

TGFOA 2024 Fall Conference



GASB UPDATE

Scott Reeser, CPA

October 4, 2024

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



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GASB Issues Statement on Financial Reporting Model Improvements




Statement No. 103 Now Available

Learn about new guidance designed to improve key components of government financial reports.

[Document](#) [Media Advisory](#)

GASB Chair Report



Now Available: First Quarter Chair Report

GASB Chair Joel Black provides an update on quarterly activities, as well as his reflections on Board activities and priorities.

[View Reports](#)

Current Projects

View information about current GASB projects, including status updates and expected issuance timelines for due process document and final standards.

[Explore More](#) →

Meetings

Access information about upcoming and past meetings of the GASB and the GASAC, including meeting details and links to view live streams and recordings.

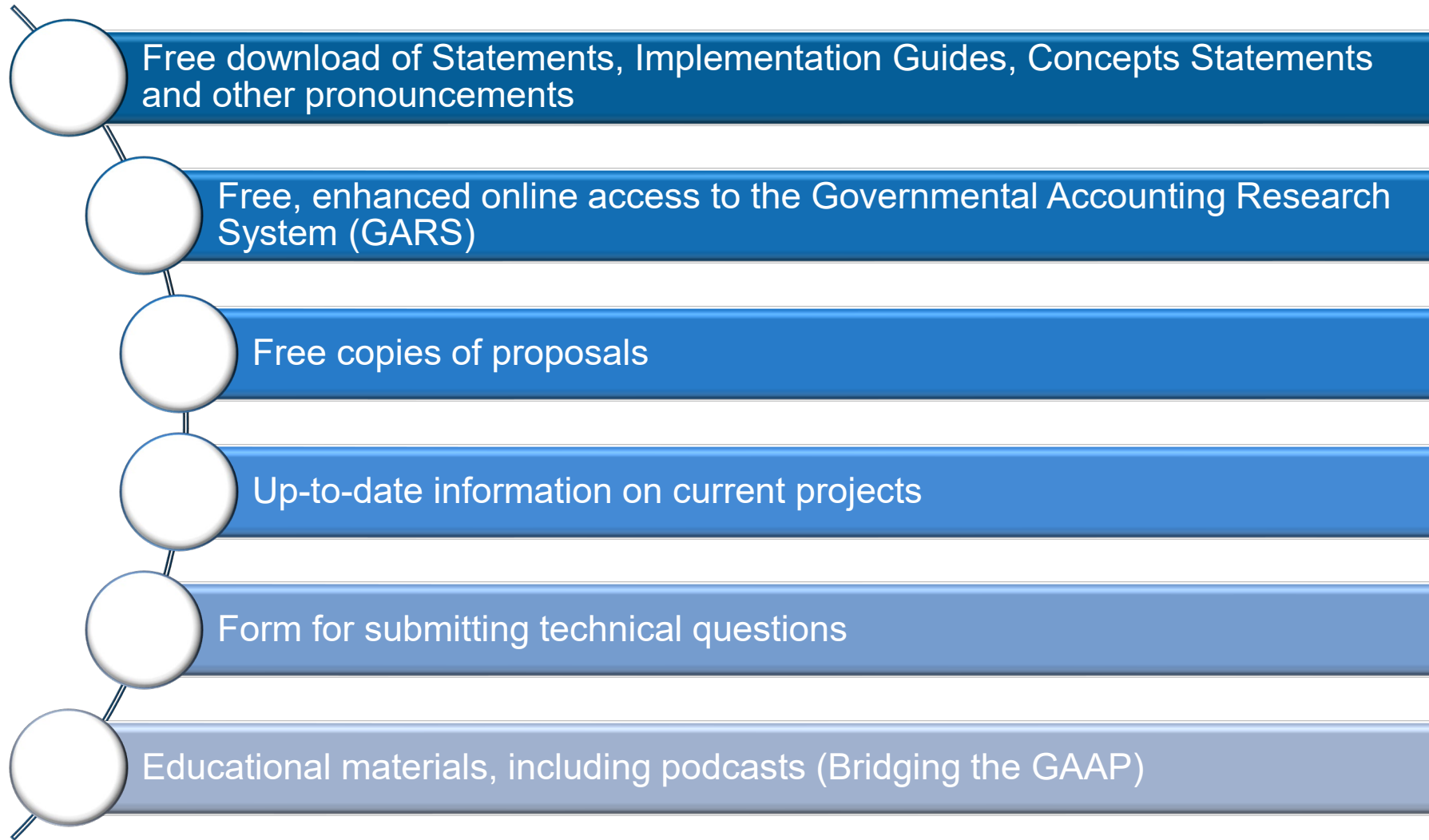
News

June 3, 2024
GASB Publishes Post-Implementation Review Report on Pension Standards
[Media Advisory](#) [PIR Report](#)

