

Tennessee Government Finance Officers Association Spring Conference

Germantown, TN March 6 – 7, 2025

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TGFOA Spring Conference

A moment about your presenter professionally . . .



"I understand."

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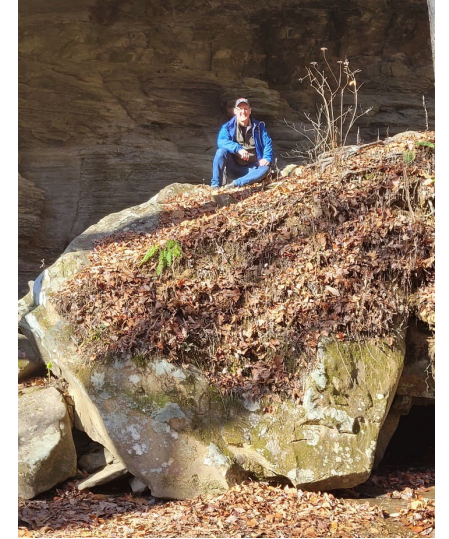
ENHANCING
GOVERNMENTAL
FINANCE IN
TENNESSEE





TGFOA Spring Conference

A moment about your presenter personally . . .



“I am glad to be here!”

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TGFOA Spring Conference

A moment of appreciation . . .

“Thank you for what you do!”



ENHANCING GOVERNMENTAL FINANCE IN TENNESSEE



TGFOA
Spring Conference
GASB Update

“in Plain, Tennessee English.”

Germantown, Tennessee
March 6, 2025
3:15 – 4:05 pm

TGFOA Spring Conference GASB Update

“Plain, Tennessee English?”

“Richard Williams was without question the most influential and outstanding person on the Blount County Board of Commissioners in modern history. Very few people have been blessed with Richard’s people skills, intelligence, common sense, and oration skills.”



Session Objectives

➤ Some timely GASB guidance

➤ Recent GASB guidance



➤ GASB projects

IN THE WORKS

➤ Other topics

You may need this:

➤ Subsequent Events (GASBS #56)

➤ Asset Impairments (GASBS #42)

➤ GFOA best practices

Latest on Hurricane Helene's impacts



FEMA

Department of
Military

TEMA

You may need this:

- Subsequent Events (GASBS #56)
 - ◆ **Recognized events** – customer declares bankruptcy after year end – maybe reserve for uncollectible accounts should be adjusted for June 30
 - ◆ **Non-recognized events** – fire, flood or tornado after year end
 - ◆ Consider adding to the MD&A a discussion



You may need this:

➤ Asset Impairments (GASBS #42)

- ◆ *Significant, unexpected decline* in the service utility of a capital asset.
- ◆ Reported net of insurance recovery(if in the same year)
- ◆ Restoration or Replacement should be reported separately from Insurance Recoveries



Department of
Military

TEMA

You may need this:

➤ GFOA Best Practices



BEST PRACTICE

Disaster Preparedness



BEST PRACTICE

Disaster Recovery Cost Documentation



BEST PRACTICE

Disaster Recovery for Technology



BEST PRACTICE

Business Preparedness and Continuity Guidelines



Department of
Military

TEMA



Have you considered setting some funds aside?

- *Setting aside funds for a disaster? emergencies –
Fires, Floods, Tornados, Train Derailments or other disasters?*
- *Funds to use before FEMA, TEMA or insurance is available*
- *To use as the local matching funds for a major event*
- *You could restore funds from reimbursements from whatever source*



GASBS #54 paragraphs 10-12 give you one option.



FEMA



Have you considered?

➤ Fund Balances (GASBS#54) Committed Fund Balance

Committed Fund Balance:

Cannot Be Used for Any Other Purpose:

The Local Government Can Specify Which Purposes Are Allowed:



FEMA



Have you considered?

➤ Fund Balances (GASBS#54) Committed Fund Balance

Committed Fund Balance: Amounts that can only be used for specific purposes by formal action of the government's highest level of decision-making authority.

