

Tennessee Government Finance Officers Association



GASB UPDATE

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September 23, 2022

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



Guidance and resources related to coronavirus diseases



Proposals for public comment



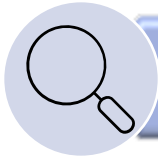
Pronouncements being implemented



Projects currently being deliberated by the Board



Pre-agenda research activities



Post-implementation review

GASB Project Manager Position Open

Minimum 10 years of experience, including at least 5 in government finance or auditing, public accounting, finance or accounting academia, or standards setting

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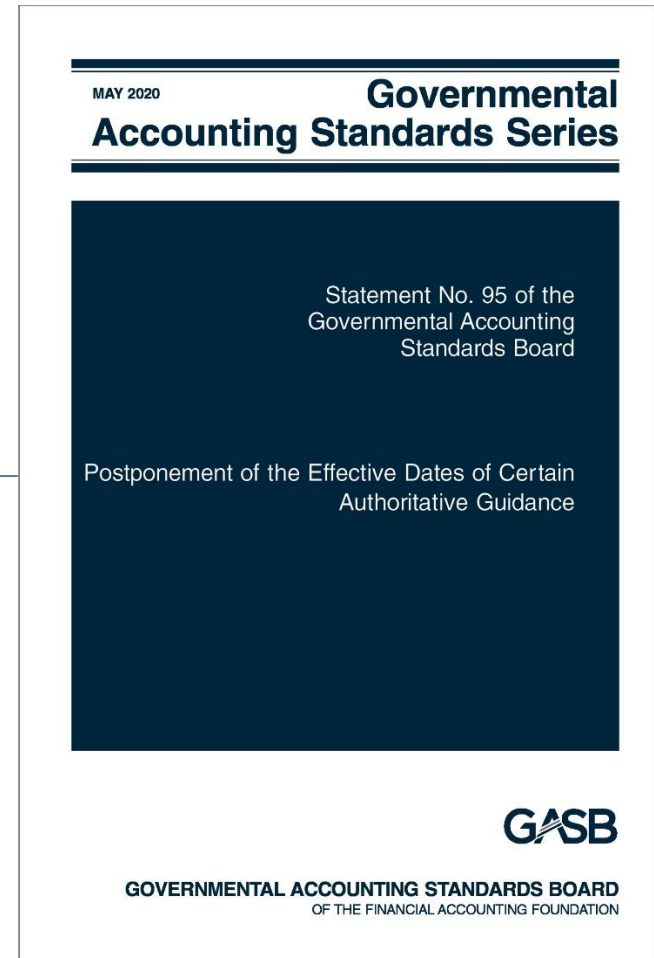
Click on
“Careers”

Guidance and Resources Related to the Coronavirus Diseases

- Postponement of certain effective dates
- Guidance on CARES Act
- Emergency toolbox

Postponement of the Effective Dates of Certain Authoritative Guidance

Statement No. 95



Effective Date Postponement

What?

The Board has postponed the effective dates of certain Statement & Implementation Guide provisions

Why?

The Board acted in response to numerous stakeholder requests prompted by the COVID-19 pandemic

When?

Effective immediately

Provisions can be implemented early to the extent allowed by each pronouncement

Effective dates are postponed one year for these pronouncements in their entirety

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

Effective dates are postponed one year for certain provisions of these pronouncements

- Statement No. 92, *Omnibus 2020*, paragraphs 6–10 and 12
- Statement No. 93, *Replacement of Interbank Offered Rates*, pars. 13 and 14
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, 4.484, 4.491 and 5.1–5.4

Effective dates are postponed 18 months for these pronouncements

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Effective Dates after Statement 95

December 31: Fiscal Year 2021

- Statement 89 – construction-period interest
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- Statement 98 – the annual comprehensive financial report
- IG 2019-1 – update

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 after Statement 95

June 30: Fiscal Year 2022

- Statement 87 – leases
- Statement 89 – construction-period interest
- 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 98 – the annual comprehensive financial report
- 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 (except 4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.22)

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

Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases

Technical Bulletin 2020-1

JUNE 2020

Governmental Accounting Standards Series

GASB Technical Bulletin No. 2020-1

Title: Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases

References: GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*
GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*
GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*
GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
GASB Implementation Guide No. 2015-1, Question 2.27.4

Technical Bulletin 2020-1

What?

The Board has cleared guidance that addresses issues arising from the CARES Act and coronavirus diseases

Why?

The Board acted in response to numerous stakeholder requests for guidance

When?

Effective immediately

Relevance of the Technical Bulletin 2020-1

Category A
Guidance

- GASB Statements

Category
B
Guidance

- Technical bulletins, Implementation guides, and AICPA literature cleared

Analogy

- Similar guidance (16)

- **Statement No. 76**, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.

Topics Addressed

- Whether resources received from the Coronavirus Relief Fund (CRF) are subject to eligibility requirements or to purpose restrictions and how they should be accounted for
 - CRF funds are voluntary nonexchange transactions subject to eligibility requirement rather than purpose restrictions
 - Recipient government should recognize resources received from the CRF as liabilities until the applicable eligibility requirements are met, including the incurrence of eligible expenditures
 - Recipient government should recognize revenue for the CRF resources received when the eligibility requirements are met

Topics Addressed

- Whether CARES Act provisions that address a government's loss of revenue should be considered an eligibility requirement, for purposes of revenue recognition
 - Yes, resources provided to address a government's loss of revenue are contingent upon an eligibility requirement
 - Resources received from CARES Act programs that specifically include an eligibility requirement for loss of revenue should be recognized as revenue when the government meets the action-based eligibility requirement

Topics Addressed

- Whether amendments to the CARES Act after the statement of net position date but prior to the issuance of financial statements are the basis for recognition in financial statements for the period reported
 - No, any amendment to the CARES Act after the statement of net position date should be considered a nonrecognized subsequent event (Statement 56)
 - Those amendments do not represent conditions that existed as of the period end being reported

Topics Addressed (continued)

- How to account for forgivable loans under the Paycheck Protection Program (PPP)
 - Loans provided through the PPP have been guaranteed through a nonexchange financial guarantee provided by the US Small Business Administration
 - Statement 70 requires that a government continue to report the loan as a liability until the government is legally released from the debt
 - The government should report an inflow of resources in the reporting period to the extent that they are legally released from the debt

Topics Addressed (continued)

- Whether resources provided through certain programs to a business-type activity or enterprise fund are nonoperating revenues
 - Higher education emergency fund, CARES Act airport grants, formula grants for rural areas, and urbanized area formula grants
 - Resources provided are subsidies and should be reported as nonoperating revenues
 - Provider relief fund
 - Resources provided constitute payment for care or treatment of uninsured individuals and testing of COVID-19 – should be reported as operating revenues

Topics Addressed (continued)

- Whether outflows incurred in response to the coronavirus are extraordinary items or special items for financial reporting purposes
 - Extraordinary items – BOTH unusual in nature and infrequent in occurrence
 - Reasonable to expect that coronavirus disease will recur in the foreseeable future
 - Special items – within the control of management and EITHER unusual in nature or infrequent in occurrence
 - Appearance of coronavirus disease is not within the control of management

COVID-19 Page & Emergency Toolbox

- Guidance and resources available at <https://gasb.org/emergency-toolbox.html>
- Emergency toolbox
 - Intended to help stakeholders quickly identify the GASB's authoritative guidance that could be relevant to the current circumstances, including topics such as contingencies, going concern, prior-period adjustments, revenue and receivable recognition, and subsequent events
 - Provides links to COVID-19 resources and nonauthoritative guidance of professional organizations

Proposals for Public Comment

Risks and Uncertainties Disclosures

Risks and Uncertainties 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?

Comment deadline is September 30, 2022

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 and 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 or meet its obligation.

- 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.

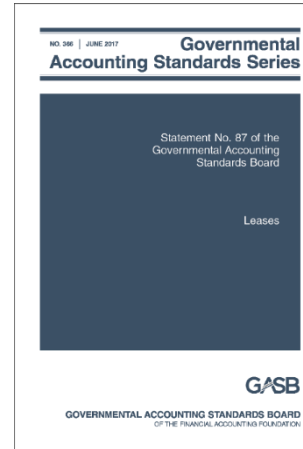
Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Additional Outreach Conducted	February–April 2021
Exposure Draft Issued	June 2022
Comment Deadline	September 30, 2022