May 22, 2024
Financial Accounting Foundation Board of Trustees Seeks Nominations for Governmental Accounting Standards Board (GASB) Member
[Media Advisory](#)

April 1, 2024
AAA-GNP Holds 2024 Mid-Year Meeting in Norwalk
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Website Resources



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Updated through December 31,
2023

Welcome to the Governmental Accounting Research System™

📘 The Governmental Accounting Research System™ has been updated through December 31, 2023.

About GARS

The Governmental Accounting Standards Board (GASB) Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and tools.

What's New in This Update

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2023:

[Statement No. 99, *Omnibus 2022*](#) ↗

[Statement No. 101, *Compensated Absences*](#) ↗

This update incorporates into the Original Pronouncements the following pronouncement that was issued by the GASB between July and December 2023:

[Statement No. 102, *Certain Risk Disclosures*](#) ↗

[View documents for public comment](#) >

[Final Pronouncements Not Yet Incorporated into the Content](#) >

Help

The website offers several resources to enhance your working knowledge of GARS. They include a help page with descriptions of specific functions and features of the site and a downloadable user guide.

[Help Topics](#) >

[User Guide](#) >

gars.gasb.org

Effective Dates

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—*Implementation Guidance Update—2021* (5.1)
- IG 2023-1—*Implementation Guidance Update—2023*

December 31: Fiscal Year 2025

- Statement 102—*Certain Risk Disclosures*

December 31: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*

Effective Dates

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—*Implementation Guidance Update—2021* (5.1)
- IG 2023-1—*Implementation Guidance Update—2023*

June 30: Fiscal Year 2025

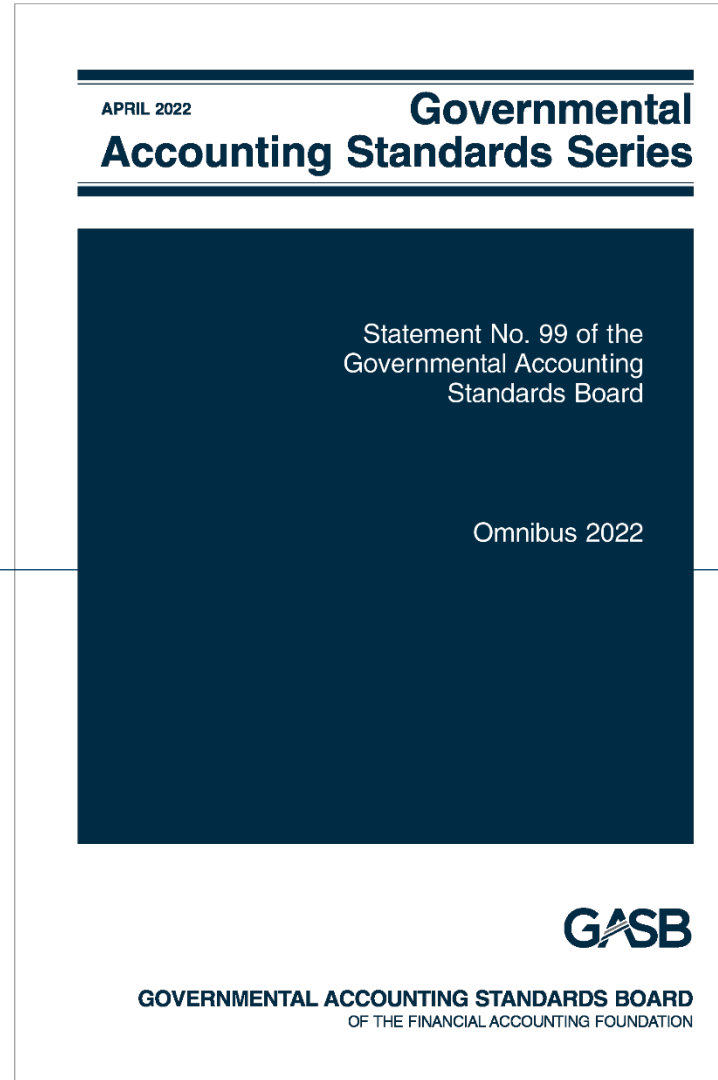
- Statement 101—*Compensated Absences*
- Statement 102—*Certain Risk Disclosures*