Cannot Be Used for Any Other Purpose: Those amounts cannot be used for any other purpose -- unless the government removes or changes the specified use(s) by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

The Local Government Can Specify Which Purposes Are Allowed: And under what circumstances the funds can be used. (i.e. a declared emergency response, a match to state or federal disaster funds and 2/3 vote of the County Commission)



FEMA

Session Objectives

➤ Some timely GASB guidance

➤ Recent GASB guidance



➤ GASB projects

IN THE WORKS

➤ Other topics

Session Objectives

➤ Discuss GASB Statement issues:

- GASBS 101 (Compensated Absences)
- GASBS 102 (Risk Disclosures)
- GASBS 103 (Financial Reporting)
- GASBS 104 (Intangible Asset Classifications)



Session Objectives

➤ Discuss GASB Statement issues:

- # 101 (Compensated Absences) *(effective 6/30/2025)*
- # 102 (Risk Disclosures) *(effective 6/30/2025)*
- # 103 (Financial Reporting) *(effective 6/30/2026)*
- # 104 (Intangible Asset Classifications) *(effective 6/30/2026)*



GASB Statement # 101

Compensated Absences

“Not just vacation any more . . .” ➔



Currently, most jurisdictions:

Accrue vacation but NOT sick leave for the government-wide statements only.

Fund financials recognize expenditures – only as they are paid.



Remind me again . . .



Under current guidance:

Vacation leave is already accrued (on government wide statements),

but Sick leave is not – because it is dependent on future events: sickness and claiming a sick day.

Details?

Statement #101 – Compensated Absences

begins with all categories of compensated leave.



Plus!

Details?

What about Governmental Fund Statements?

GASB Interpretation 6 still applies – recognize liabilities and expenditures as they mature each period.



Details?

Critical tests:

- 1. Does the leave accumulate?*
- 2. Is the leave based on services already rendered?*
- 3. Is it more likely than not to be paid or settled?*

General Rule: Accrue on Government-wide statements



Details?

How should you measure the liabilities?

Salary – measured at pay rates as of the date of the financial statements (6/30)–

(unless paid out at a different rate i.e. sick pay paid at 30%)



Details?

GASB 101

Measure the liabilities as of June 30th

This keeps it simple:

- *No projections are needed for future pay increases.*
- *No projections are needed for when leave is taken.*
- *No present value calculations are needed.*



Details?



Would you like benefits with that?

Yes. *The liability should include “salary related payments” – like FICA and other benefits which are based on pay.*

“more likely than not” . . . (> 50% likelihood)



Is the calculation prescribed?

No. There are some optional examples provided.



How about a sample calculation?