Pronouncements Being Implemented

Leases

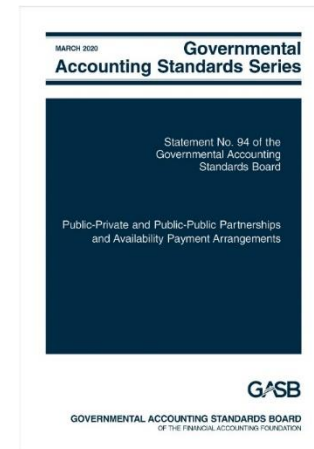
Statement 87



Public-Private and Public-Public Partnerships and Availability

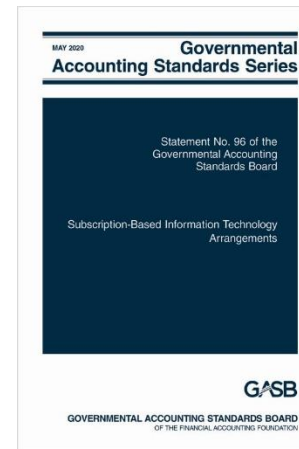
Payment Arrangements

Statement 94



Subscription-Based Information Technology Arrangements

Statement 96



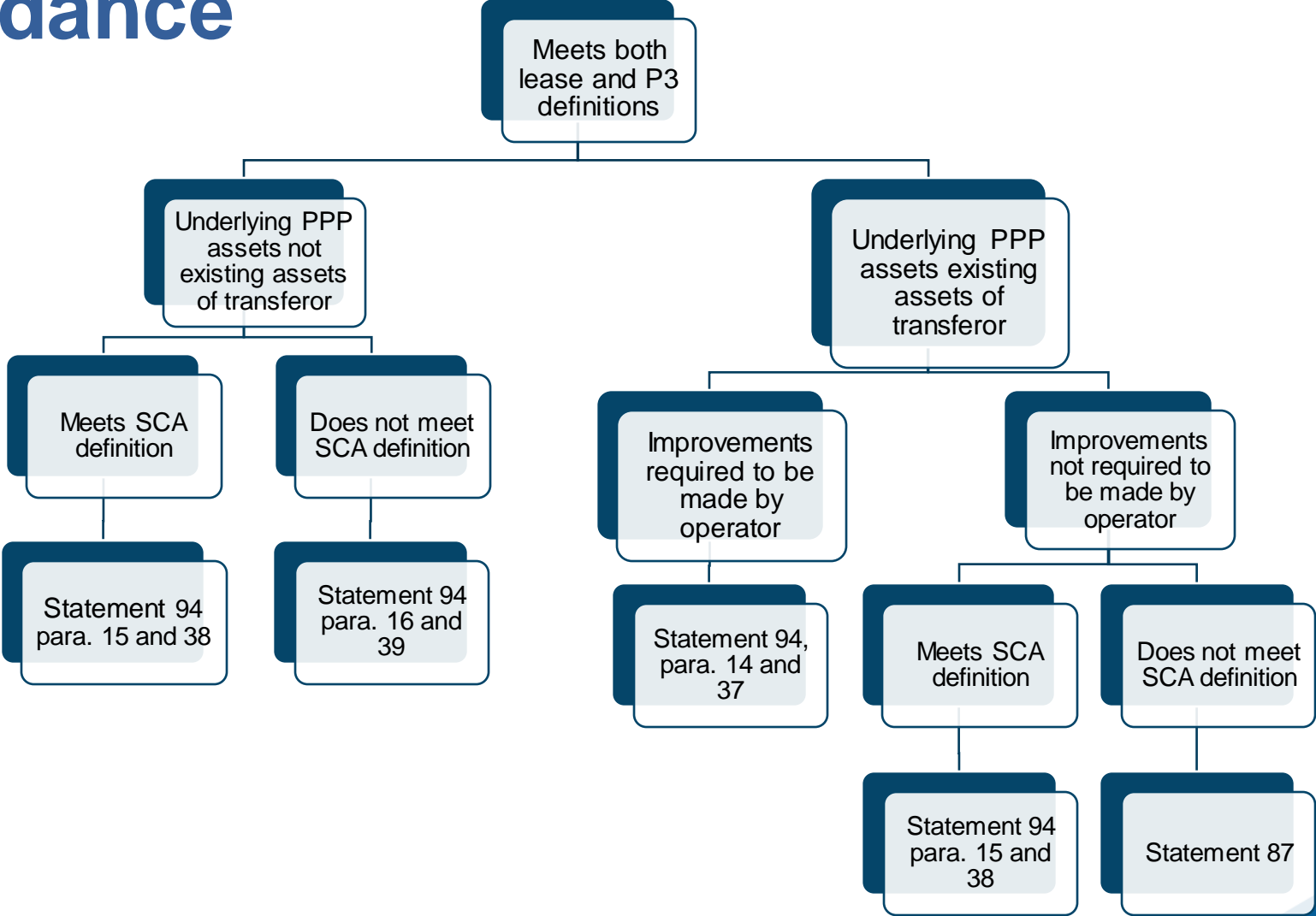
Definitions

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">• Includes all one-party options to extend• Excludes cancellable periods
Lessee accounting	<ul style="list-style-type: none">• Recognize expenses/expenditures based on the terms of the contract• Do not recognize assets or liabilities associated with the right to use the underlying asset
Lessor accounting	<ul style="list-style-type: none">• Recognize lease payments as revenue based on the payment provisions of the contract• Do not recognize receivables or deferred inflows

Initial Reporting

	Assets	Liability	Deferred Inflow
Lessee/ Operator/ SBITA	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
Lessor/ Transferor	<ul style="list-style-type: none"> • Lease receivable (generally includes same items as lessee's liability) • Continue to report the underlying asset 	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"> • Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less amount needed to cover accrued interest) 	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

Key Implementation Issues – GASB 87

Much of GASB 87 is driven by the legal form of the contract

- If contract gives either party the option to cancel, even if it is highly unlikely that they won't, it is a cancellable period (Q4.15 in IG 2019-3)
- If renewal is an option within the contract versus there being a new contract:
 - Could change the short-term lease evaluation (Q4.10 in IG 2020-1)
 - It determines whether renewal history matters—it matters if there is a renewal option and it does not matter if it is a new contract (Q4.11 in IG 2020-1)

Need to exercise professional judgment

- Is it an exchange or an exchange-like transaction—definition of a lease
- Estimating the incremental borrowing rate (discount rate) if no similar debt has been issued
- Whether payments are fixed in substance

Key Implementation Issues – GASB 87

Transition provisions

- Statement 87 requires that leases be recognized and measured using the facts and circumstances as of the beginning of the period of implementation
- For example:
 - As of January 1, 2022 for FYE December 31, 2022
 - As of July 1, 2021 for FYE June 30, 2022
- Not allowed to go back to the actual beginning of the lease

Materiality

- Materiality is always a consideration

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

Effective Dates

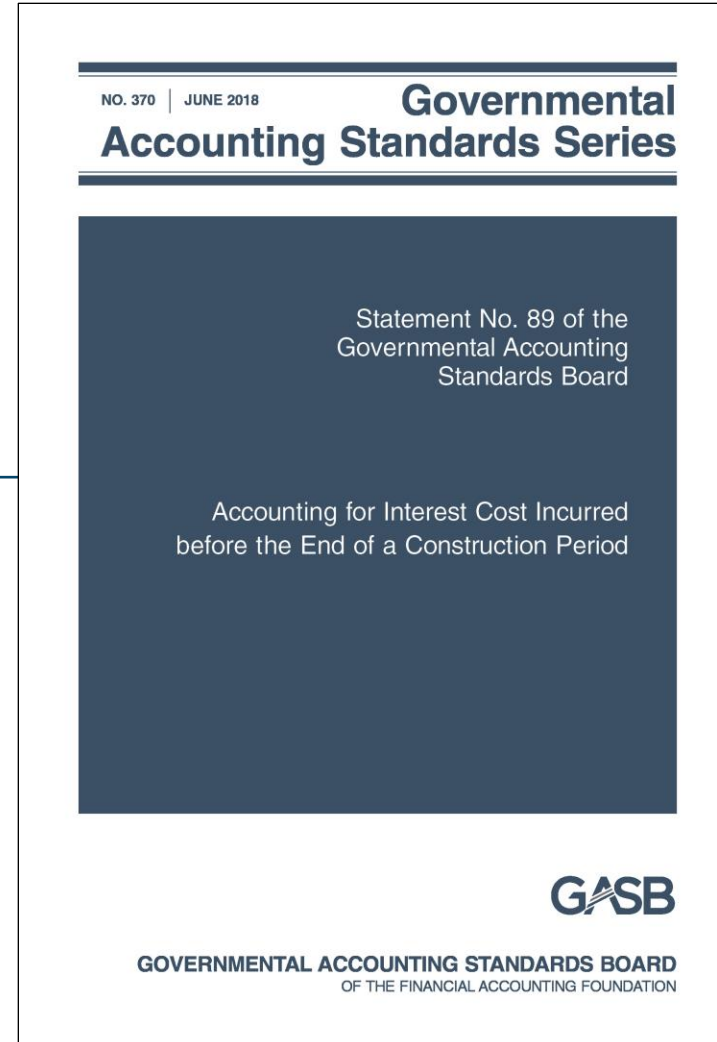
Pronouncement	Beginning After
Statement 87	June 15, 2021*
Statement 94	June 15, 2022**
Statement 96	June 15, 2022*
Implementation Guide 2019-3	June 15, 2021*
Implementation Guide 2020-1 (Statement 87 questions)	December 15, 2021*

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

** Reporting periods beginning after this date

Accounting for Interest Cost Incurred before the End of a Construction Period

Statement No. 89



Interest Cost

What?

The Board issued Statement 89 to enhance the relevance of capital asset information and simplify financial reporting

Why?

Accounting guidance was based on FASB Statements 34 and 62, which were incorporated into the GASB literature by GASB Statement 62 but were not reconsidered in light of GASB's Concepts Statements

When?

Effective for periods beginning after December 15, 2020

Earlier application is encouraged

Recognizing Interest Cost

Financial statements prepared using the economic resources measurement focus:

- Interest cost incurred before the end of a construction period should be recognized as an expense in the period incurred.

Financial statements prepared using the current financial resources measurement focus:

- Interest cost incurred before the end of a construction period should be recognized as an expenditure consistent with governmental fund accounting principles.