June 30: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*

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 should be reported on the flows statement separately from investment revenues.
- Disclosures should be distinguished from hedging derivative instruments and investment derivative instruments.
- Fair value of derivative instruments that were reclassified from hedging derivative instruments should be disclosed.

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

- Should not be remeasured solely for a change in an index or a 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 should 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 a rate or those that are fixed in substance, should 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 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

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. 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

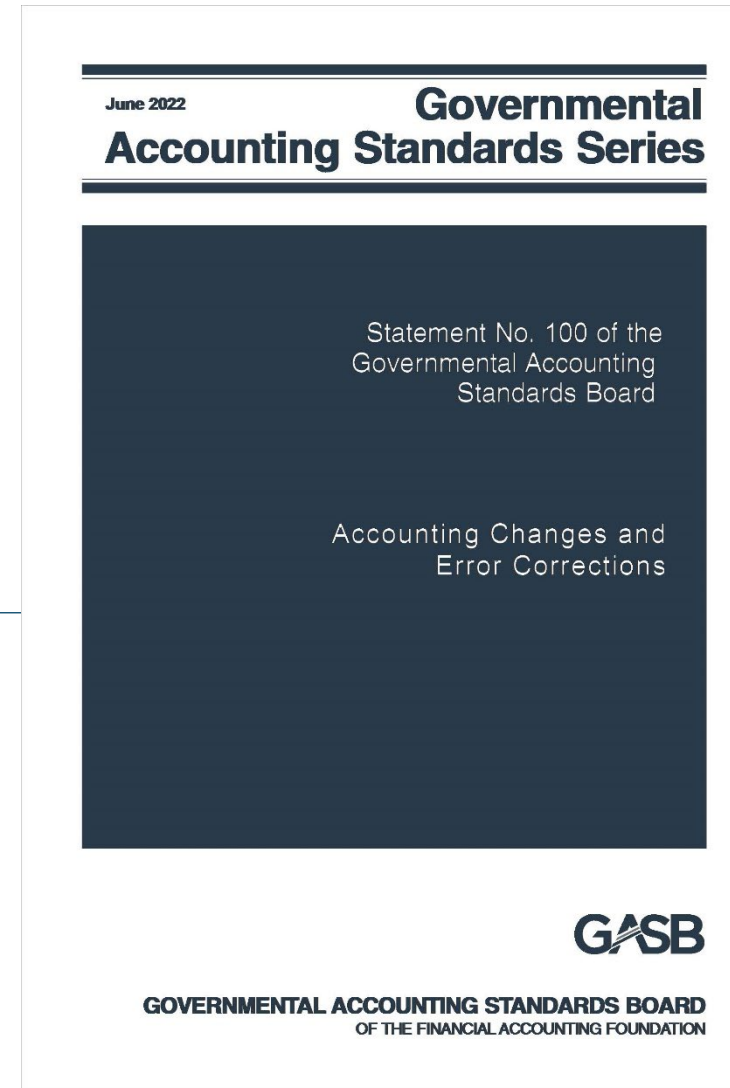
- Clarifies that no total column is required for the financial reporting entity as a whole.

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?

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 had 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.

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.

