEB plans, or other employee benefit plans*

The criterion that a legal obligation to contribute (or otherwise assuming the obligation) is considered to be a financial burden applies only to defined benefit plans

# 457 Plans

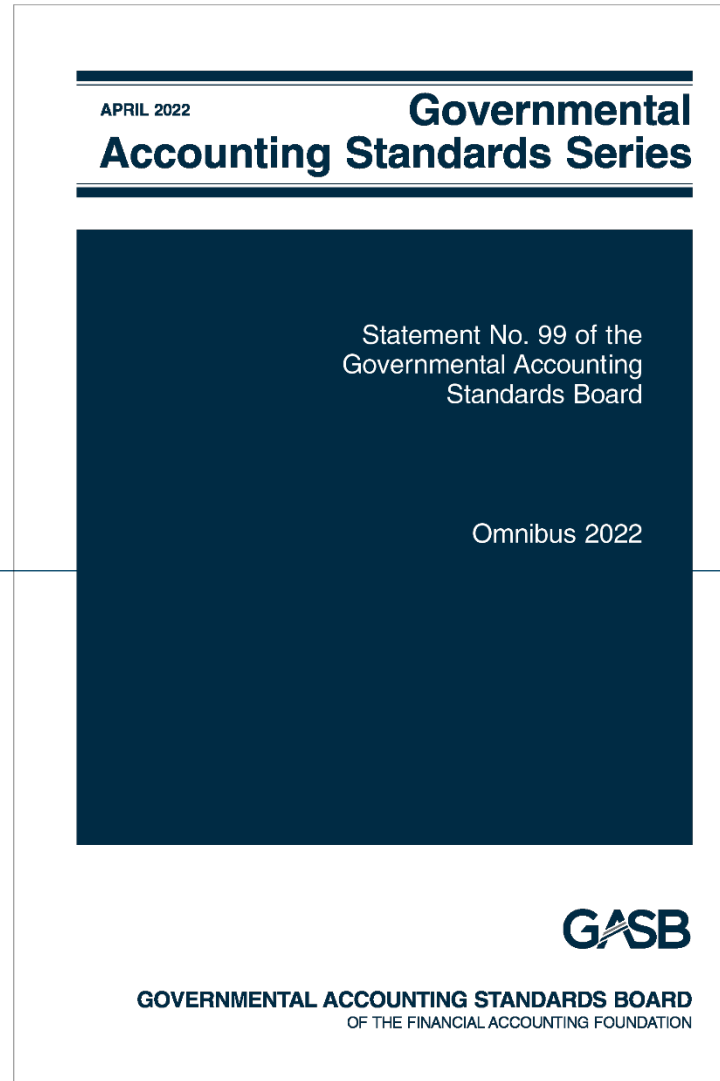
All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan

All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan

Investments should be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator is eliminated)

# Omnibus 2022

## Statement No. 99





# Omnibus 2022

## What?

Practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees

## Why?

Omnibus Statements are issued to address issues in multiple pronouncements that, individually, would not justify a separate pronouncement

## When?

Various effective dates:

- 1) Upon issuance
- 2) Fiscal years beginning after June 15, 2022
- 3) Fiscal years beginning after June 15, 2023

# General Omnibus Topics

Financial Guarantees

Other Derivative Instruments

Leases, PPPs, and SBITAs

Extended Use of LIBOR

Technical Updates/Corrections

# Financial Guarantees

## Definition

- A guarantee of an obligation of a legally separate entity or individual that requires the guarantor to indemnify a third-party obligation holder under specified conditions.

## Existing Guidance (Prior to Statement 99)

- Exchange or Exchange-like Financial Guarantees – Statement 62, paragraphs 96 – 110.
- Nonexchange Financial Guarantees – Statement 70

# Financial Guarantees

## Statement 99 DOES

- Apply the liability recognition, liability measurement, and disclosure requirements in Statement 70 to governments that extend exchange or exchange-like financial guarantees.

## Statement 99 DOES NOT

- Prescribe expense classification.
- Prescribe recognition guidance for the consideration received in an exchange or exchange-like financial guarantee transaction.

# Financial Guarantees (cont.)

	Exchange (Stmt 62)	Nonexchange (Stmt 70)
Liability Recognition	Probable	More likely than not
Liability Measurement	Estimate of the future outflows expected	Discounted present value of the best estimate of the future outflows expected
Disclosure Requirements	<ul style="list-style-type: none"> <li>• Description of the financial guarantee</li> <li>• Total amount of all outstanding guarantees extended</li> <li>• Amounts expected to be recovered</li> </ul>	<ul style="list-style-type: none"> <li>• Description of the financial guarantee</li> <li>• Total amount of all outstanding guarantees extended</li> <li>• Description of the timing of recognition and measurement of liabilities</li> <li>• Cumulative amount of indemnification payments</li> <li>• Amounts expected to be recovered</li> </ul>

# Other Derivative Instruments

## New Category – Other Derivative Instruments

- Derivative Instruments that do not meet the definition of investment derivative instruments or hedging derivative instruments.
  - Investment derivative instruments – held primarily for the purpose of income or profit and has a present service capacity based solely on its ability to generate cash or be sold to generate cash.
  - Hedging derivative instruments – associated with a hedgeable item and significantly reduces an identified risk by substantially offsetting changes in cash flow or fair values of hedgeable items.

# Other Derivative Instruments (cont.)

## Other Derivative Instruments

- Change in fair value should be reported on flow statement separately from investment revenues
- Disclosures should be distinguished from hedging derivative instruments and investment derivative instruments
- Disclose fair value of derivative instruments that were reclassified from hedging derivative instruments

## Termination of hedge accounting

- If hedging derivative instruments cease to be effective, the balance of the deferrals should be reported on the flows statement separately from investment revenues.

# Leases, PPPs, and SBITAs

## Remeasurement of certain assets and liabilities (ALL)

- **Should not be (instead of is not required to be)** remeasured solely for a change in an index or rate used to determine variable payments

## Option to Terminate (ALL)

- Unconditional right that exists within the contract - the **right to terminate due to the action or inaction of the other party** is not an option to terminate
- For leases only - the **option to purchase the underlying asset** would be considered an option to terminate for purposes of measuring the lease term

## Short-term Leases and SBITAs

- Modified short-term leases or SBITAs should be remeasured from the inception of the lease or SBITA (**classify out if maximum possible term exceeds 12 months**)



# Leases, PPPs, and SBITAs (cont.)

## Variable Lease Payments

- Variable lease payments, **other than those that depend on an index or rate or those that are fixed in substance**, should not be included in the measurement of the lease liability.

## Lease Incentives

- An incentive **includes** the assumption of or *an agreement to pay* a lessee's preexisting lease obligation to a third party

## PPP Remeasurement

- The receivable for the underlying PPP asset **should be remeasured if there is a change in the PPP term**
- Deferred outflow of resources should be adjusted by the same amount as any remeasurement change to the liability for the underlying PPP asset

# Replacement of Interbank Offered Rates

## Extended Use of LIBOR

- **Statement 93, *Replacement of Interbank Offered Rates*, paragraph 11b:**

“LIBOR is not an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt.”

### **Paragraph 15:**

“The requirement in paragraph 11b is effective for reporting periods after December 31, 2021.”

- On December 4, 2020, the LIBOR administrator published its intention to extend the publication of certain U.S. LIBOR tenors until June 30, 2023.

# Replacement of Interbank Offered Rates (cont.)

## London Interbank Offered Rate (LIBOR)

- Date at which it is not an appropriate benchmark interest rate changes to when it is no longer determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021.

# Technical Updates/Corrections

## SNAP/ Food Stamps

- States no longer use paper food stamp coupons. Specialized guidance in **Statement 24 is no longer relevant**. States should recognize distribution of benefits from SNAP by **applying the provisions in Statement 33, as amended**, instead.

## Nonmonetary Transactions

- A government that enters into one or more nonmonetary transactions during a period and that is required to apply Statement 62 to those transactions, should **disclose (in the notes) measurement attribute(s)**, rather than basis of accounting for assets transferred.