Prospective application at transition

Conduit Debt Obligations

Statement No. 91

MAY 2019

Governmental Accounting Standards Series

Statement No. 91 of the
Governmental Accounting
Standards Board

Conduit Debt Obligations

GASB

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

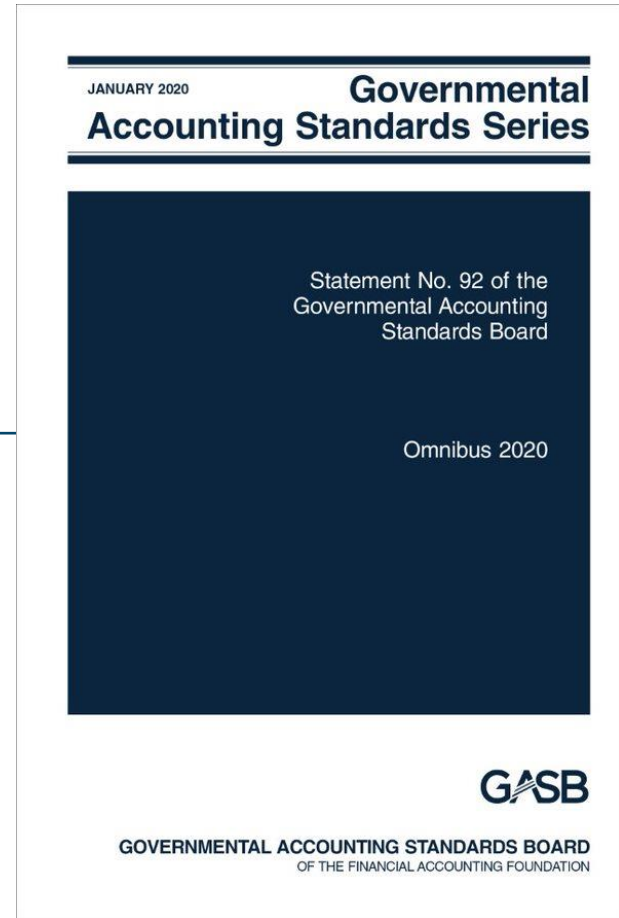
- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

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

Omnibus 2020

Statement No. 92



Omnibus 2020

What?

The Board has amended existing standards covering multiple topics

Why?

Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project

When?

Effective dates vary by topic

Earlier application is encouraged and permitted by topic

Provisions of Statement 92

Leases

- Effective date of Statement 87 and Implementation Guide 2019-3 is changed from “reporting periods” to “fiscal years...and all reporting periods thereafter”

Government combinations and disposals of operations

- Provides an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation
 - Acquiring government should measure the assets and liabilities related to an acquired entities ARO in accordance with Statement 83

Derivative instruments

- Amends NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments (from derivatives to derivative instruments)

Provisions of Statement 92 (continued)

Application of Statement 84 to Postemployment Benefit Arrangements

- Limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans – plans not administered through a trust that meets specified criteria should apply Statement 84 with regard to the liability to the beneficiary (employee)
- Supersedes guidance in Statements 73 and 74 regarding recognition of a liability to employers and NECEs for the excess of assets over liabilities for benefits payments and administrative expenses in custodial funds in circumstances in which assets are accumulated for the pensions and OPEB of other employers and NECEs

Applicability of Statements 73 and 74

- Amend Statements 73 and 74 to replace references to control of assets in those same circumstances, to avoid limiting the application of the associated requirements of those Statements

Fair value measurements

- Amends paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements of assets and liabilities
- Same example as presented in paragraph 455 of Statement 62

Provisions of Statement 92 (continued)

Intra-entity transfers of assets

- Amends paragraph 15 of Statement 48 to clarify that amounts associated with the transfer of capital or financial assets from an employer or NECE to a defined benefit pension or OPEB plan within the same financial reporting entity should be reported as contributions to the plan, in accordance with Statements 68 and 75
- Clarifies that the provisions of paragraph 15 apply to all transfers of assets within a financial reporting entity

Reinsurance recoveries

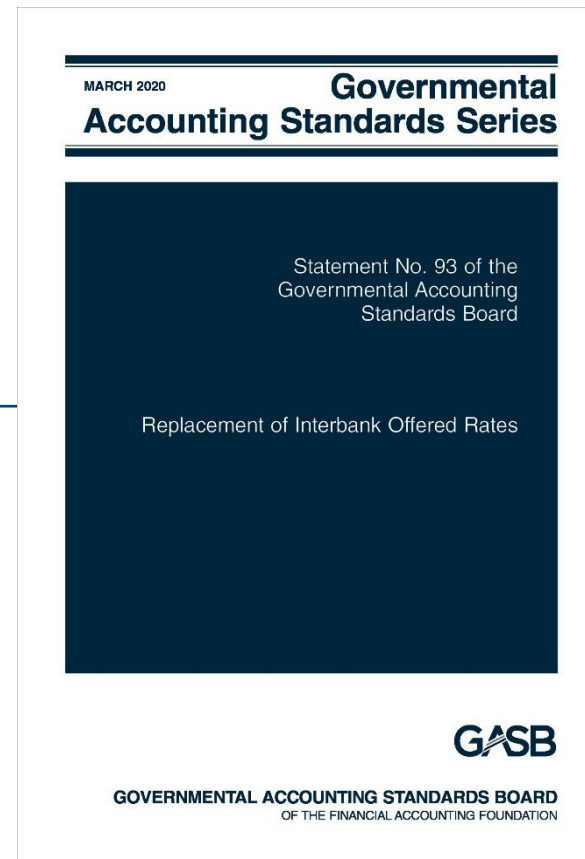
- Amends paragraph 37 of Statement 10 to clarify that amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be.

Effective Dates for Statement 92

Requirements related to:	Effective Date
1. Leases 2. Reinsurance recoveries 3. Derivative instruments	Upon issuance
4. Intra-entity transfers of assets 5. Applicability of Statements 73 and 74	Fiscal years beginning after June 15, 2021
6. Application of Statement 84 to postemployment benefit arrangements 7. Fair value measurements	Reporting periods beginning after June 15, 2021
8. Government combinations and disposals of operations	For government acquisitions occurring in reporting periods beginning after June 15, 2021

Replacement of Interbank Offered Rates

Statement No. 93



Replacement of Interbank Offered Rates

What?

The Board has issued guidance to facilitate the transition from using IBORs in hedging derivative instruments and leases

Why?

LIBOR in its current form is expected to effectively sunset

When?

LIBOR: periods *ending* after December 31, 2021

Leases: periods *beginning* after June 15, 2021

All other: periods *beginning* after June 15, 2020

Replacement of Interbank Offered Rates

- Some governments have entered into agreements in which variable payments made or received depend on an Interbank Offered Rate (IBOR), most notably is the London Interbank Offered Rate (LIBOR)
- LIBOR is sunsetting
- Therefore, governments are amending or replacing financial instruments for the purpose of replacing LIBOR with other reference rates

Statement 53, as amended

Requires a government to terminate hedge accounting when it renegotiates or amends a critical term of a hedging derivative instrument, such as the reference rate of a hedging derivative instrument

Exception to Termination of Hedge Accounting

Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions

The new reference rate essentially equates the old rate by :

Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or

An up-front payment, limited to what is necessary to essentially equate the rates

The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date

Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide)

Two-Step Transition to a SOFR

A hedging derivative instrument may be amended or replaced in two steps: a transition from an IBOR to another rate (such as the effective federal funds rate) prior to transitioning to a secured overnight financing rate (SOFR)

Hedge accounting continues when all of the following criteria are met:

- The first step replaces an IBOR with another rate
- That interim rate is replaced by a SOFR in the second step
- All four of the criteria for a one-step transition are met

Other Provisions

Effective Federal Funds Rate and SOFR are appropriate benchmark interest rates for taxable debt when applying the consistent critical terms method

LIBOR is no longer an appropriate benchmark interest rate for taxable debt when applying the consistent critical terms method

Replacing an IBOR as the reference rate of a hedged item does not terminate hedge accounting

Uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

The lease modifications guidance in Statement 87 should not be applied to when a lease contract is amended solely to replace an IBOR

Effective Dates and Transition

The provision removing LIBOR as an appropriate benchmark rate is effective for reporting periods *ending* after December 31, 2021

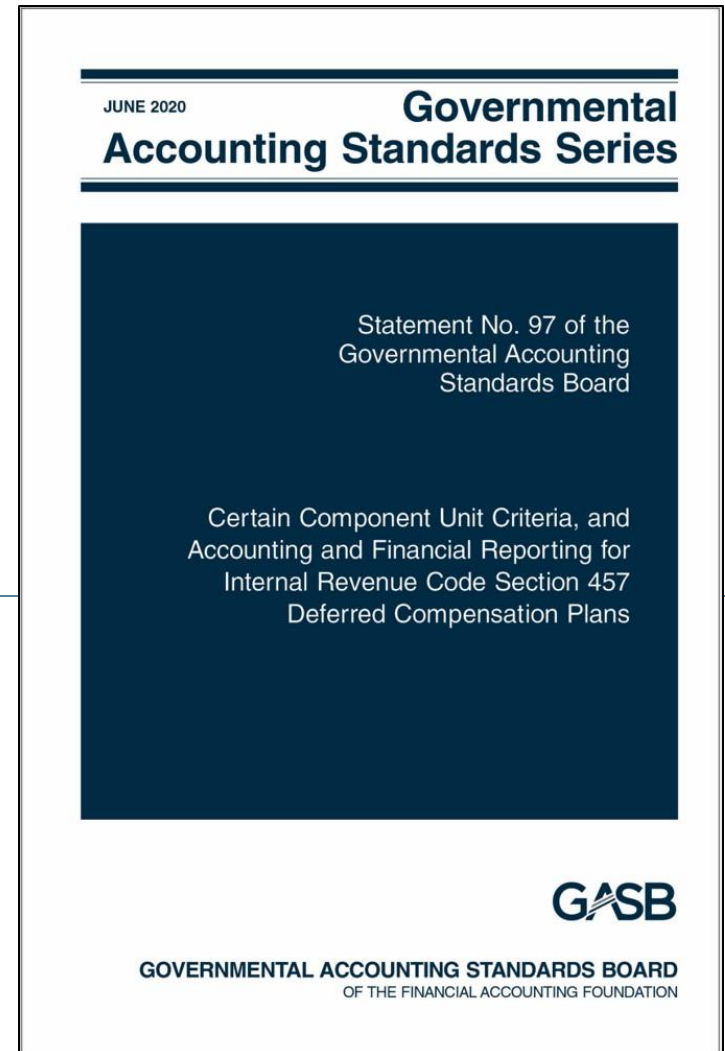
All other provisions are effective for reporting periods beginning after June 15, 2020

Earlier application is encouraged

Should be applied retroactively, if practicable (hedge accounting should be reestablished for terminations prior to the effective date of this Statement)