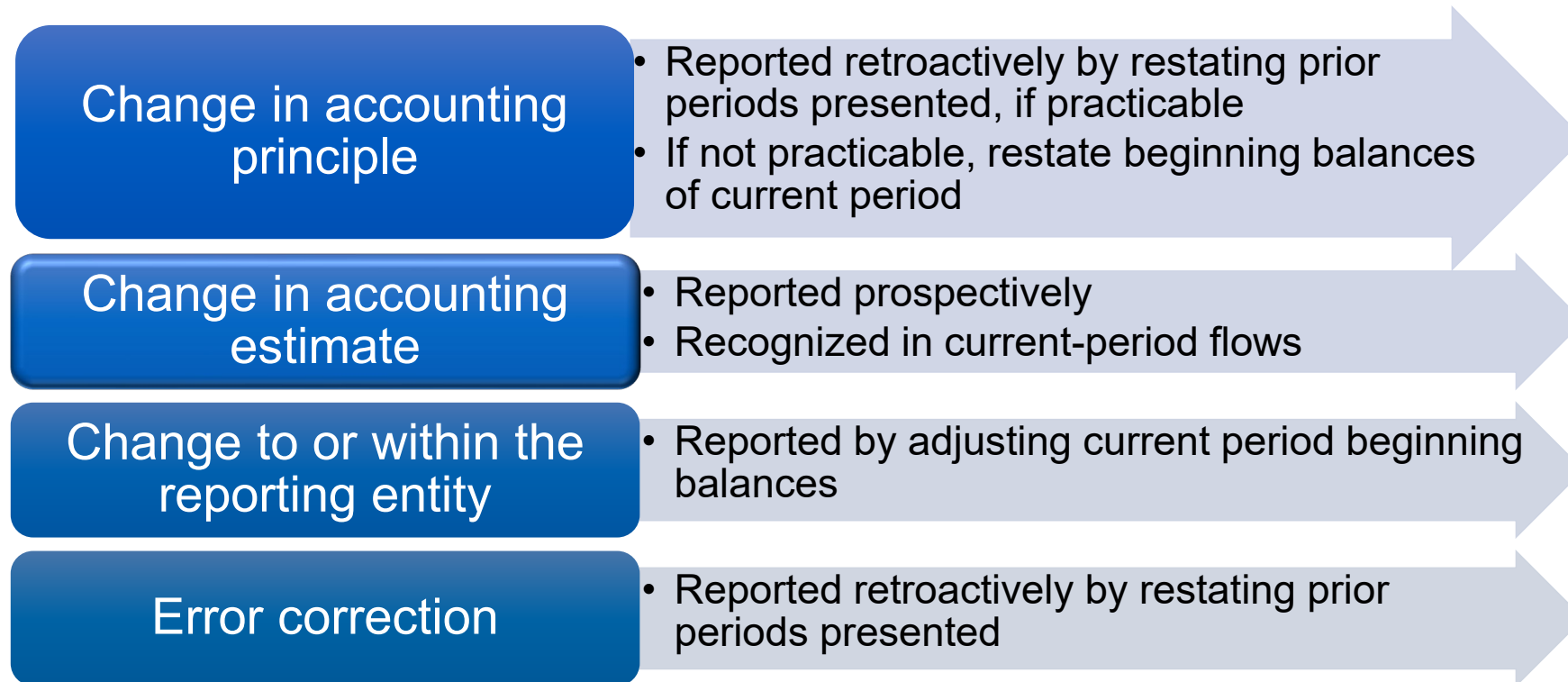
Change to or within the Financial Reporting Entity