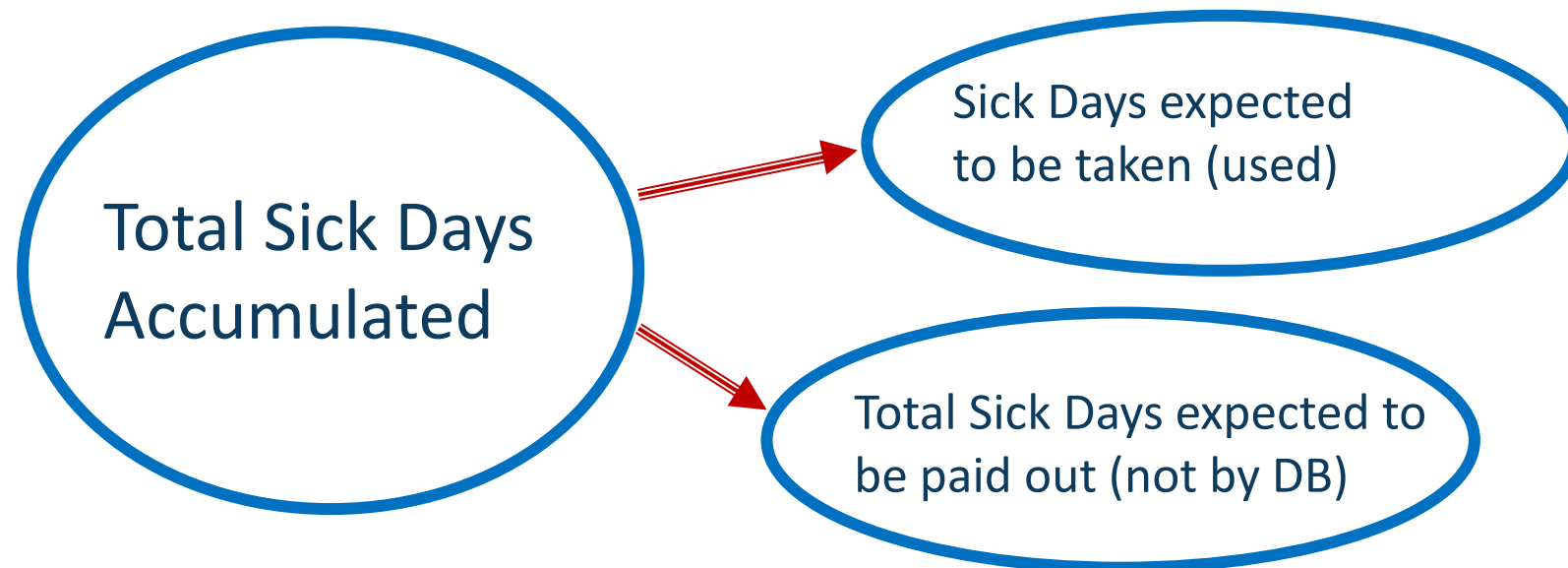
Sample Days Paid method

Total Sick Days
Accumulated

*Apply history,
policies,
experience
and expectations*

How about a sample calculation?

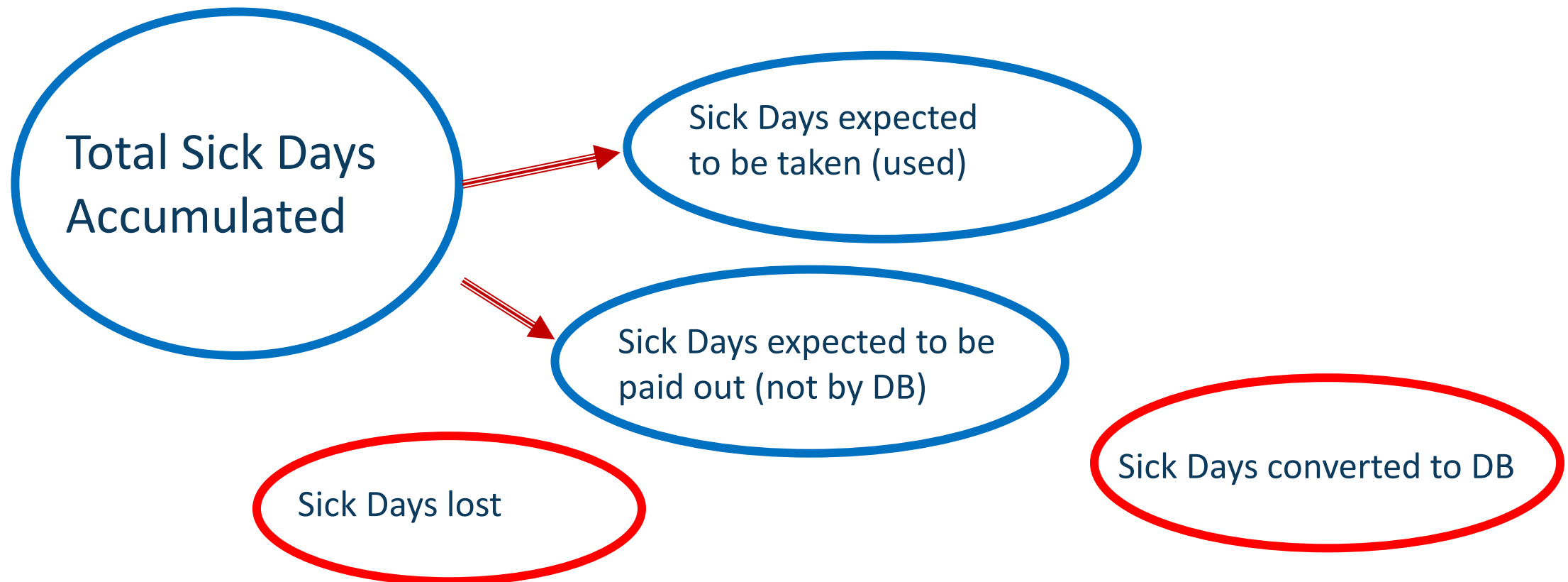
Sample Days Paid method



How about a sample calculation?