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

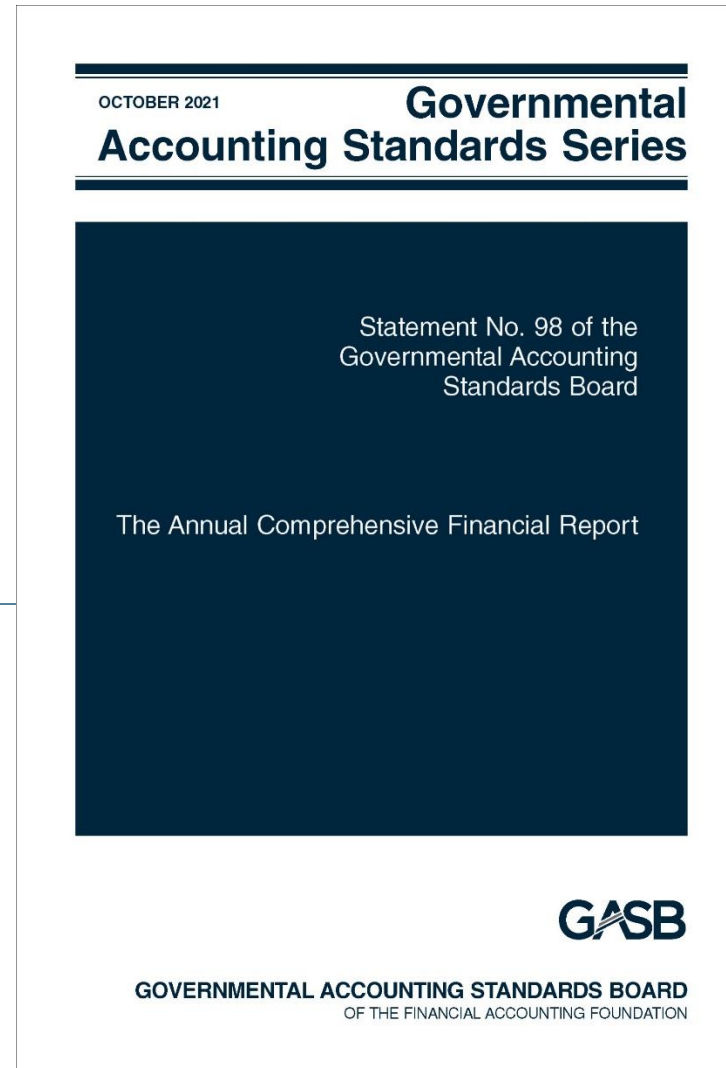
All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan

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)

The Annual Comprehensive Financial Report

Statement No. 98



Renaming the Financial Report

What?

The Board has renamed the financial report in response to stakeholders who pointed out that its acronym, as it commonly was pronounced, sounded like a highly offensive racial slur

Why?

The GASB's commitment to diversity and inclusion dictate that its standards should be free of potentially offensive terminology

When?

Effective for fiscal years ending after December 15, 2021.

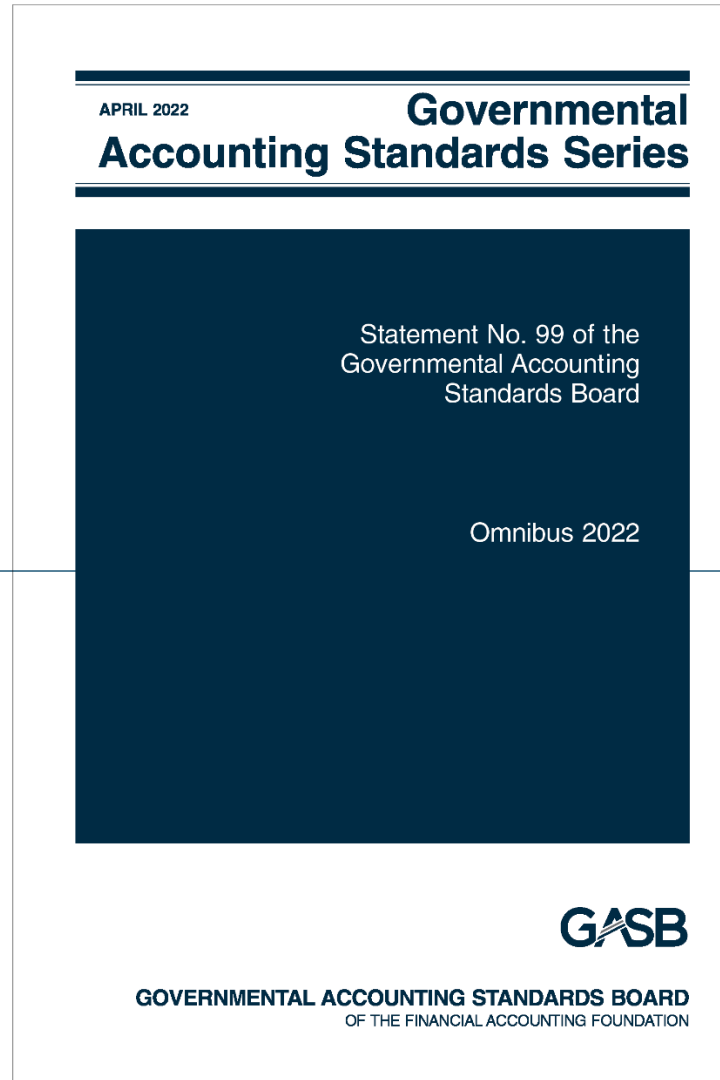
Earlier application is encouraged.

The Annual Comprehensive Financial Report

The new name of the broader report is *annual comprehensive financial report (ACFR)*

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

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.

Other Derivative Instruments

Other Derivative Instruments

- Change in fair value would be reported on flow statement separately from investment revenues
- Disclosures would 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 would be reported on the flows statement separately from investment revenues.

Leases, PPPs, and SBITAs

Remeasurement of certain assets and liabilities

- Would not be remeasured solely for a change in an index or rate used to determine variable payments

Option to Terminate

- 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 would be remeasured from the inception of the lease or SBITA

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, would not be included in the measurement of the lease liability.

Lease Incentives

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

Replacement of Interbank Offered Rates

London Interbank Offered Rate (LIBOR)

- Date at which it is not an appropriate benchmark interest rate would change 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. Should apply Statement 33 instead.

Nonmonetary Transactions

- Should disclose measurement attribute(s), rather than basis of accounting for assets transferred.

Pledges of Future Revenue

- Blending guidance provided

Technical Updates/Corrections (cont.)

Government-Wide Statements

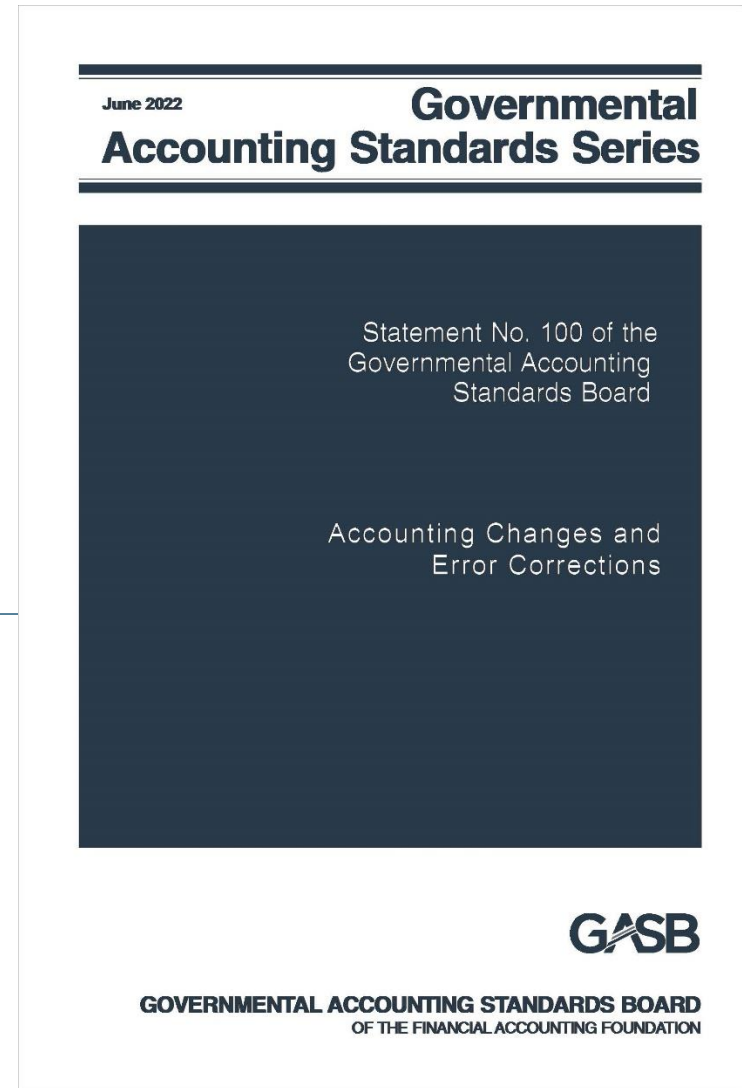
- Clarifies that no total column is required for the financial reporting entity as a whole.

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?

The Board has amended existing standards for accounting changes and error corrections

Why?

The relevant guidance is based on several sources of accounting standards, some of which have been superseded, and much of which has been in effect without review by the GASB for decades

When?

Effective for fiscal years beginning after June 15, 2023.
Earlier application is encouraged.