## Pledges of Future Revenue

- Blending guidance provided for a debt issuing component unit when the primary government pledges revenue for that debt
  - PG- Reclassify amount due to the component unit as an **interfund payable and interfund transfer out** when pledged revenues are recognized
  - CU- Recognize an **interfund receivable and a transfer in** when the primary government is obligated to make the payment

# Technical Updates/Corrections (cont.)

## Government-Wide Statements

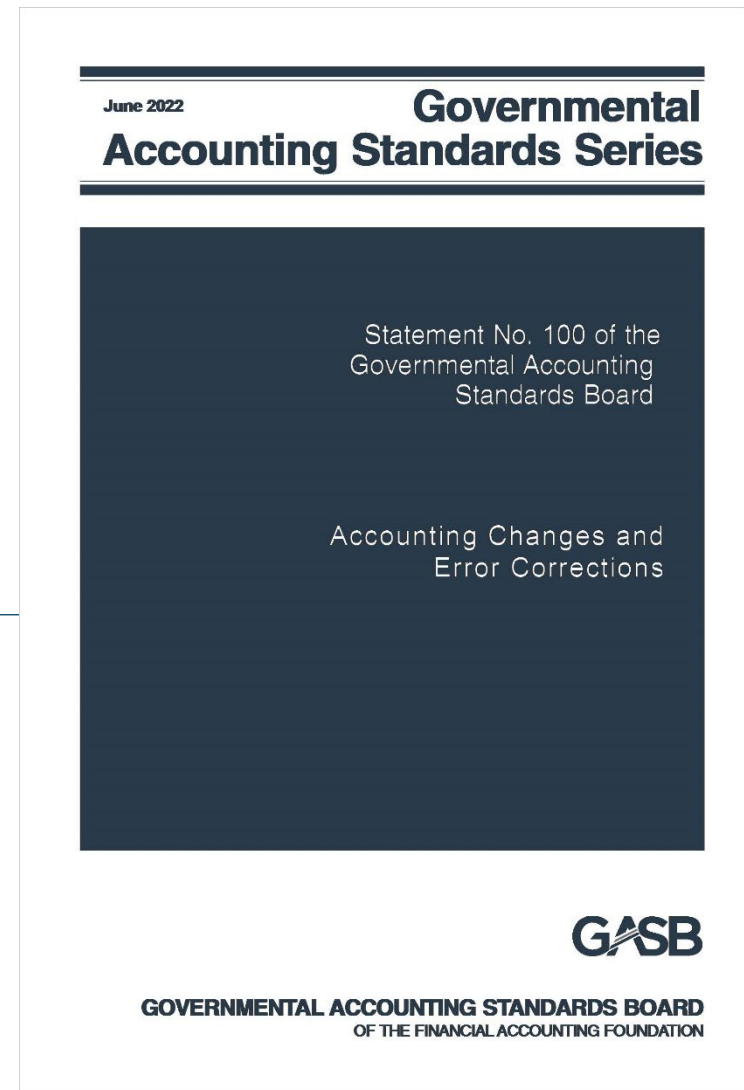
- Clarifies that no total column is required for the financial reporting entity as a whole.

## Terminology Updates

- Balance sheet – Statement of net position
- Balance sheet date – Date of financial statements or Statement of net position date
- Equity Funds – Other assets used
- Fund Equity – Equity interest
- Flow of resources statement – Resource flows statement

# Accounting Changes and Error Corrections

## Statement No. 100



# Accounting Changes and Error Corrections

## What?

Based on a reexamination of the requirements in Statement 62, the Board has replaced the guidance that previously existed in Statement 62 with new standards for accounting changes and error corrections.

## Why?

The previous guidance was based on several sources of accounting standards, some of which had been superseded, and much of which was been in effect without review by the GASB for decades.

## When?

Effective for changes made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged.

# More about Why...

- Research showed issues related to:
  - Changes in accounting principle vs. correction of an error
  - How to classify changes in measurement methodology of estimates versus changes in inputs to estimates versus changes in accounting policy
  - Certain currently required disclosures were often missing
- Common questions regarding:
  - How to account for changes in reporting entity
  - Impact of changes of prior balances on RSI and SI



# Classification

## Accounting changes

Change in accounting principle

Change in accounting estimate

Change to or within the financial reporting entity

Correction of an error in previously issued financial statements

# Change in Accounting Principle

- A change in accounting principle results from either:
  - A **change** from one generally accepted accounting principle to another that is justified on the basis that the newly adopted accounting principle is preferable
    - Preferability based on the qualitative characteristics of financial reporting
  - Implementation of new pronouncements

# Accounting Estimates

- Accounting estimates are:
  - Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements
  - Outputs determined based on inputs such as data, assumptions, and measurement methodologies

# Change in Accounting Estimate

- A *change* in accounting estimate occurs when the inputs change
  - Inputs include data, assumptions, and measurement methodologies
- Changes in inputs result from:
  - Change in circumstance
  - New information
  - More experience
- Change in measurement methodology should be justified on the basis that new methodology is preferable
  - Based on qualitative characteristics of financial reporting

# Change to or within the Financial Reporting Entity

- A change to or within the financial reporting entity results from:
  - Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units
  - A change in the fund presentation as major or nonmajor
  - Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units)
  - Change in presentation (blended or discrete) of a component unit

# Correction of an Error

- An error results from:
  - Mathematical mistakes
  - Misapplication of accounting principles
  - Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date
    - Facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date

# Accounting for Accounting Changes and Error Corrections

## Change in accounting principle

- Reported retroactively by restating prior periods presented, if practicable
- If not practicable, restate beginning balances of current period

## Change in accounting estimate

- Reported prospectively
- Recognized in current-period flows

## Change to/within the reporting entity

- Reported by adjusting current period beginning balances

## Error correction

- Reported retroactively by restating prior periods presented

# Display

## Shown separately

- Aggregate amount of adjustments to and restatements of beginning balances (net position, fund balance, or fund net position) should be displayed for each reporting unit
  - For purposes of these requirements, means each separate column in the basic financial statements except for the total columns.



# Note Disclosures

Disclosures vary depending on the type of item, but common disclosures include:

The nature of the change or error and its correction

Reason for the change

The effects on beginning net position, fund balance, or fund net position, as applicable, presented in a tabular format

# RSI and SI

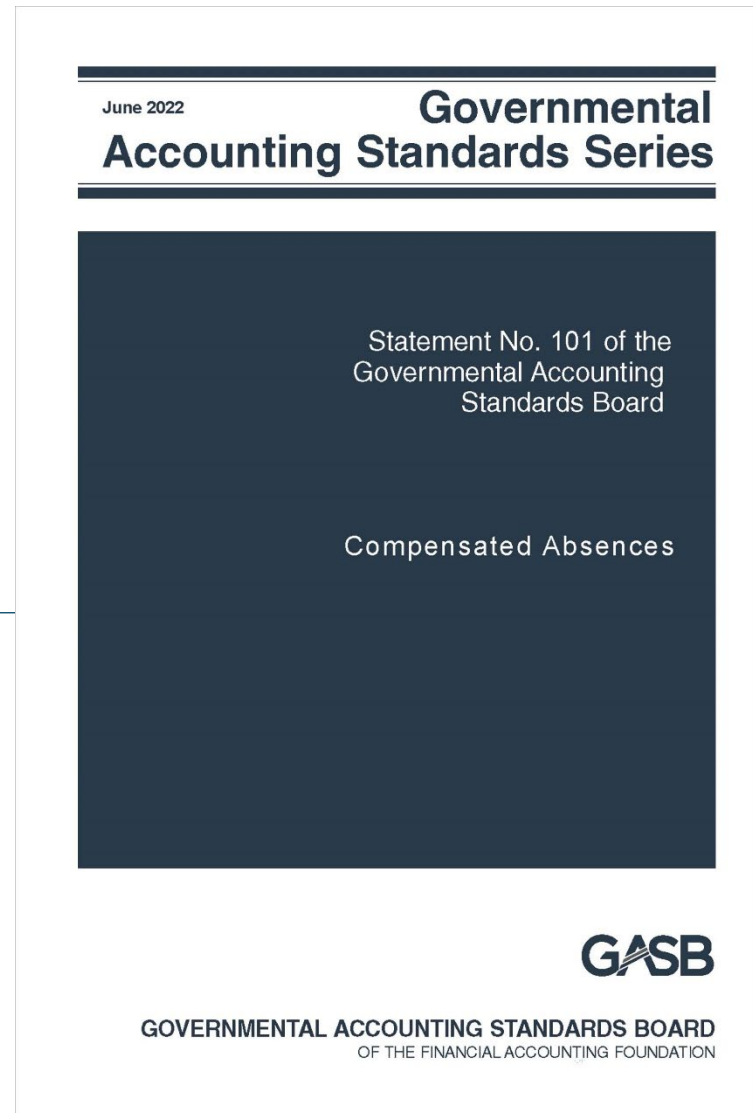
The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction

Periods earlier than those presented in basic financial statements should ***not*** be restated for changes in accounting principles

Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable

# Compensated Absences

## Statement No. 101



# Compensated Absences

## What?

The Board has amended existing guidance for compensated absences

## Why?

A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave

## When?

Effective for fiscal years beginning after December 15, 2023.