- 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



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

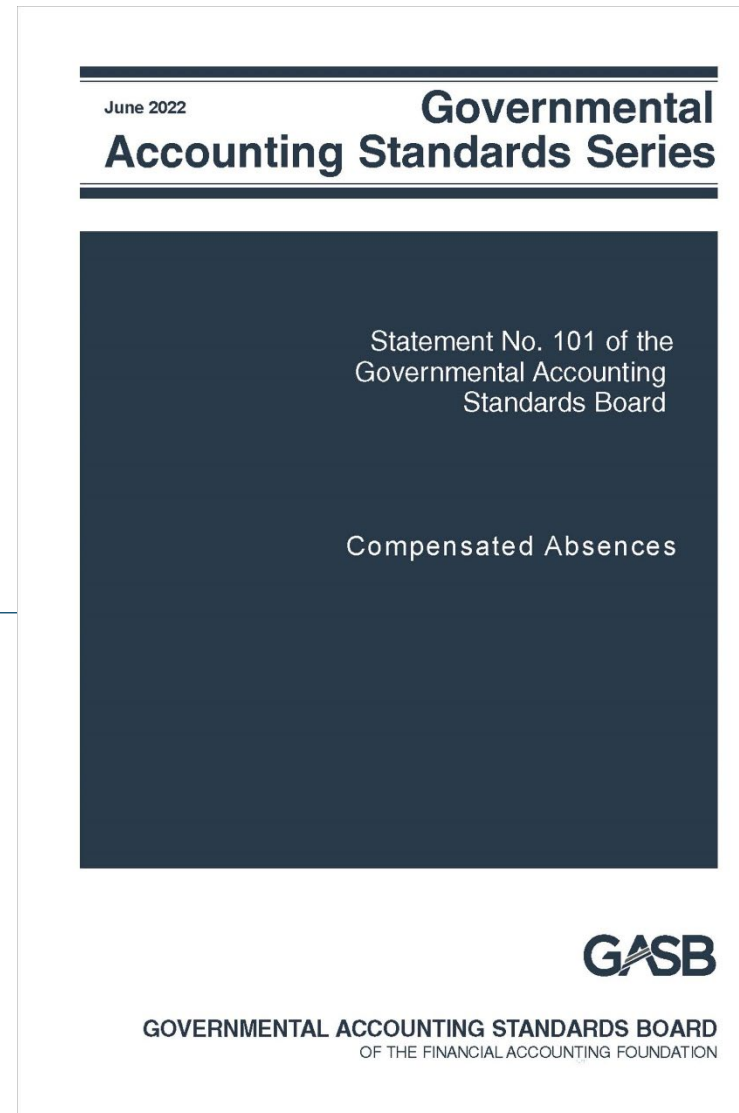
The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction.