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*, 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 inputs change

Changes to inputs result from a change in circumstance, new information, or more experience

A change in measurement methodology should be justified on the basis that the new methodology is preferable, based on the 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, mistakes in the application of accounting principles, or 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 existed at the time the financial statements were issued are those 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

A change from (a) applying an accounting principle that is not generally accepted to transactions or other events to (b) applying a generally accepted accounting principle is an error correction

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 should be displayed for each reporting unit

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

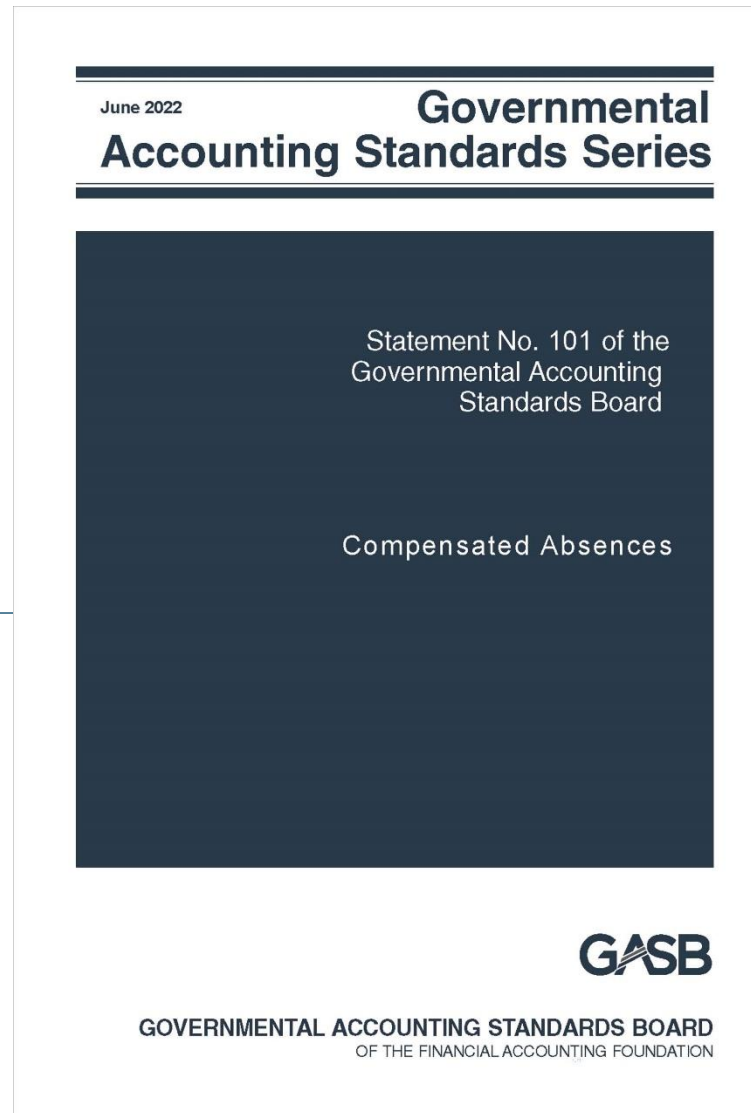
The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction

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

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

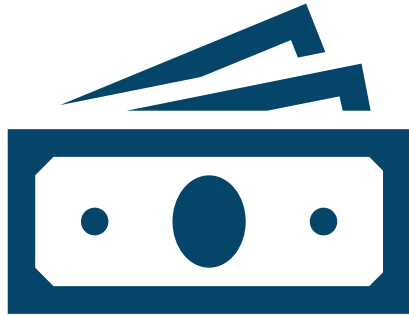
Salary-related payments

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



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

2019-1, 2020-1, and 2021-1

Implementation Guidance Updates

What?

The GASB annually updates its Q&A implementation guidance

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 2019-1

Adds new questions on standards regarding

- Cash flows reporting
- Derivative instruments
- Fund balance
- Insurance recoveries
- Irrevocable split-interest agreements
- Intra-entity transfers of assets
- Nonexchange transactions
- Pensions and OPEB
- Tax abatement disclosures

Updates existing Q&A guidance related to

- Derivative instruments
- Financial reporting entity
- Pension and OPEB plan reporting

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

Classification of Nonfinancial Assets

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

Topics to Be Considered

How should the existing definitions of nonfinancial assets and capital assets be modified, if at all? Should new classifications be added?

Should right-to-use intangible assets resulting from Statements 87, 94, and 96, continue to be classified as capital assets?

Should other intangible assets addressed in Statement 51 continue to be classified as capital assets?

Should other types of assets, such as capital assets held for resale, continue to be classified as capital assets?

If classifications are added, how should those classifications be defined?

If classifications are added and defined or existing definitions or classifications are modified, what should be the effect, if any, on presentation within the statement of net position or disclosure in notes to financial statements?

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	May 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 Q4 2023