Earlier application is encouraged

# More about Why...

- Types and application of paid leave has changed since 1992 when Statement 16 was issued.
  - How should certain types of leave accounting for?
    - PTO
    - Unlimited leave
    - Compensatory time
    - Parental leave
    - Military leave
    - Sabbaticals
  - Does it make sense that vacation and sick leave are treated differently given how these are applied and used?

# Scope and Applicability

## A compensated absence is

- Leave for which employees may receive one or more:
  - Cash payments when the leave is used for time off
  - Other cash payments, such as payment for unused leave upon termination of employment
  - Noncash settlement, such as conversion to postemployment benefits

## Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

# Recognition Criteria – Leave that has not been used

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

# Exceptions to the General Recognition Approach

Leave more likely than not to be settled through conversion to defined benefit postemployment benefits

- Excluded from liability

Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commences
- Not sick leave or sabbatical leave

Unlimited leave and holiday leave taken on specific date

- Recognize liability when used



# Measurement

## Pay rate

Generally the employee's pay rate at financial reporting date

Exception: more likely than not to be paid at a different rate

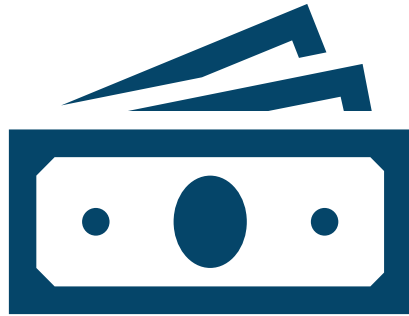
## Salary-related payments

Directly and incrementally related

DC pension or OPEB recognized as related leave is earned – not pension or OPEB liability

DB pension or OPEB excluded

# Leave Used But Not Paid



Liability for amount  
of cash payment or  
noncash settlement

Include applicable  
salary-related  
payments



# Current Financial Resources Measurement Focus

Expenditures for amount that normally would be liquidated with expendable available financial resources



Interpretation No. 6 – liability upon the occurrence of relevant events such as employee resignations and retirements

# Note Disclosures and Effective Date

## ■ Note disclosures

- No new note disclosures
- Exceptions to existing long-term liability disclosures for compensated absences:
  - Option to present net increase or decrease with indication that it is a net amount
  - Not required to disclose governmental fund used to liquidate

## ■ Effective date

- Fiscal years beginning after December 15, 2023

# Implementation Guidance Updates

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2020-1, and 2021-1

# Implementation Guidance Updates

## What?

The need for updates to Q&A implementation guidance is considered annually.

## Why?

New guidance is added as new pronouncements are issued and new issues arise.

## When?

Effective dates vary by Q&A from periods beginning after June 15, 2020 through periods beginning after June 15, 2023.

# Implementation Guide 2020-1

Adds new questions on standards regarding

- Certain asset retirement obligations
- Conduit debt obligations
- External investment pools
- Fiduciary activities
- Financial reporting entity
- Leases

Updates existing Q&A guidance related to

- External investment pools
- OPEB
- Pensions
- Deferral of certain Implementation Guide questions and answers

# Implementation Guide 2021-1

Adds new questions on standards regarding

- Derivative instruments
- Fiduciary activities
- Leases, including
  - Definition of a lease
  - Lease term: options to extend or terminate; reassessment
  - Short-term leases
  - Lessee recognition and measurement
  - Lessor recognition and measurement
  - Lease incentives
  - Modifications and terminations
- Nonexchange transactions

Updates existing Q&A guidance related to

- Financial reporting model
- Sales and pledges and intra-entity transfers (Statement 48)



# Current Technical Agenda Projects

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# Classification of Nonfinancial Assets

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# *Classification of Nonfinancial Assets*

## **What?**

The Board will review the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets)

## **Why?**

A review of existing standards found that they generally were effective, but that there were aspects that could be significantly improved

## **When?**

Deliberations scheduled to begin July 2022

# Tentative Board Decisions

Asset	Classification
Tangible capital assets held for sale	Major class of capital assets
Intangible owned capital assets	Major class(es) of capital assets
Intangible lease assets (Stmnt 87)	Major class(es) of capital assets
Intangible subscription assets (Stmnt 96)	Separate from other capital assets
Assets representing right to use intangible assets	Not separate from assets representing right to use tangible underlying assets - but – Separate from owned intangible assets

Scope of project limited to classification and related presentation and disclosure issues

# Project Timeline

Pre-Agenda Research Started	August 2020
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Exposure Draft Scheduled to Be Considered for Issuance	August 2023

# Conceptual Framework: Recognition

---

# Exposure Draft: *Recognition of Elements of Financial Statements*

## What?

The Board issued an Exposure Draft of a Concepts Statement on recognition of financial statement elements

## Why?

Recognition concepts are one of the components needed to complete the conceptual framework

## When?

A final Concepts Statement is scheduled to be considered for issuance in Q1 2024

# Recognition Concepts

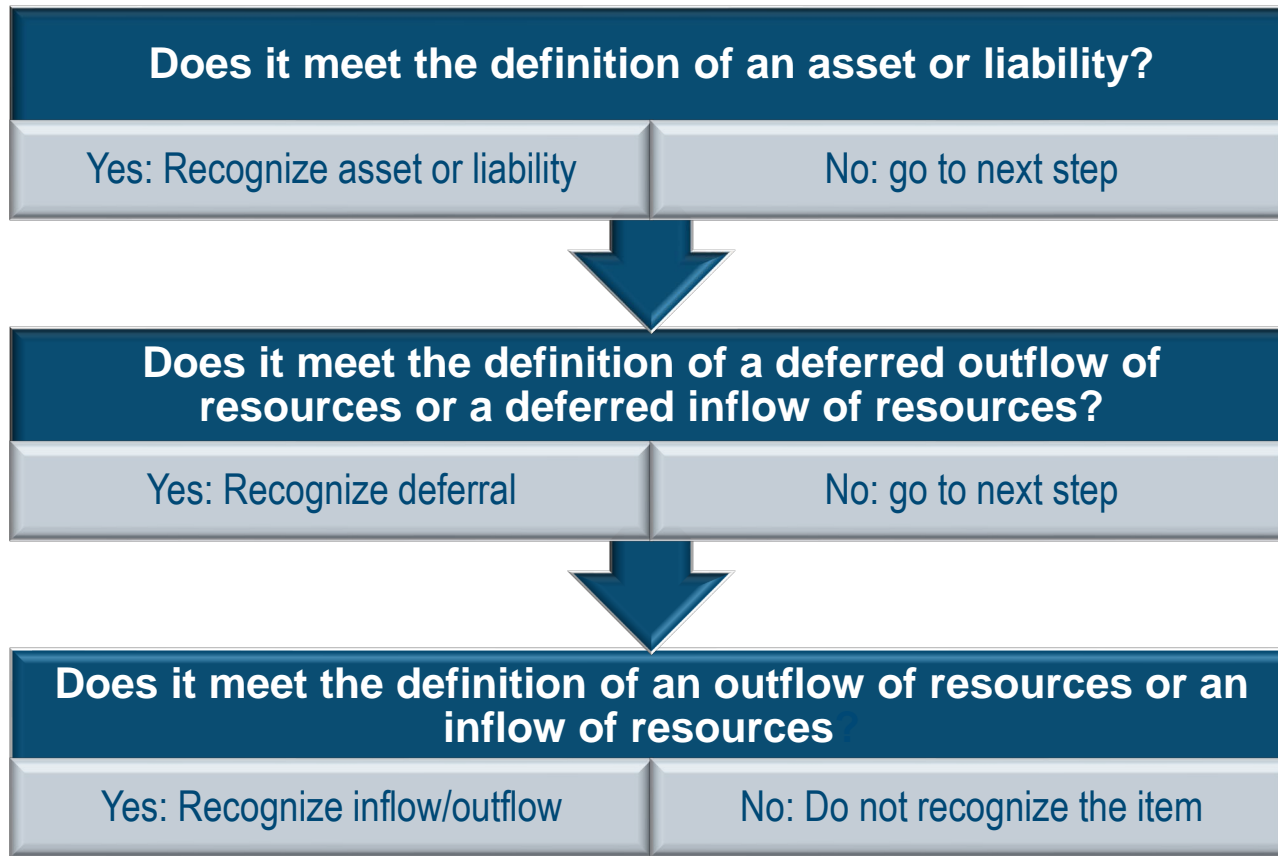
The **measurement focus** of a specific financial statement determines *what* items should be reported as elements of that financial statement.

The related **basis of accounting** determines *when* those items should be reported.