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

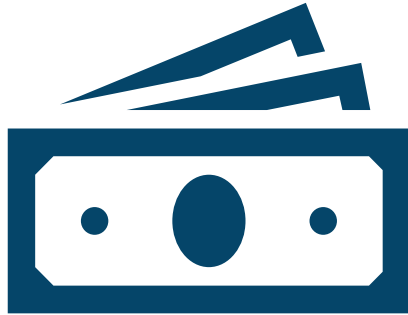
Salary-related payments

Directly and incrementally related

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

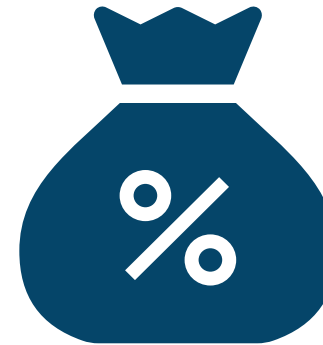
DB pension or OPEB excluded

Leave Used but Not Paid



Liability for amount
of cash payment or
noncash settlement

Include applicable
salary-related
payments

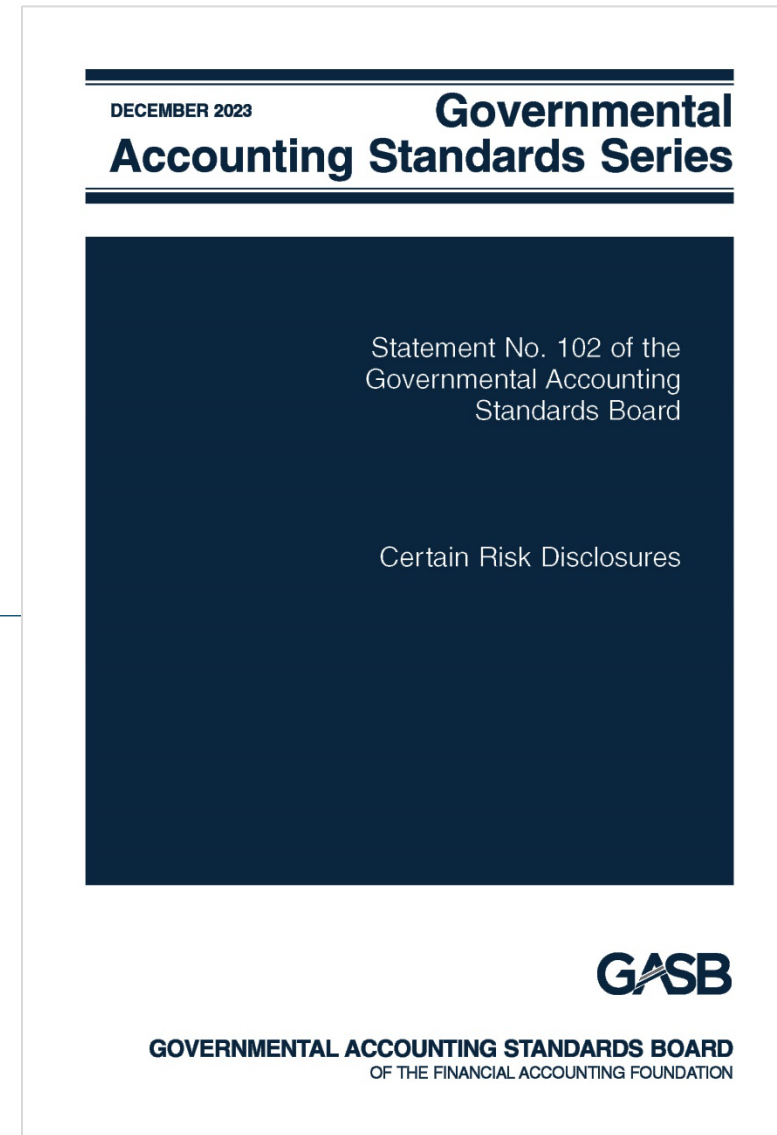


Note Disclosures and Effective Date

- 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

Certain Risk Disclosures

Statement No. 102



Statement 102: Certain Risk Disclosures

What?

The Board has established requirements to disclose certain risks faced by governments.

Why?

Stakeholders asked the GASB to address this issue.

When?

Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Earlier application is encouraged.

Scope: Concentrations and Constraints

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

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

Constraints: limitations imposed by an external party or the government's highest level of decision-making authority

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

Concentrations and constraints limit a government's ability to acquire resources or control spending.

Application of Disclosure Criteria:

Primary government reporting unit,
including blended component units, AND

Other reporting units that report a liability
for revenue debt

Disclosure Criteria

Disclosures would be required if a government determines that:

- A concentration or constraint is known to the government prior to the issuance of financial statements.
- The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

General Disclosure Principles

If comparative financial statements are presented, disclosure requirements only apply to the current period.

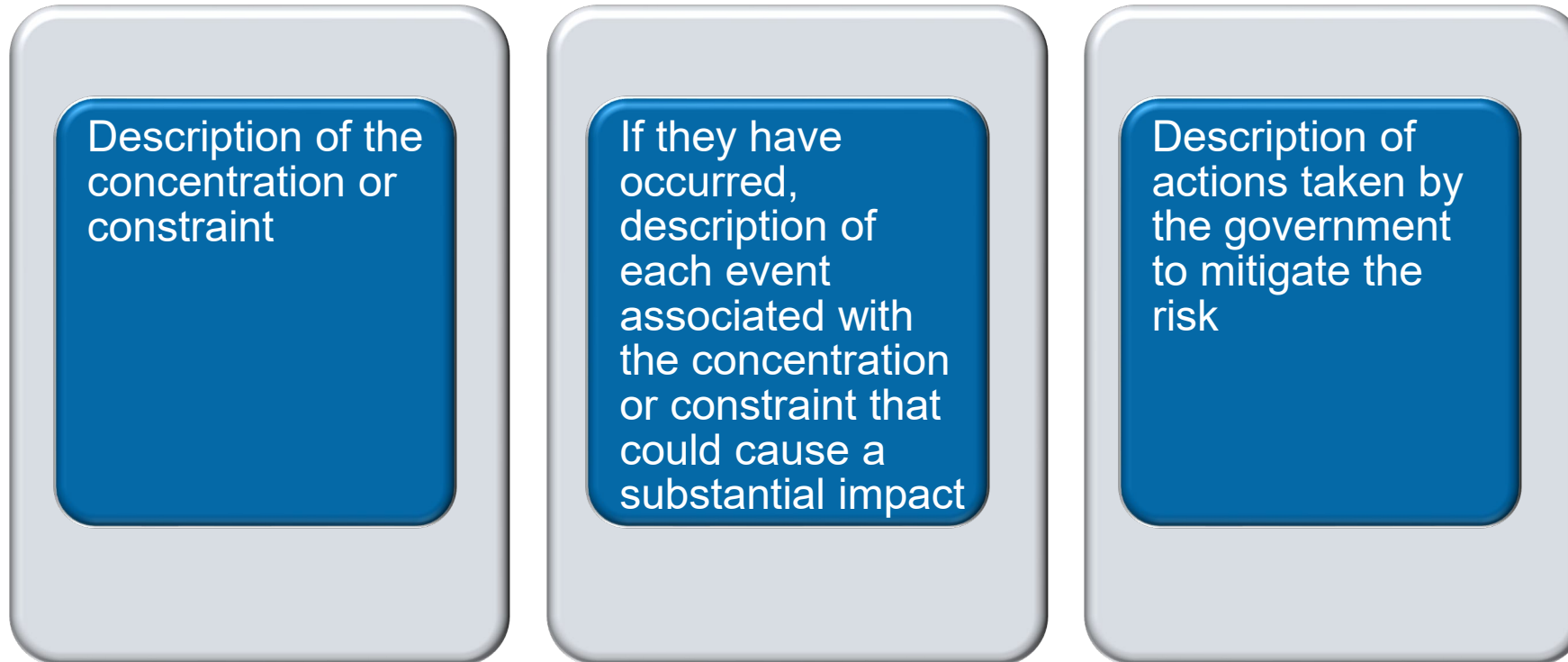
Some requirements may supplement other note disclosures; combine to avoid unnecessary duplication.