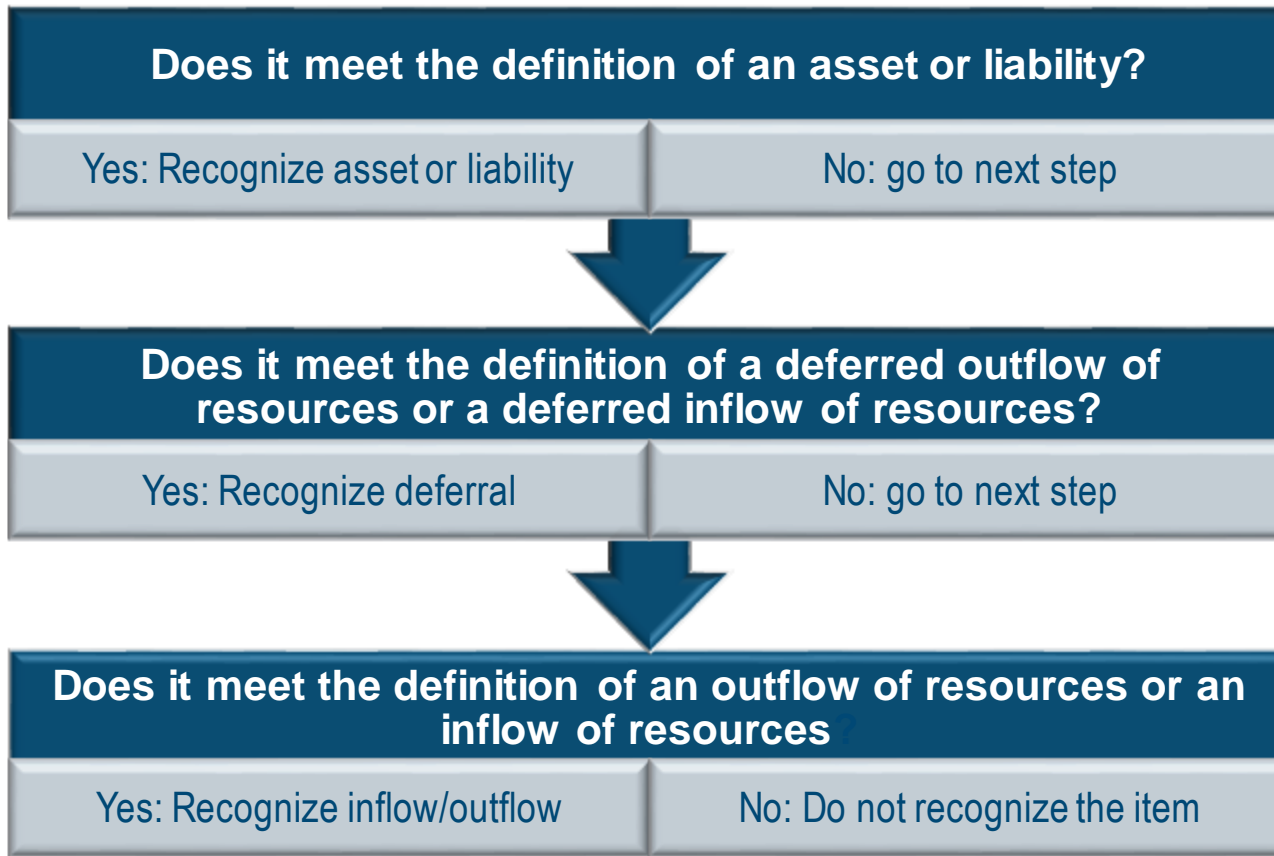
Recognition Concepts

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

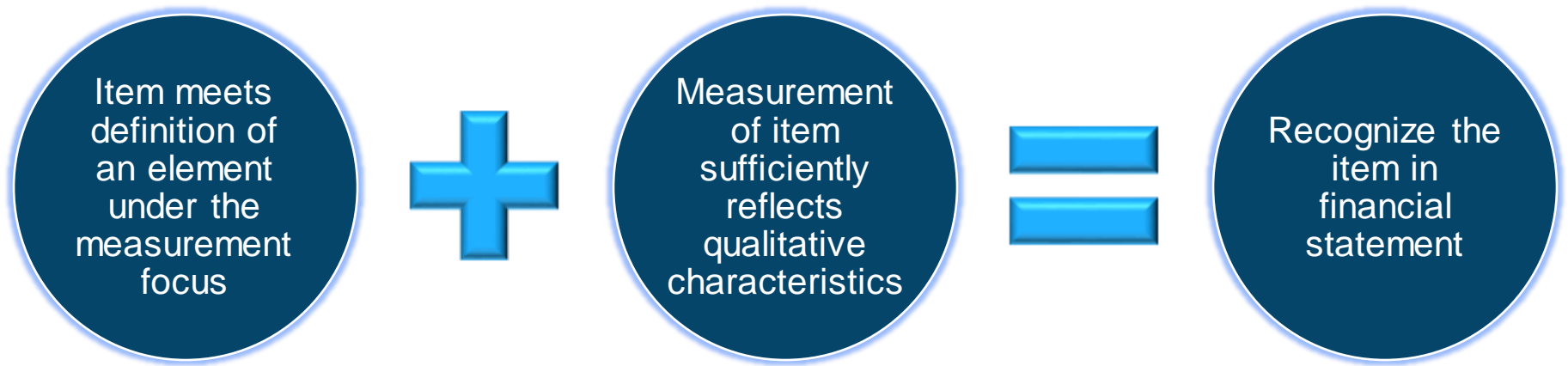
Economic Resources

(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	December 2023

Financial Reporting Model Reexamination

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 Q4 2023

Overview of the Proposals

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*

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

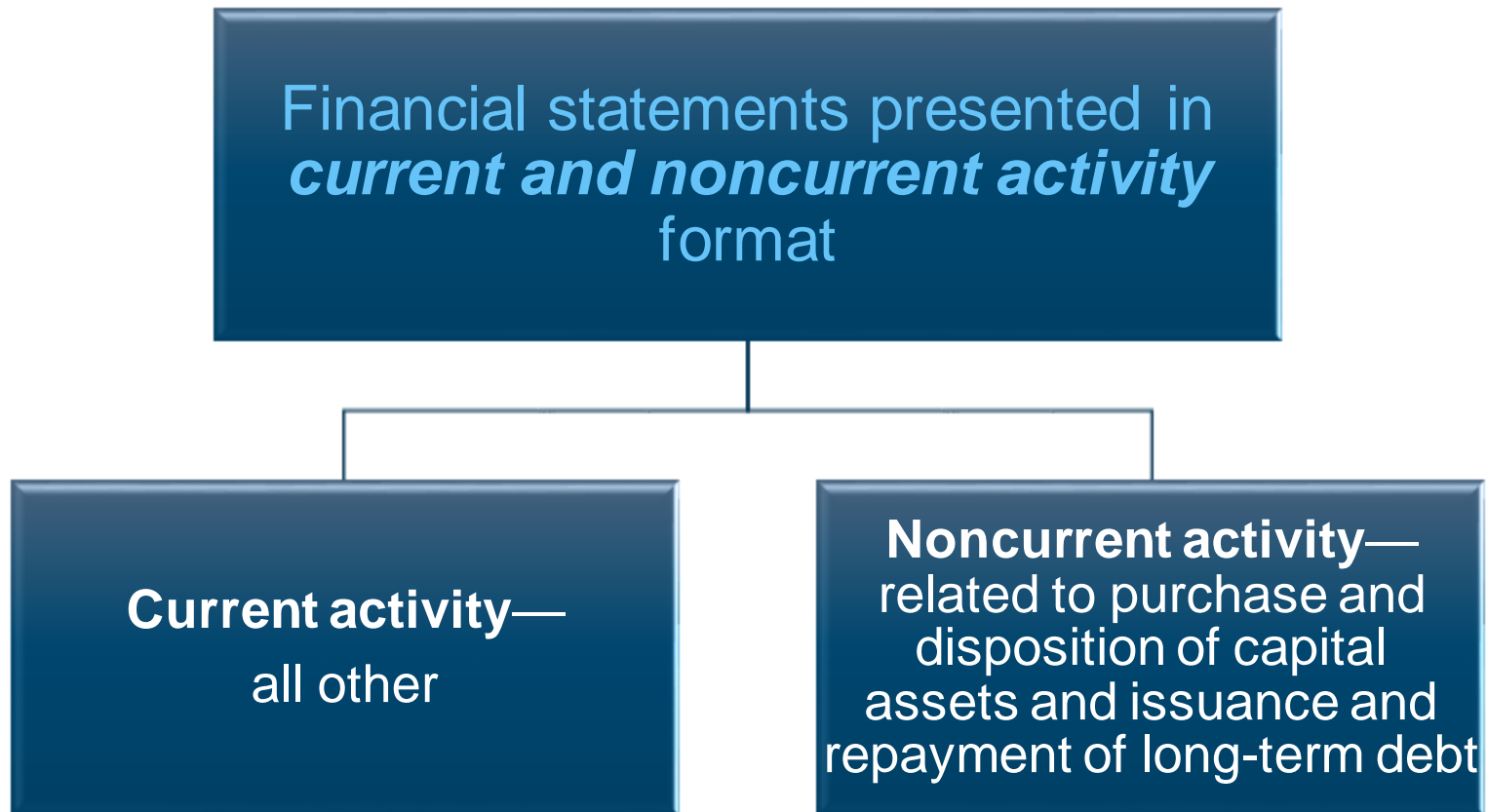
Inception

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

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)

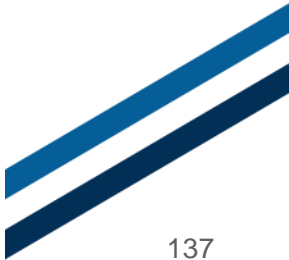
Tentative Decisions: Presentation of Governmental Funds



Proposed Statement of Short-Term Financial Resource Flows

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
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
OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
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
NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES				
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

Proposals: Proprietary Funds (cont.)

Subsidies

- 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

	<u>2016</u>	<u>2015</u>
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

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)

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

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

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

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	December 2023

Going Concern and Severe Financial Stress: Reexamination of Statement 56

Going Concern 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?