# Tentative Decisions: Recognition Hierarchy

Follow a specific order when evaluating an item for recognition:



# Tentative Decision: Recognition Framework

## Two Measurement Focuses

### Economic Resources

(applied in government-wide, proprietary fund, and fiduciary fund financial statements)

### Short-Term Financial Resources

(would replace current financial resources in the governmental funds)

# Tentative Decisions: Recognition Framework (continued)



# Project Timeline

Preliminary Views Issued	September 2018
Redeliberations Began	June 2019
Exposure Draft Approved	June 2020
Redeliberations Began	May 2021
Final Concepts Statement Scheduled to Be Considered for Issuance	March 2024

# Financial Reporting Model Reexamination

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# *Financial Reporting Model Improvements*

## **What?**

The Board proposed improvements to the financial reporting model—  
Statements 34, 35, 37, 41, and 46, and Interpretation 6

## **Why?**

A review of those standards found that they generally were effective, but that there were aspects that could be significantly improved

## **When?**

A final Statement is scheduled to be considered for issuance in Q1 2024

# Overview of the Proposals

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Measurement focus and basis of accounting for the governmental funds

---

Format of governmental funds financial statements

---

Clarification of operating and nonoperating in proprietary funds

---

Presentation of proprietary funds statement of revenues, expenses, and changes in net position

---

Management's discussion and analysis

---

Budgetary comparisons

---

Major component unit presentations

---

Unusual or infrequent items

---

# Tentative Decisions: Recognition in Governmental Funds

Short-term financial resources measurement focus  
and modified accrual basis of accounting

Elements from *short-term* transactions or other events recognized *as the underlying transaction or other event occurs*

Elements from *long-term* transactions and other events recognized *when payments are due except for long-term financings issued for a short-term purpose which would be recognized like a short-term transaction*

Financial assets: cash, assets that are available to be converted to cash, and assets that are consumable in lieu of cash



# Recognition in Governmental Funds (cont.)

## Short-Term Transactions

Period from inception to conclusion is one year or less

## Long-Term Transactions

Period from inception to conclusion is more than one year

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### Inception

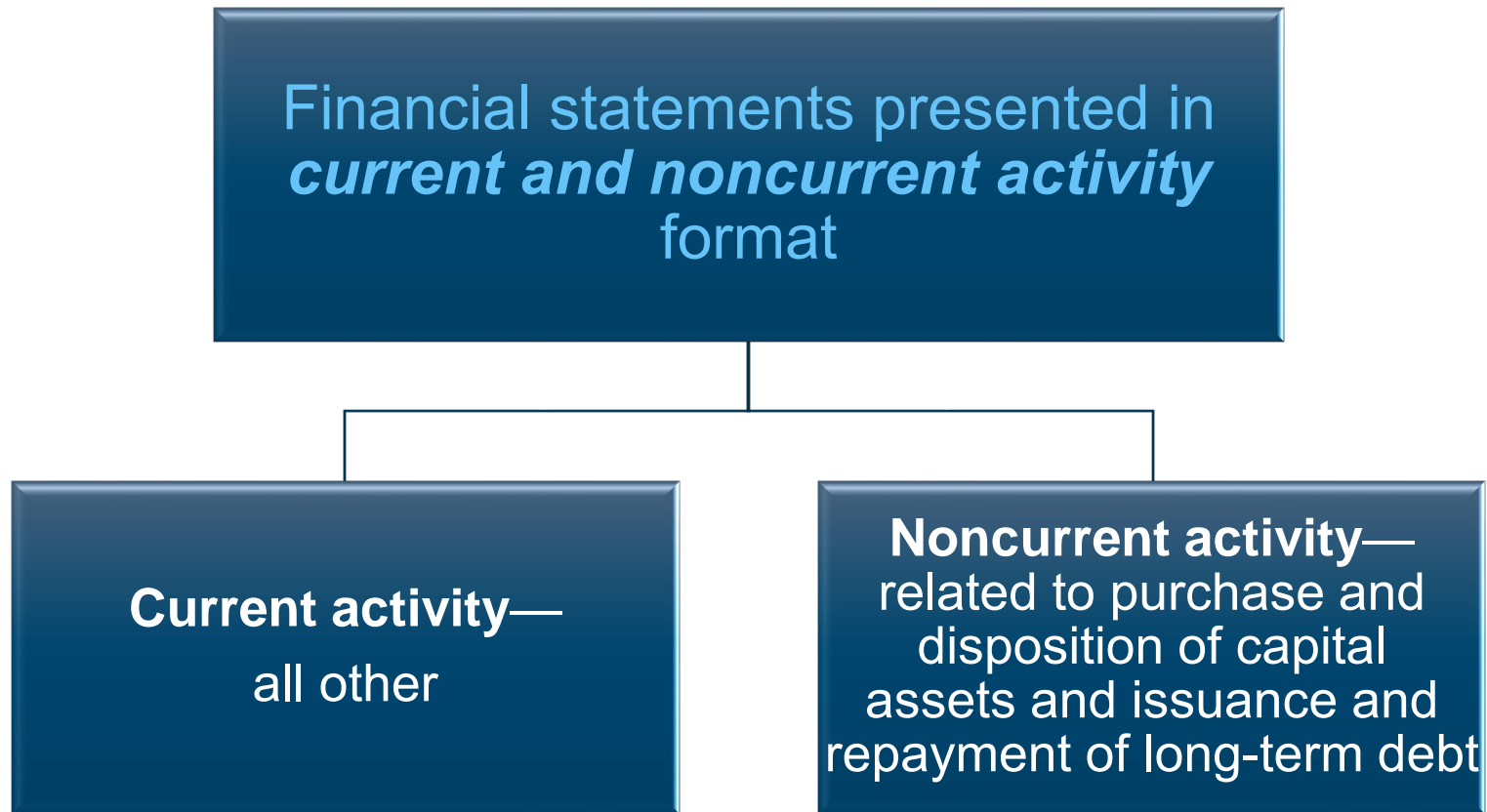
generally is when a party to the transaction takes an action that results in the initial recognition of an asset or liability

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### Conclusion

generally is when the final payment of cash or other financial assets is due according to the terms of the binding arrangement (or estimated payments)

# Tentative Decisions: Presentation of Governmental Funds



# Proposed Statement of Short-Term Financial Resource Flows

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
<b>INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
Taxes:				
Property tax	\$ 20,322,167	\$ 5,311,156	\$ 2,015,047	\$ 27,648,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Special assessments	-	-	41,500	41,500
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,192,493	20,787,512
Investment earnings	5,829	11,384	119,043	136,256
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	654,482	771,287	5,642,709
Total inflows of short-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
<b>OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES</b>				
General government	14,053,444	6,961,201	2,213,691	23,228,336
Public health and safety	70,880,913	-	590,383	71,471,296
Highway and streets	12,137,714	-	4,715,808	16,853,522
Culture and recreation	3,581,583	335,659	1,808,065	5,725,307
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,304,999	7,296,860	13,201,992	121,803,851
Net flows of short-term financial resources for current activities	5,455,280	(1,319,838)	6,314,185	10,449,627
<b>NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES</b>				
Transfers in	-	-	10,651,605	10,651,605
Debt service	(2,434,544)	(366,412)	(9,198,505)	(11,999,461)
Capital outlay	(111,987)	(1,515)	(1,346,497)	(1,459,999)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short-term financial resources for noncurrent activities	(10,227,406)	(374,372)	(2,314,297)	(12,916,075)
Net change in short-term financial resources fund balances	(4,772,126)	(1,694,210)	3,999,888	(2,466,448)
Short-term financial resources fund balances at beginning of year	9,319,621	9,776,474	27,892,592	46,988,687
Short-term financial resources fund balances at end of year	\$ 4,547,495	\$ 8,082,264	\$ 31,892,480	\$ 44,522,239

Current and Noncurrent Activity Format

# Proposals: Proprietary Funds

Separate presentation of operating and nonoperating revenues and expenses

## Operating

- Activities other than nonoperating activities

## Nonoperating

- Subsidies received and provided
- Revenues and expenses of financing
- Resources from the disposal of capital assets and inventory
- Investment income and expenses
- Contributions to permanent and term endowments

# Proposals: Proprietary Funds (cont.)

## “Subsidies” as proposed

- Resources received from another party or fund to keep rates lower than otherwise would be necessary to support the level of goods and services to be provided
- Resources provided to another party or fund that results in higher rates than otherwise would be established for the level of goods and services to be provided

Add a new subtotal for operating income (loss) and noncapital subsidies

# Proposals: Proprietary Funds (cont.)

“Subsidies”  
Board  
tentative  
decisions

- Indicate that all transfers are included
- Clarify that subsidies can have a direct or an indirect impact on user fees and charges
- Clarify that subsidies should be classified as noncapital subsidies unless limited to capital purposes