Information that is the same for more than one reporting unit should be combined to avoid unnecessary duplication.

Disclosure for discretely presented component units subject to paragraph 63 of Statement No. 14, *The Financial Reporting Entity*.

Disclosure Requirements:

Provide information in sufficient detail to enable users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact:

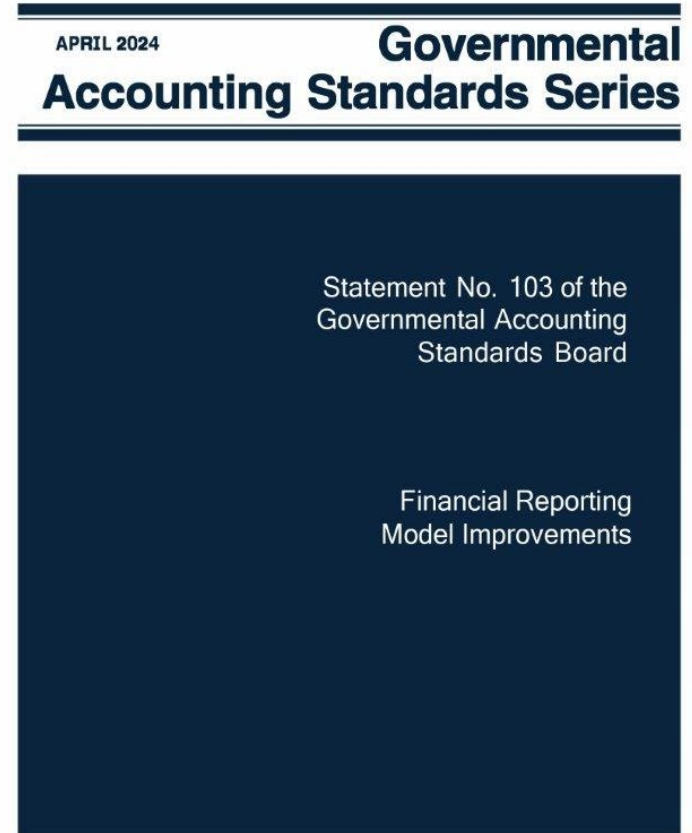


Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2024
 - All reporting periods thereafter
 - Transition is prospective

Financial Reporting Model Improvements

Statement No. 103



GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Financial Reporting Model Improvements

What?

The Board has made certain 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?

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Earlier application is encouraged.

Overview

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

Proprietary Funds—Operating and Nonoperating

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

Proprietary Funds—Subsidies

Subsidies

- Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
- Resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies
- All other transfers

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

Sample City
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

See Exhibit 21 for an illustration of an optional combining statement of internal service funds.