Revenue and Expense Recognition

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

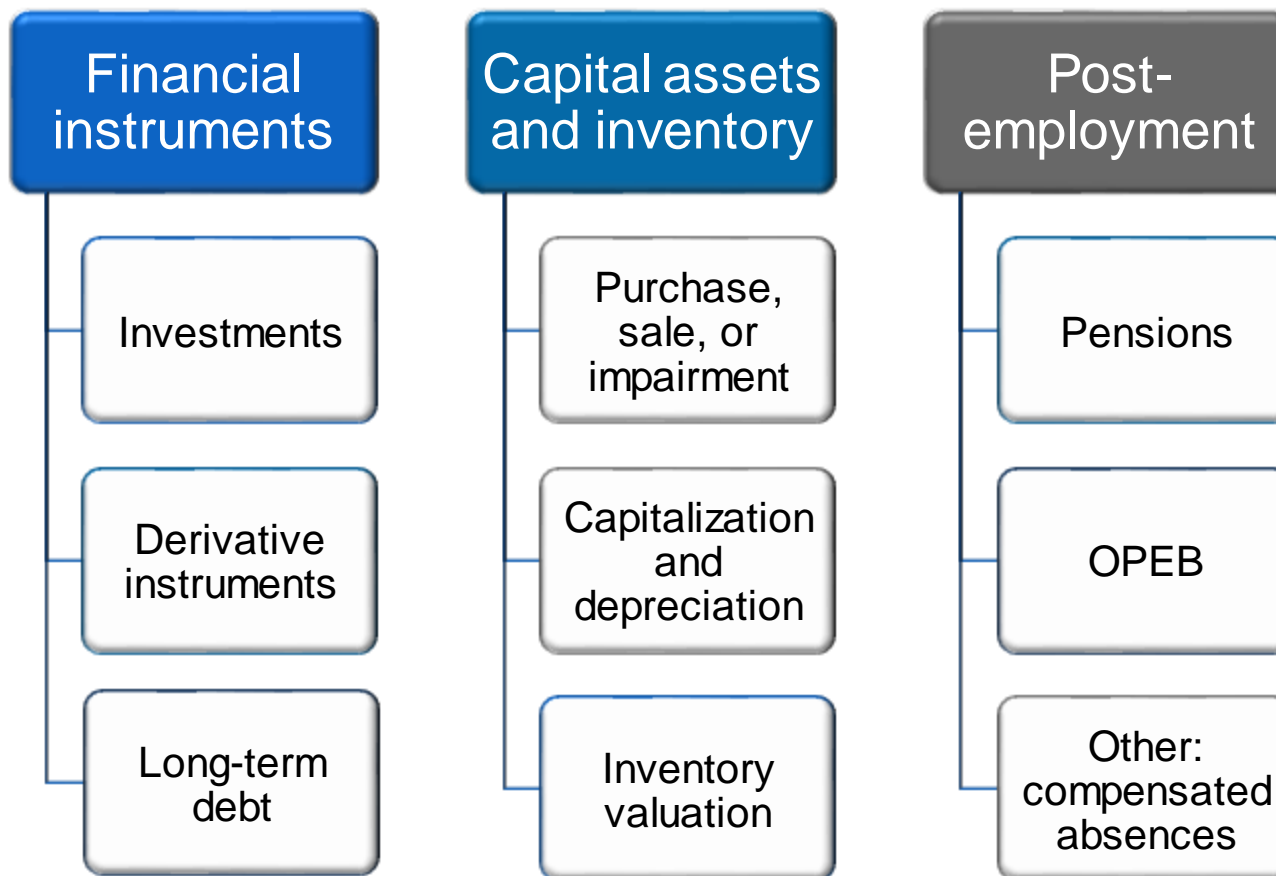
Broad Project Objective

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

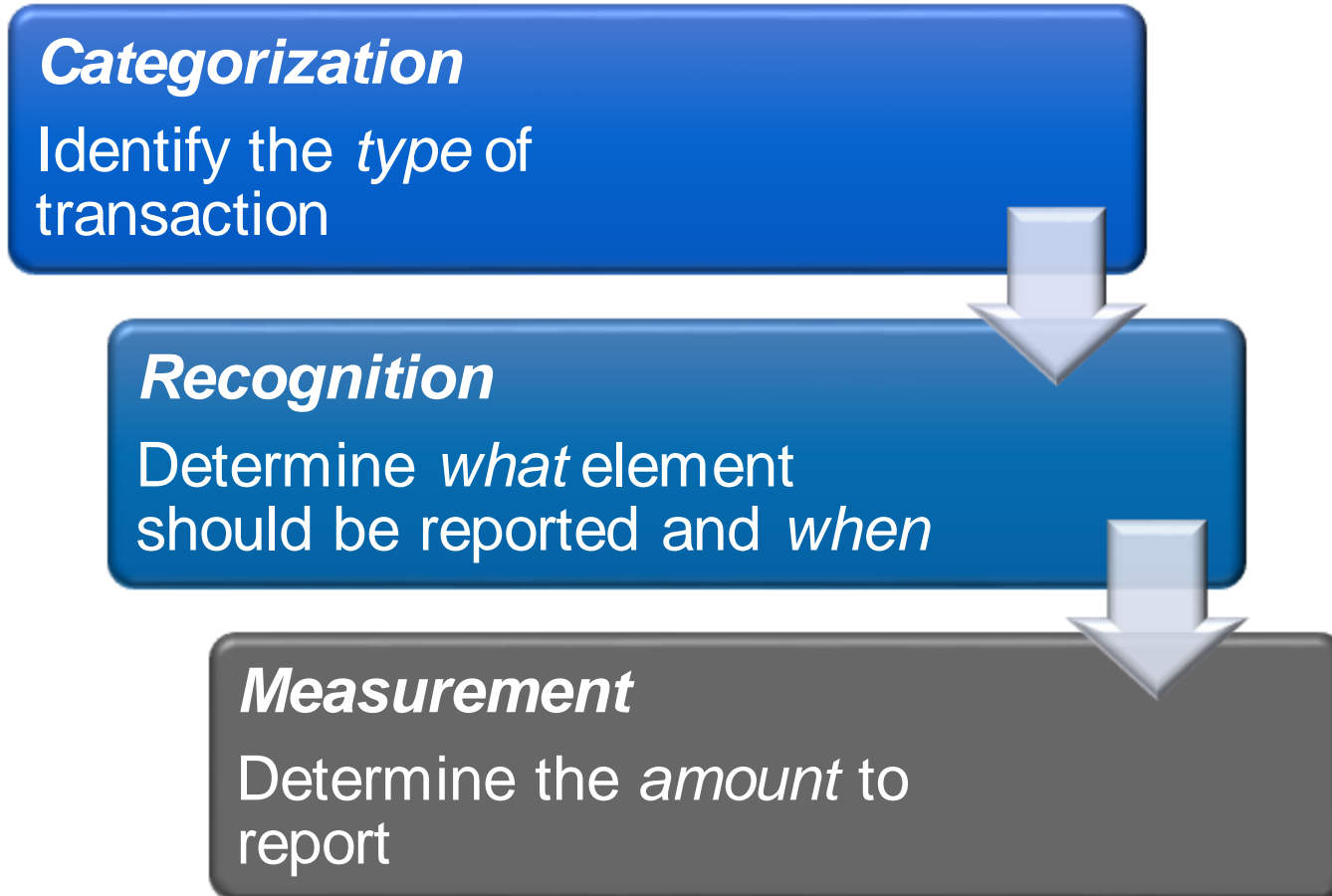
- Expand on areas where there is no guidance—expenses
- Expand on areas where there is limited guidance—certain revenues
- Consider practice issues and challenges identified in current guidance—Statement 33
- Consider the conceptual framework—issued after Statement 33
- Consider performance obligation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

Scope of the Project

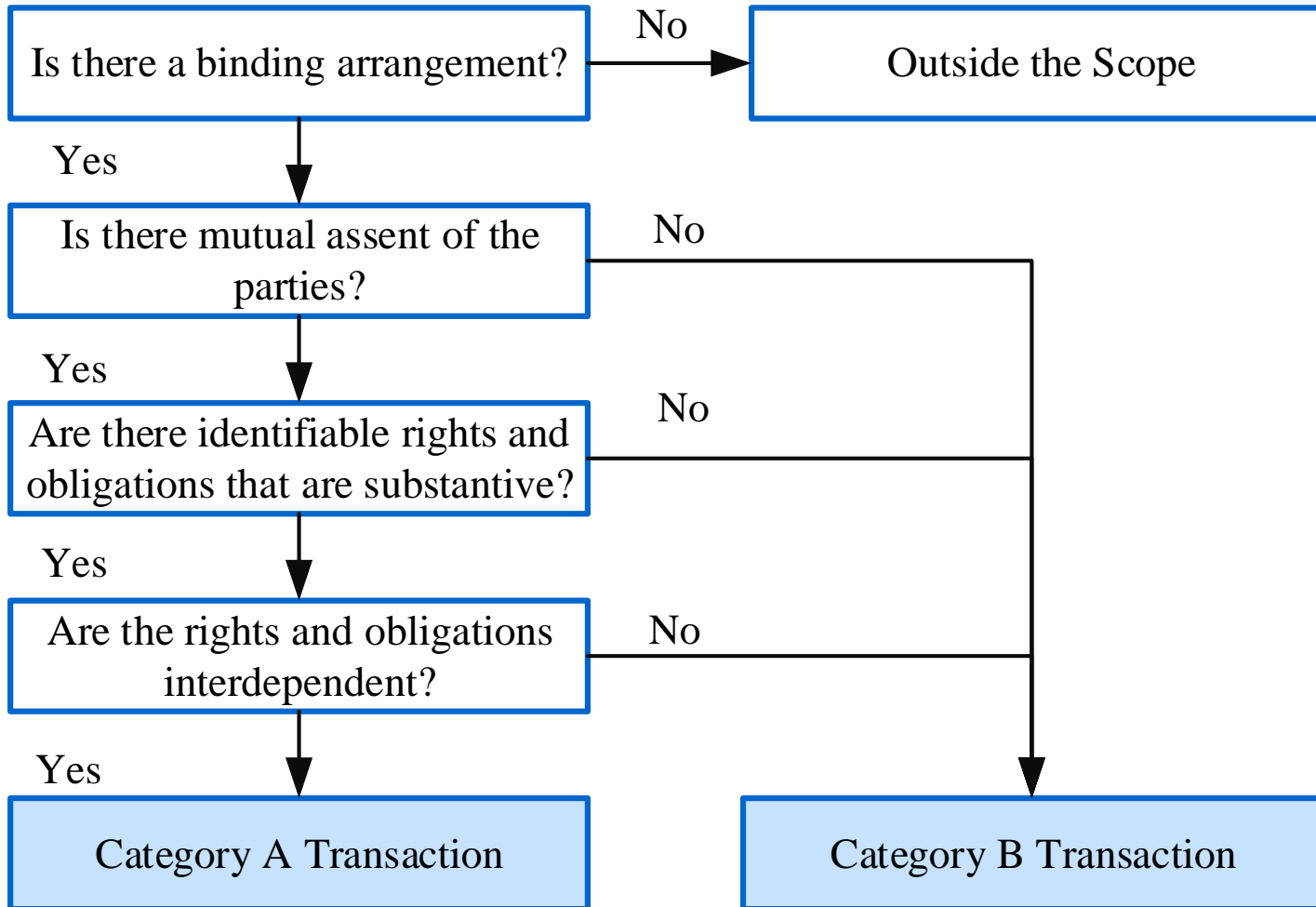
- The scope is defined broadly to include revenues and expenses except for those ***explicitly excluded***:



Proposed Recognition Model Components



Proposed Categorization Methodology

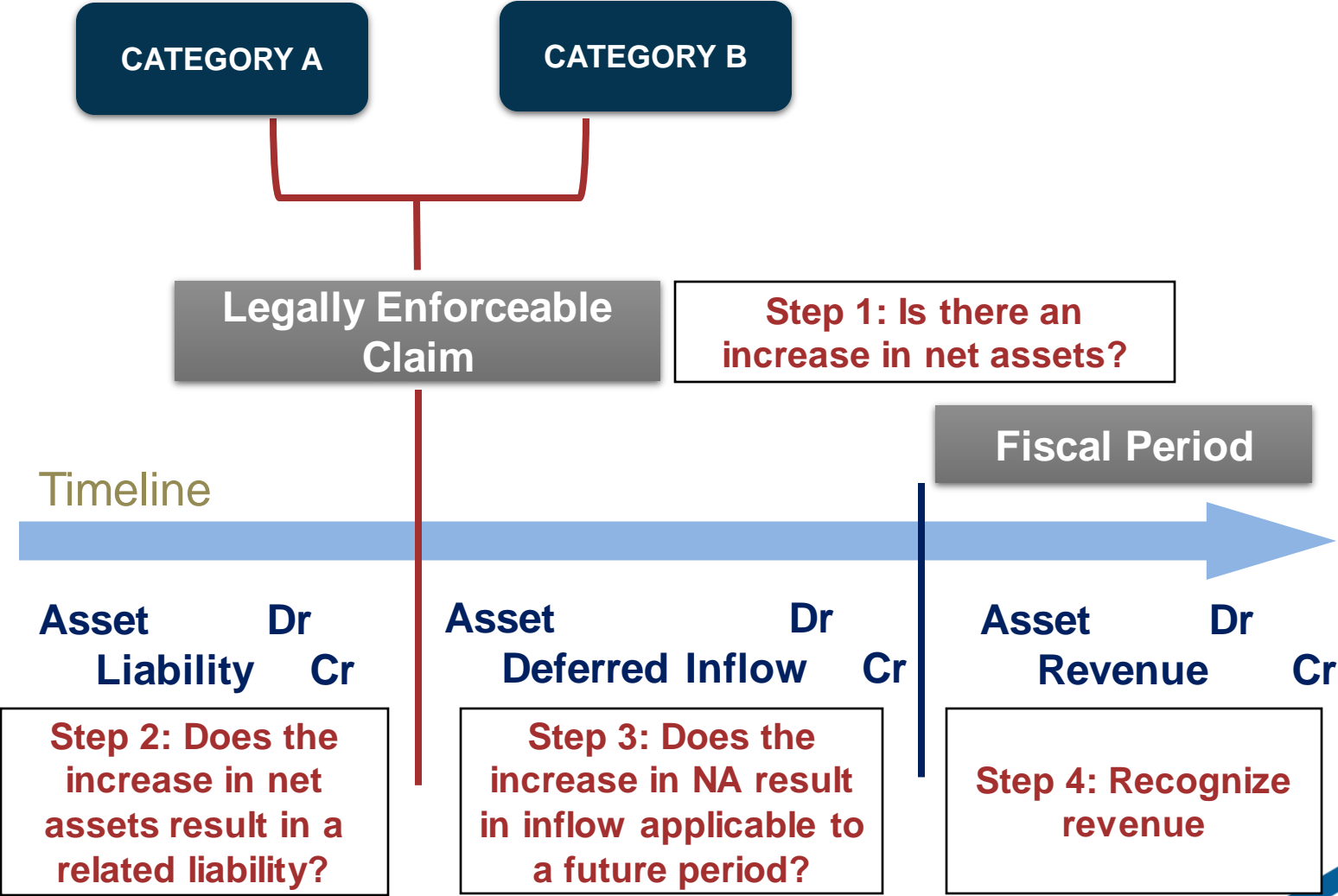


Outcomes of the Proposed Model *

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



Category A Revenue Recognition Example

College Tuition Category A

Legally Enforceable Claim

Government provides resources (education)