	2016	2015
Operating revenues:		
Tuition and fees (net of discounts)	\$ 574,168	\$ 525,791
Grants and contracts	292,962	278,481
Sales and services	271,345	272,244
Other operating revenues	7,868	14,861
Total operating revenues	<u>1,146,343</u>	<u>1,091,377</u>
Operating expenses:		
[Natural or functional expenses]		
Total operating expenses	<u>1,681,544</u>	<u>1,596,059</u>
Income (loss) generated by operations	<u>(535,201)</u>	<u>(504,682)</u>
Noncapital subsidies:		
Appropriations	407,702	394,767
Taxes	8,026	7,660
Grants	42,978	37,567
Gifts	99,395	90,063
Total noncapital subsidies	<u>558,101</u>	<u>530,057</u>
Operating income (loss) and noncapital subsidies	<u>22,900</u>	<u>25,375</u>
Financing and investing activities:		
Investment income	235,820	138,649
Interest expense	(12,412)	(12,853)
Loss from the disposition of capital assets	(2,385)	518
Total financing and investing activities	<u>221,023</u>	<u>126,314</u>
Income before other items	<u>243,923</u>	<u>151,689</u>
Other items:		
Capital contributions	<u>23,231</u>	<u>74,830</u>
Increase (decrease) in net position	267,154	226,519
Net position—beginning	3,061,111	2,834,592
Net position—ending	<u>\$ 3,328,265</u>	<u>\$ 3,061,111</u>

# Proposals: Management's discussion and analysis

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Users of MD&A “have different levels of knowledge and sophistication about governmental accounting and finance,” “may not have a detailed knowledge of accounting principles” (as in Concepts Statement 1, paragraph 63)

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Add clarification and structure to the requirement for brief discussion of the basic financial statements, including their relationships and significant differences

---

Emphasize the level of thoroughness required for the analysis of year-to-year changes and the need to avoid unnecessary duplication

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Amend the requirements for currently known facts, decisions, or conditions with examples, such as economic trends; subsequent year's budget; actions government has taken on postemployment benefits, capital improvement plans, and long-term debt; actions other parties have taken that affect the government

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Move budgetary analysis and discussion of infrastructure assets (if applicable) to the relevant parts of RSI

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# Proposals: Management's discussion and analysis (continued)

## Board Tentative Decisions

- Reference to the SSAP not should not be required
- Presenting an analysis of balances and transactions of nonmajor funds in the aggregate should not be required
- Discussion of significant variations between the original and final budget amounts and between the final budget amounts and actual results for the general fund and major special revenue funds should be presented as notes to budgetary comparison information, which is proposed to be presented as RSI
- Information about infrastructure assets accounted for using the modified approach should be removed

# Other Proposals

## Budgetary comparisons

- Would be presented as required supplementary information (no option for basic statements)
- Required variances would be final-budget-to-actual and original-budget-to-final-budget

## Major component unit presentations

- If it is not feasible to present major component unit financial statements in separate columns in the reporting entity's financial statements, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements

# Other Proposals (continued)

## Unusual or Infrequent Items

- Separately present inflows and outflows of resources that are unusual in nature and/or infrequent in occurrence (replacing extraordinary and special items)
- Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management

# Proposed Effective Dates

**Based on total annual revenues in fiscal year beginning after June 15, 2022**

**\$75 million or more**

Apply in fiscal years  
beginning after June  
15, 2024

**Less than \$75 million**

Apply in fiscal years  
beginning after June  
15, 2025

# Project Timeline

Pre-Agenda Research Started	April 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Issued	September 2018
Exposure Draft Approved	June 2020
Redeliberations Began	May 2021
Final Statement Scheduled to Be Considered for Issuance	March 2024

# Going Concern Uncertainties and Severe Financial Stress: Reexamination of Statement 56

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# Going Concern Uncertainties and Severe Financial Stress

## What?

The Board will review existing standards related to going concern and address issues related to disclosures regarding going concern uncertainties and severe financial stress

## Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; users need information about governments' severe financial stress, but that information is not readily available

## When?

The Board added the project to its current technical agenda in December 2021

# Topics to Be Considered

How should the existing guidance on going concern uncertainties (including the definition of a going concern) be clarified or improved to reduce diversity in practice in applying the guidance?

How should severe financial stress be defined? How should that definition differ from going concern uncertainties?

If a government is determined to be exposed to severe financial stress, what relevant information should a government disclose in notes to financial statements?



# Project Timeline

Pre-Agenda Research Started	April 2015
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Preliminary Views Scheduled to Be Considered for Issuance	August 2024
Exposure Draft Scheduled to Be Considered for Issuance	March 2026

# Implementation Guide Update

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# Exposure Draft: *Implementation Guidance Update—2023*

## What?

Proposed new Q&As and proposed amendments to existing Q&As on various topics were issued in an Exposure Draft in October 2022.

## Why?

New guidance is added as new pronouncements are issued and new issues arise.

## When?

A final Implementation Guide is scheduled to be considered in June 2023.

# Proposed Implementation Guide Update

## Adds new questions on standards regarding

- Leases
- SBITAs
- Changes to or within the financial reporting entity (Statement 100)

## Updates existing Q&A guidance related to

- Leases

## Proposed effective date

- Fiscal years beginning after June 15, 2023, and all reporting periods thereafter

# Project Timeline

Exposure Draft Cleared	October 2022
Comment Period Ends	January 2022
Redeliberations Scheduled to Begin	March 2023
Final Implementation Guide Update Scheduled to Be Considered for Issuance	June 2023

# Revenue and Expense Recognition

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# Revenue and Expense Recognition

## What?

The Board proposed a comprehensive model for recognition of revenues and expenses

## Why?

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

## When?

The Board is scheduled to consider the issuance of an Exposure Draft in Q1 2025

# Broad Project Objective

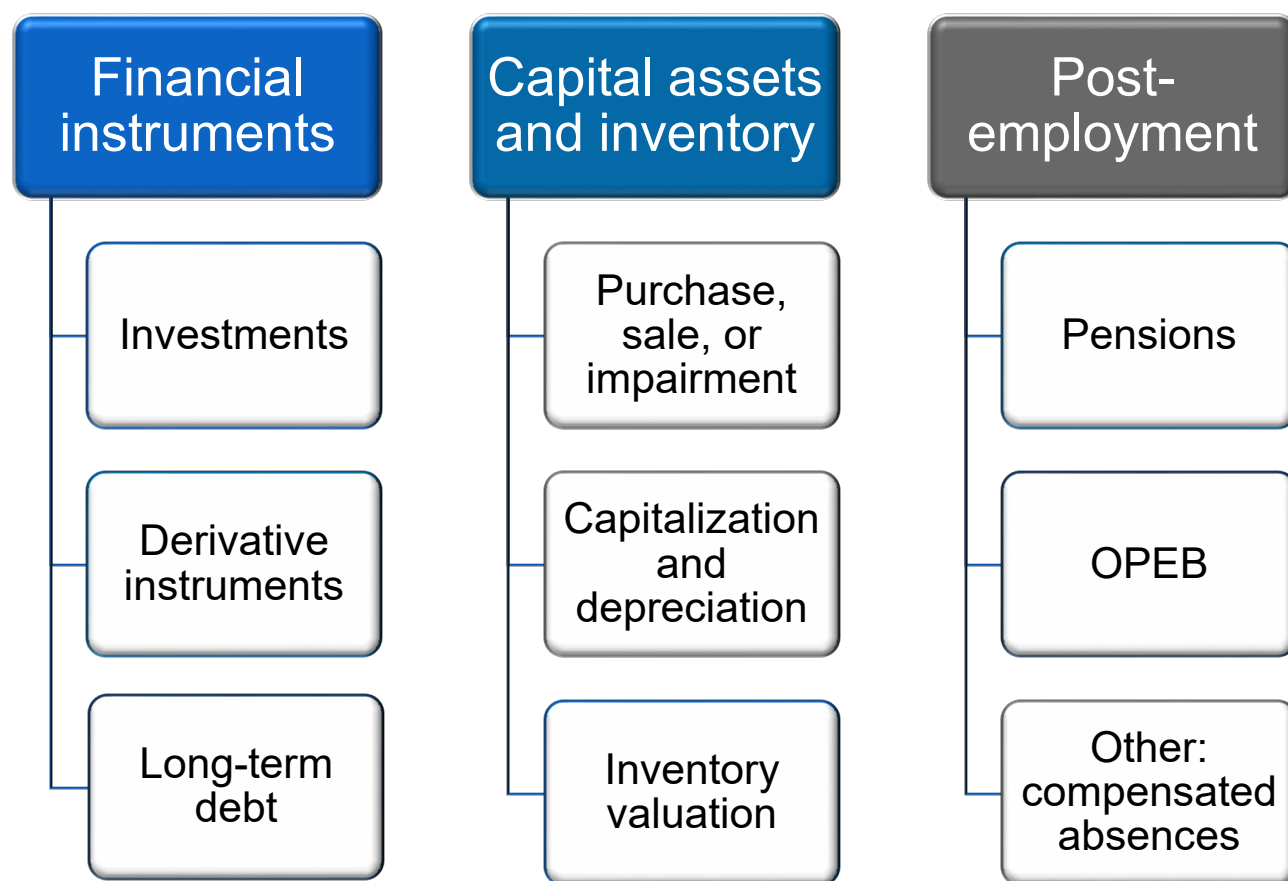
Develop a comprehensive, principles-based model that establishes guidance applicable to a wide range of revenue and expense transactions to:

- Expand on areas where there is no guidance—expenses
- Expand on areas where there is limited guidance—certain revenues
- Consider practice issues and challenges identified in current guidance—Statement 33
- Consider the conceptual framework—issued after Statement 33
- Consider performance obligation recognition



# Scope of the Project

- The scope is defined broadly to include revenues and expenses except for those ***explicitly excluded***:



# Proposed Recognition Model Components

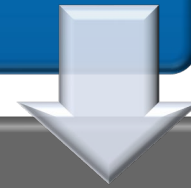
## ***Categorization***

Identify the *type* of transaction



## ***Recognition***

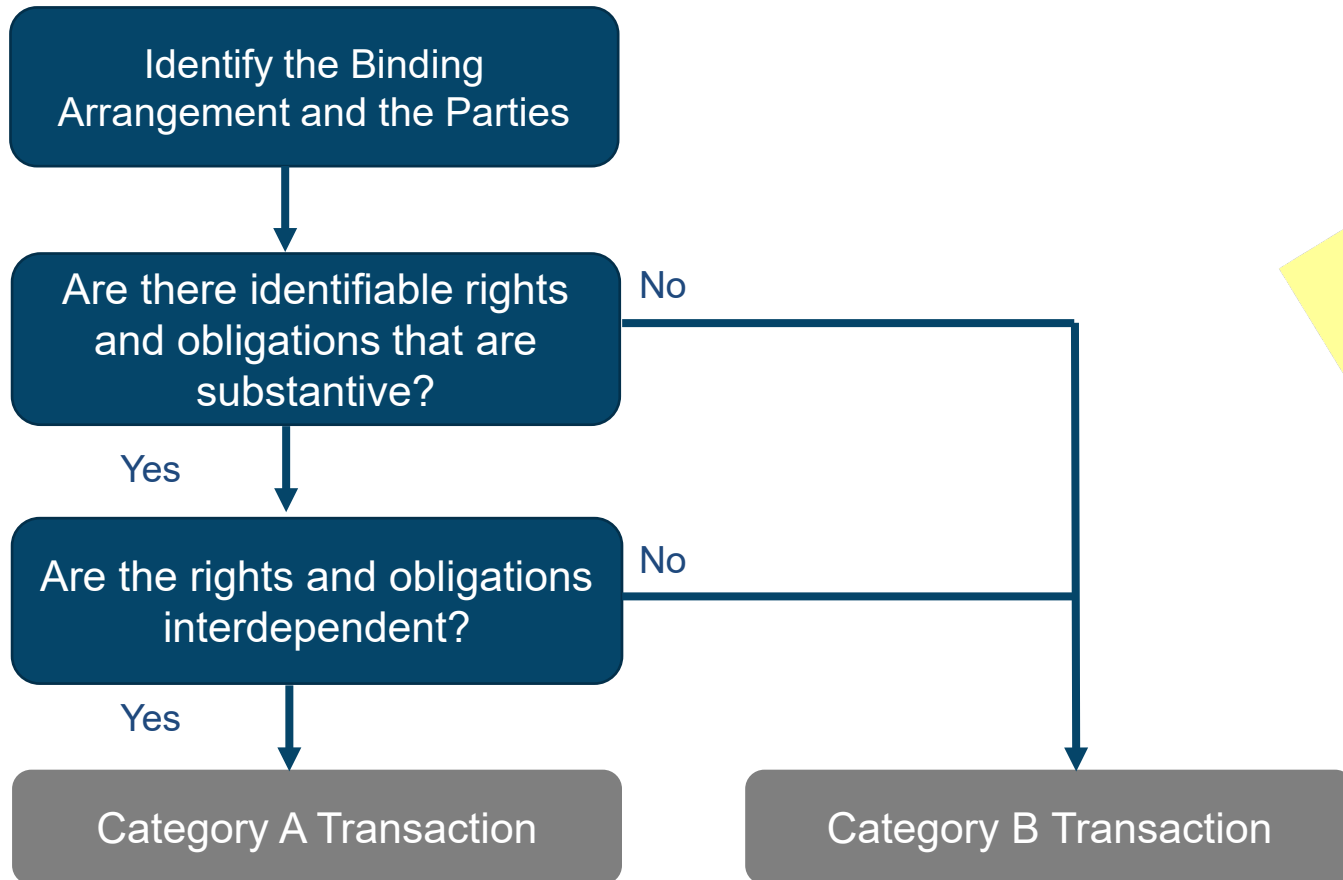
Determine *what* element should be reported and *when*



## ***Measurement***

Determine the *amount* to report

# Proposed Categorization Methodology

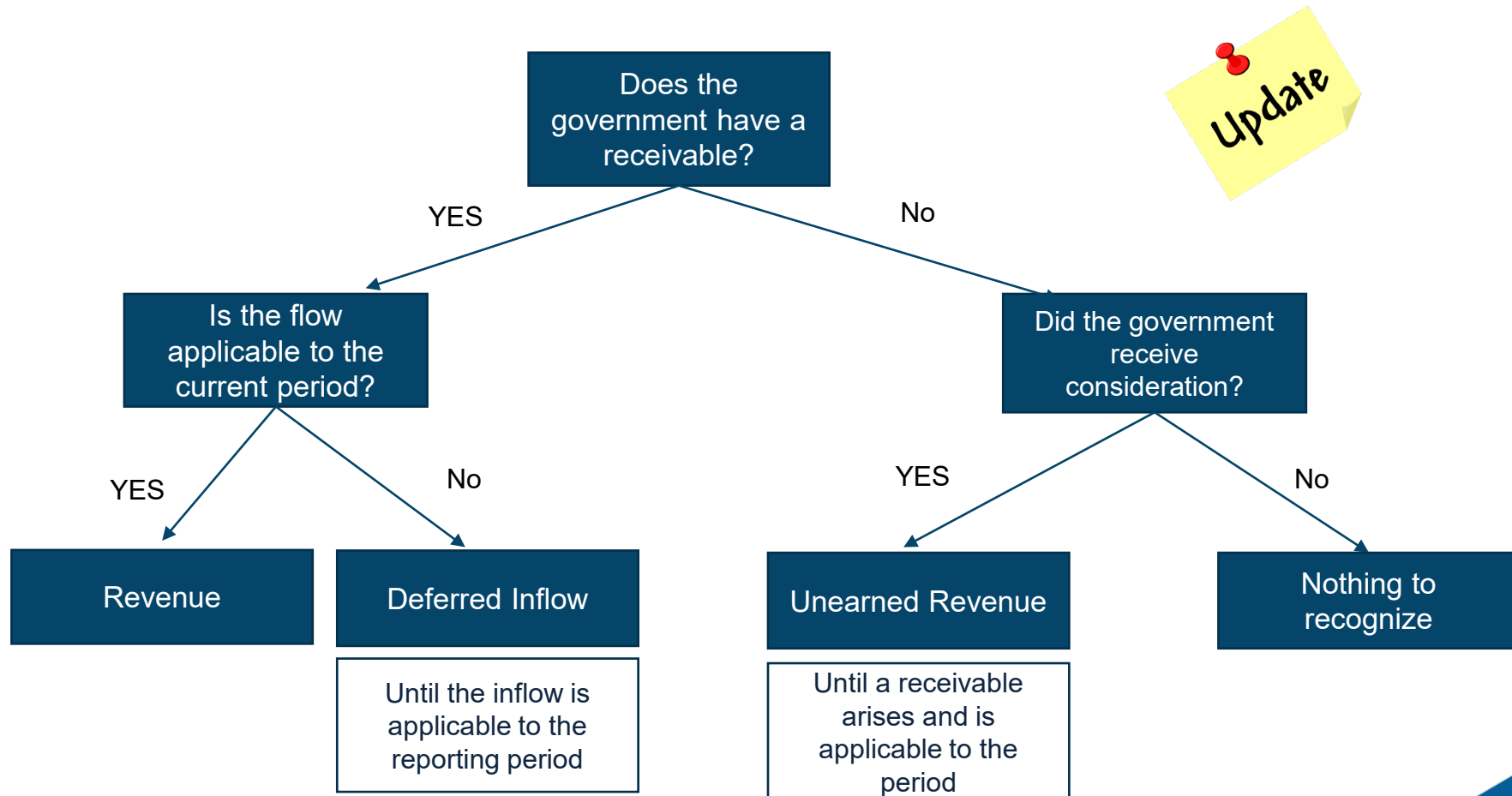


# Outcomes of the Proposed Model \*

Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Eligibility-based grants	Punitive fees
Research grants and revolving loans	Special assessments
Medicaid fees for services	Donations
Tuition fees	Regulatory fees (drivers licenses, building permits, marriage licenses, professional licenses)
Most expenses	Purpose-restricted grants
	Capital fees (developer fees, PFCs)
	Medicaid supplementary payments