	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
OPERATING REVENUES					
Charges for services	\$ 41,003	\$ 18,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	<u>41,286</u>	<u>18,669</u>	<u>2,665</u>	<u>62,620</u>	<u>42,601</u>
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	<u>40,777</u>	<u>25,378</u>	<u>7,433</u>	<u>73,588</u>	<u>44,540</u>
Operating income (loss)	<u>509</u>	<u>(6,709)</u>	<u>(4,768)</u>	<u>(10,968)</u>	<u>(1,939)</u>
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	<u>(1,980)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>1,181</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>	<u>(4,619)</u>	<u>(4,658)</u>	<u>(10,748)</u>	<u>(758)</u>

**OTHER NONOPERATING REVENUES
(EXPENSES)**

Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in restricted for capital assets	<u>1,032</u>	<u>15,360</u>	<u>2,384</u>	<u>18,776</u>	<u>1,215</u>
Total other nonoperating revenue (expenses)	<u>3,556</u>	<u>14,987</u>	<u>1,524</u>	<u>20,067</u>	<u>1,664</u>
Increase (decrease) in fund net position	<u>2,085</u>	<u>10,368</u>	<u>(3,134)</u>	<u>9,319</u>	<u>906</u>
Fund net position—beginning of period	<u>331,657</u>	<u>177,997</u>	<u>29,423</u>	<u>539,077</u>	<u>12,387</u>
Fund net position—end of period	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 26,289</u>	<u>\$ 548,396</u>	<u>\$ 13,293</u>

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”
- Analysis of current-year balances and activity to explain why balance and results changed from prior year
- Avoid unnecessary duplication, avoid “boilerplate” language
- Focus on primary government, discussion of discretely presented component units is a matter of professional judgment

Management's Discussion and Analysis Components

- Overview of the financial statements
- Financial summary—condensed financial statements
- Detailed analyses
 - Primary government's financial position and results of operations—both governmental and business-type activities
 - In addition to amounts/percent of change, explain **why** change occurred
 - Fund balance or net position and results of operations of each major fund (nonmajor funds excluded)
 - In addition to amounts/percent of change, explain **why** change occurred

Management's Discussion and Analysis Components

- Significant capital asset and long-term financing activity
 - Capital asset activity
 - Include intangible capital assets
 - Discussion of significant additions and disposals
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component
 - Long-term financing activity
 - Includes debt, leases, PPPs, and SBITAs
 - Discuss new agreements, changes to credit rating, debt limit
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component

Management's Discussion and Analysis Components

- Currently known facts, decisions, and conditions that are expected to have a significant effect on financial position or results of operations in the subsequent year
 - Trends in relevant economic and demographic data
 - Factors used to develop the subsequent year's budget
 - Those affecting revenues available for appropriation, for example, changes in rates and bases of activity
 - Those affecting planned spending, for example, inflation, labor contracts, changes in programs
 - Expected changes in budgetary net position or fund balance
 - Actions government has taken related to PEB, capital plans, leases, PPPs, SBITAs (long-term items)
 - Actions other parties have taken, such as new laws or regulations

Budgetary Comparisons and Major Component Unit Presentations

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.

Unusual or Infrequent Items

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.

Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2025
 - All reporting periods thereafter
 - Earlier application is encouraged
 - Changes adopted at transition—change in accounting principle (Statement 100)
 - All component units should implement the provisions in the same year as the primary government

Implementation Guidance Updates

2021-1 and 2023-1

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, 2021 through periods beginning after June 15, 2023.

Implementation Guide 2021-1

- Effective for periods beginning after June 15, 2023:
 - Amendment to existing Question 7.9.8 regarding capital assets (5.1)

- Already effective:
 - New questions related to:
 - Derivative instruments (4.1)
 - Fiduciary activities (4.2 and 4.3)
 - Leases (4.4–4.22)
 - Nonexchange transactions (4.23)
 - Amendments to existing questions related to:
 - Statement 34 (5.2 and 5.3)
 - Statement 48 (5.4)
 - Supersessions of existing questions related to Statement 51 (Z.51.4–Z.51.7)

Implementation Guide 2023-1

- Effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter:
 - New questions related to:
 - Leases (4.1–4.6)
 - SBITAs (4.7–4.9)
 - Changes to or within the financial reporting entity (4.10)
 - Amendments to existing questions related to:
 - Leases (5.1)

Questions?



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Thank You