Timeline



Asset Dr
Liability Cr

Asset Dr
Revenue Cr

Prepayment of tuition

Inflow of resources as the College performs its obligation

Category B Revenue Recognition Example

Property Taxes Category B

Legally Enforceable Claim

Government imposes property tax

Fiscal Period

Timeline



Asset Dr
Liability Cr

Asset Dr
Deferred Inflow Cr

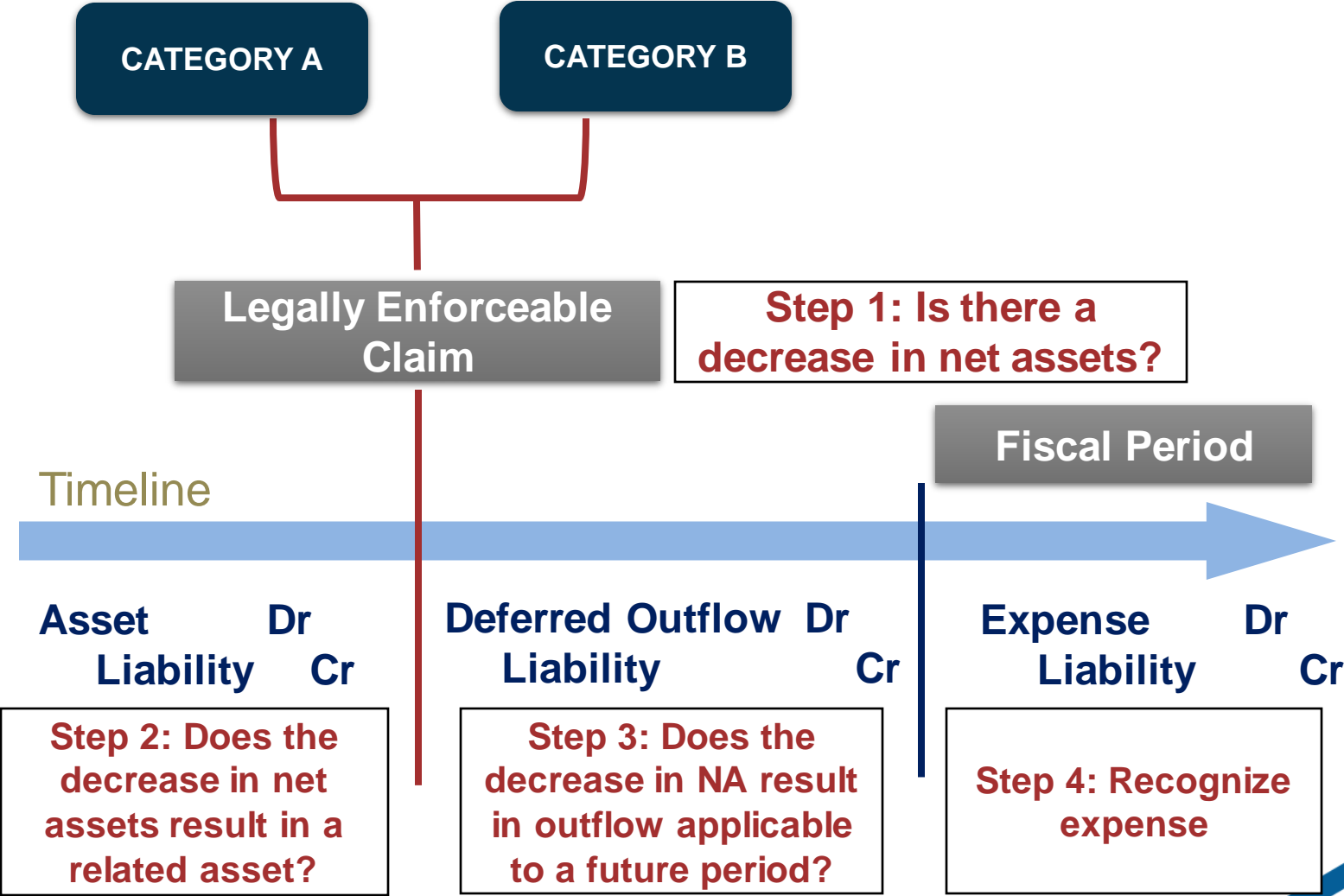
Asset Dr
Revenue Cr

Prepayment of property tax

Imposition before fiscal period

Inflow of resources is applicable

Proposed Expense Recognition Principles



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 Expense Recognition Examples

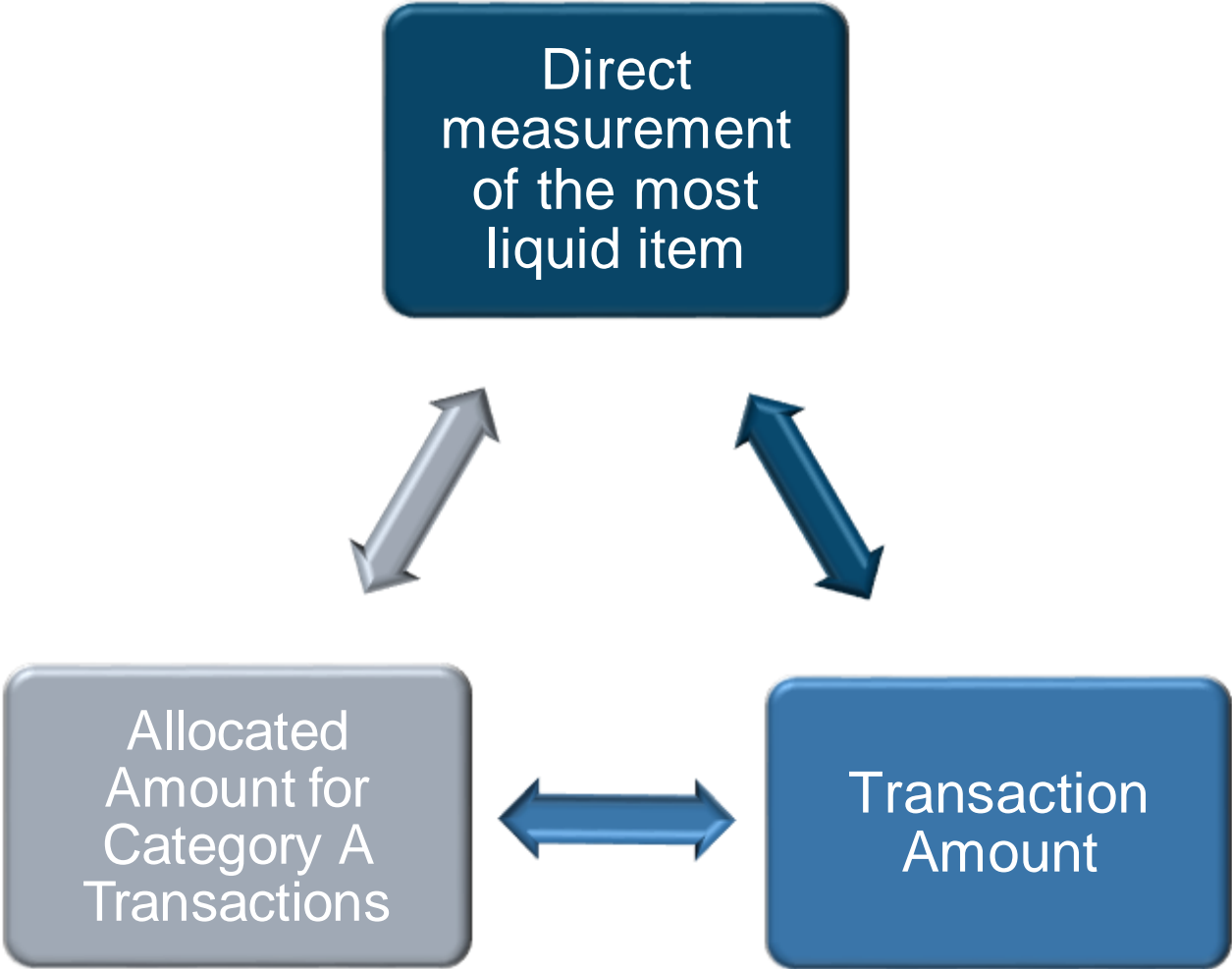
Expense is recognized at the same time as the *payable*, unless there are time requirements

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

Pre-Agenda Research Activities

Capital Assets

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

Topics to Be Considered

How prevalent are recognized and unrecognized 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)

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?

Stakeholders bring potential implementation issues to the GASB's attention



Governments are recruited to keep track of their staff hours and nonstaff costs related to the pronouncement and provide that information for the year prior to implementation and the first and second years of implementation



Stakeholders of all types are invited to participate in roundtable discussions and to respond to surveys regarding their experience with the standards in practice

Which Statements are under review?

Statement 67—Pension plan reporting

Statement 68—Employer reporting for pensions

Statement 72—Fair Value measurement & reporting

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

Statement 84—Fiduciary activities

Statement 87—Leases

What is the status of the PIRs?

Pensions	Comparison of the data between the 1 st and 4 th year implementation continues; completed 11 planned stakeholder roundtables
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	Recruitment of governments continues; collection of implementation effort and cost information has begun

Questions?

Visit www.gasb.org

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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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](#)

The main banner image shows a row of classical columns in white against a blue background with a grid pattern. Below the columns is a horizontal strip of five small images: a person at a computer, a group of people on a field, a hand writing on a notepad, and a colorful abstract graphic. Navigation arrows are on either side of this strip.

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