\* Transactions highlighted in blue would have different outcomes than under current literature

# Proposed Revenue Recognition Principles



# Proposed Revenue Recognition Principles

A receivable should be recognized when a legally enforceable claim arises in a revenue transaction. A legally enforceable claim arises at different points based on the terms and conditions specified in the binding arrangement.

Advances in revenue transactions are resources received before a legally enforceable claim arises and should result in a liability being recognized, regardless of whether those advances are refundable.

# Category A Proposed Revenue Recognition Principles

## Categorization

Contain the following characteristics:

- Identifiable rights and obligations that are substantive
- Rights and obligations are interdependent

## Recognition

Revenues and expenses are recognized based on the satisfaction of a **performance obligation**

# Category A Expense Recognition Examples

A performance obligation is satisfied when there is a transfer of control of resources

City orders supplies

Expense is recognized as the city receives the supplies

School district hires CPA

Expense is recognized as the CPA firm carries out the expected work, such as an audit

Public utility employees

Expenses for wages are recognized as the employees perform services over time



# Category B Proposed Revenue Recognition Principles

## Categorization

Fails one of the following:

- Identifiable rights and obligations that are substantive
- Rights and obligations are interdependent

## Recognition

Revenues and expenses are recognized based on **five subcategories**

# Category B Proposed Revenue Recognition Principles

## Continued

### Receivable

- Recognized when a legally enforceable claim arises

### Revenue

- Recognized at the same time as the receivable, unless there are time requirements

### Liability

- Resources received prior to the establishment of a legally enforceable claim

### Deferred Inflow of Resources

- If the transaction includes a time requirement, assess the recognition of a deferred inflow of resources

# Category B Expense Recognition Examples

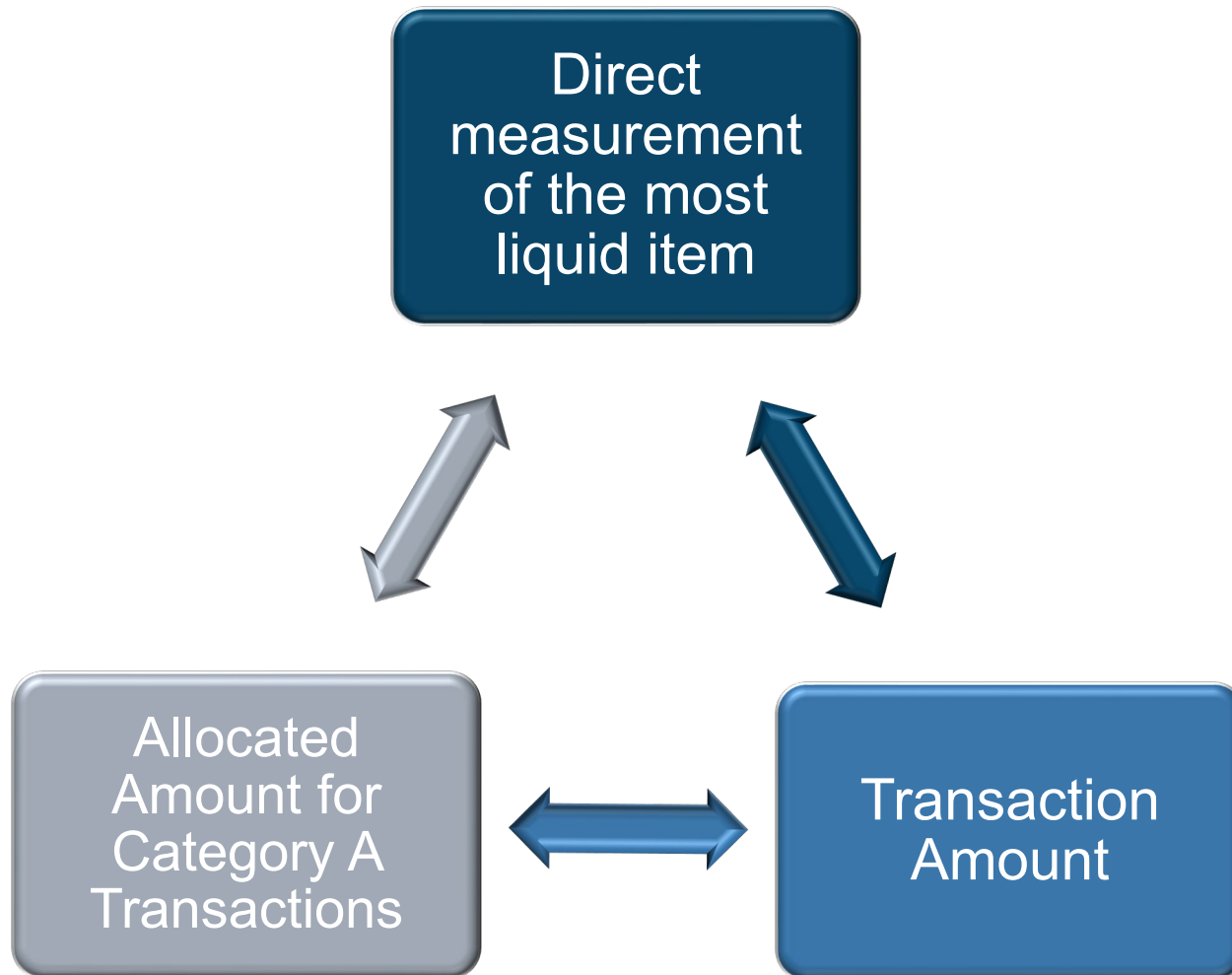
Expense is recognized at the same time as the *payable*, unless there are time requirements

Contractual arrangements

Shared revenue (outflows)

General aid (outflows)

# Proposed Measurement Principles



# Project Timeline

Pre-Agenda Research Started	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleared	January 23, 2018
Preliminary Views Approved	June 2020
Redeliberations Began	May 2021
Exposure Draft Scheduled to Be Considered for Issuance	March 2025

# Certain Risk Disclosures

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# Certain Risk Disclosures

## What?

The Board has proposed standards to identify and disclose risks faced by governments

## Why?

Stakeholders asked the GASB to address this issue

## When?

A final Statement is scheduled to be considered for issuance in Q3 2023

# Exposure Draft: Scope and Purpose

## Current vulnerabilities due to certain concentrations

- For example, (1) principal employers, (2) principal industries, (3) principal resource providers, (4) composition of principal inflows of resources, (5) workforce covered by collective bargaining agreements, and (6) suppliers of material, labor, or services

## Current vulnerabilities due to certain constraints common in the government environment

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

**Objective:** To provide users essential information about risks faced by governments that may impact their ability to continue to provide services at the current level or to meet their obligations as they come due



# Exposure Draft: Disclosure Criteria

Disclosures should be required when the government determines that:

- An event associated with a concentration or constraint either has occurred or is more likely than not to begin to occur within 12 months of the financial statement date or shortly thereafter (3 months)
- It is at least reasonably possible that the event will cause there to be a substantial effect within 3 years of the date of the financial statement

*Substantial effect* is one that affects the government's ability (1) to continue to provide services at the level provided in the current reporting period or (2) to meet its obligations as they come due

# Exposure Draft: Disclosure Requirements

Disclose sufficient detail to enable users to understand the general nature of the risks and their potential effect on the government's ability to provide services at the current level or meet its obligations.

- Description of concentration or constraint
- Description of each event associated with the concentration or constraint, including the criteria that were met
- Description of actions taken to mitigate the substantial effect.

Disclosure not required if mitigating actions cause any of the disclosure criteria to no longer be met.

Disclosures should be made at the primary government level unless a risk is specific to a reporting unit relative to other reporting units and has a substantial effect on that reporting unit but not on the primary government. In that case the disclosure should be made for the reporting unit.

# Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Exposure Draft Issued	June 2022
Redeliberations Began	November 2022
Final Statement Scheduled to be Considered for Issuance	August 2023

# Pre-Agenda Research Activities

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# Capital Assets

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# Capital Assets

## What?

The GASB is evaluating existing guidance related to capital assets and the usefulness of information reported by governments

## Why?

Stakeholders have asked the GASB to review various aspects of capital asset reporting; the most relevant standards have been in effect 15-20 years

## When?

The Board added the pre-agenda research in August 2019

# Topics to Be Considered

What choices do governments make with respect to their capital asset-related accounting policies? Why do they select those policies?

How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?

How do governments report exchanges of capital assets?

How do depreciation and estimated useful lives compare with the actual diminution of service capacity?

What has been the experience with the modified approach to reporting infrastructure? How has it affected comparability of statement information?

Should changes in the condition of capital assets be reflected as flows of resources in the financial statements? How would it be measured?

What information do governments collect and report about deferred maintenance? How is it estimated?

# Subsequent Events

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# Subsequent Events

## What?

The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments

## Why?

Existing guidance is based on other literature dating back to 1972 and generally have not be reevaluated

## When?

The Board added the pre-agenda research in December 2021

# Topics to Be Considered



How prevalent are recognized and nonrecognized subsequent events?


How prevalent are subsequent event disclosures?

What types of subsequent events are disclosed in practice?

What difficulties do governments have, if any, distinguishing between subsequent events that require adjustments to the financial statements and those that are limited to disclosure?

What difficulties do governments have, if any, determining whether information that became available prior to the issuance of the financial statements reflects conditions that existed as of the date of the financial statements?

# Topics to Be Considered (continued)



How are the standards applied to events occurring after the issuance of the financial statement when a government reissues the financial statements?

What impact might the proposed changes to MD&A in the Financial Reporting Model project have on subsequent events reporting?

What information are governments disclosing about subsequent events? Is that information essential to users for making decisions and assessing government accountability?

What disclosures do users need, if any, about subsequent events that they are not currently receiving? How would they use that information?

What essential information, if any, do users need regarding recognized subsequent events?

# Post-Implementation Review (PIR)

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# What is PIR?

The GASB monitors and supports implementation of all of its pronouncements

For Statements resulting from comprehensive projects and major projects that address a fundamental aspect of the standards, the GASB also:

Examines a random sample of financial reports for the year prior to, year of, and year after implementation

Collects information from their preparers regarding staff hours and nonstaff costs for those three years

Examine financial reports for the same random sample in the fifth year of implementation

Conduct stakeholder roundtables and surveys regarding their experience with the standards

Reports the findings publicly

# Why does the GASB conduct PIRs?

To provide general support to stakeholders when implementing significant new pronouncements

To identify and address practice issues that arise

To answer technical inquiries from stakeholders and develop and publish Q&A implementation guidance

To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future

# How does the GASB involve stakeholders in PIR?



# Which Statements are under review?

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Statement 67—Pension plan reporting

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Statement 68—Employer reporting for pensions

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Statement 72—Fair Value measurement & reporting

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Statement 75—Employer reporting for other  
postemployment benefits (OPEB)

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Statement 84—Fiduciary activities

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Statement 87—Leases



# What is the status of the PIRs?

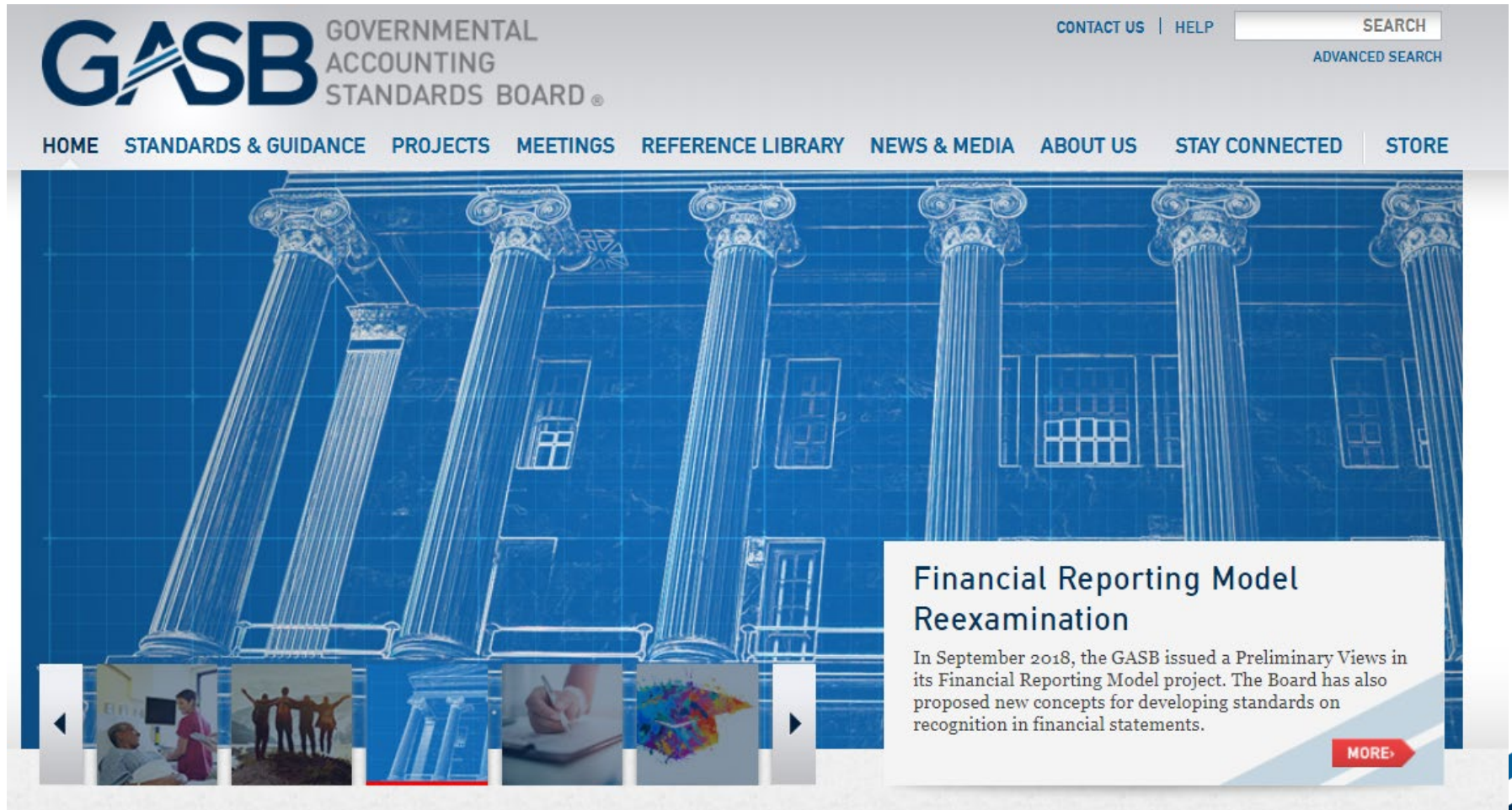
Pensions	Conducting 5 separate surveys of stakeholders to obtain additional information about certain topics raised at stakeholder roundtables, including surveys of actuarial firms, pension plans, employers/preparers, auditors, and users
Fair value	Beginning collection and analysis of fifth-year reports
OPEB	Analysis of prior year and implementation year reports completed, second year analysis nearly completed; collection of implementation effort and cost information completed and being analyzed
Fiduciary activities	Recruitment of governments completed; collection of implementation effort and cost information has begun
Leases	Collection of implementation effort and cost information and pre-implementation year reports has begun

# Questions?

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Visit [www.gasb.org](http://www.gasb.org)

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## Financial Reporting Model Reexamination

In September 2018, the GASB issued a Preliminary Views in its Financial Reporting Model project. The Board has also proposed new concepts for developing standards on recognition in financial statements.

[MORE»](#)

Below the main banner, there is a horizontal carousel of five small images: a person at a computer, a group of people standing together, a close-up of a hand writing on a notepad, and a colorful abstract graphic.

# Website Resources



Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements

Free access to the basic view of Governmental Accounting Research System (GARS)

Free copies of proposals

Up-to-date information on current projects

Form for submitting technical questions

Educational materials, including podcasts

# Thank You