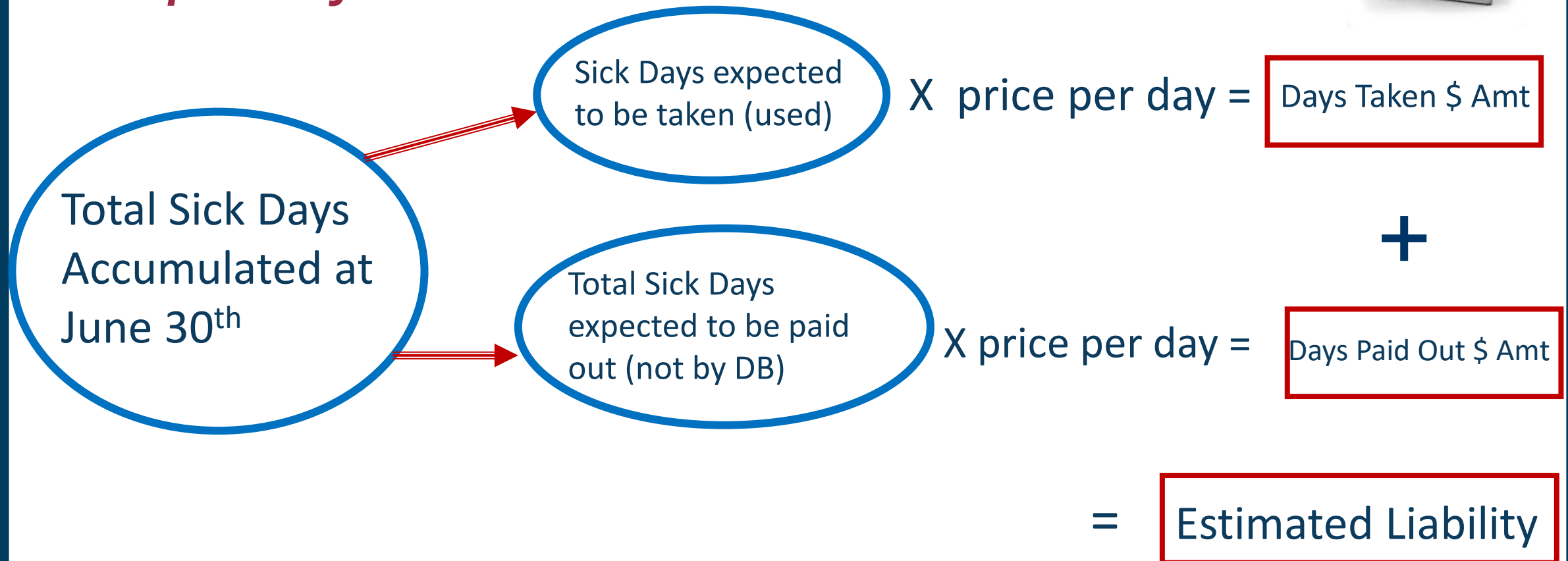
Sample Days Paid method



How about a sample calculation?



Sample Days Paid method



How about a sample calculation?

Sure



GASBS 101 Compensated Absences worksheet

1. Does sick leave qualify for accrual?

Is leave already earned?

Yes/No

Does leave accumulate and carry forward?

Yes/No

Is the leave "more likely than not" used, paid or settled?

Yes/No

If "Yes" to all three -- then proceed

Proceed/Stop

Total sick leave balance at year end (in hours)

1,644 Hours

A

How about a sample calculation?

Sure, a sample is allowed too . . .



2. Calculate sick leave hours expected to be taken during employment:

Calculate a ratio of sick hours taken to sick hours earned.

(This could be from a report total of all employees or from a representative sample)

Total Sick leave hours taken		2,008	Hours	B
Total Sick leave hours earned	Divided by	4,800	Hours	C
Average Expected % sick time taken	Equals	41.83%		D = B/C
Total Sick leave hours expected to be taken (of the hours at June 30th)		688	Hours	E = A x D

How about a sample calculation?



3. Calculate sick leave hours expected to be paid when an employee leaves:

Calculate a ratio of sick leave paid out to sick leave earned.

(This could be from a report of all employees leaving or a sample of those leaving.)

Sick leave paid when leaving		485	Hours	F
Sick leave balance at departure date	Divided by	590	Hours	G
% Sick leave expected to be paid at termination	Equals	82.0%		H = F/G
Sick leave hours available for payout (1,644 hours from step 1 minus 688 hours from step 2 = 956 hours)		956	Hours	I = A - E
Number of hours of sick leave expected to be paid out (956 hours x 82.0% = 784 hours))		784	Hours	J = H x I
Percent of sick time allowed to be paid by policy		100%		K
Sick leave hours expected to be paid out by policy		784	Hours	L = J x K

How about a sample calculation?

Sure



4. Calculate total hours expected to be paid:			
Total Sick leave hours expected to be taken from Step 2		688	E
Add: Number of hours of sick leave expected to be paid out from Step 3		784	J
Total sick leave hours expected to be taken or paid		<u>1,472</u>	Hours M = E + J
Annual Leave(vacation leave) hours earned to carry forward at June 30th		<u>1,200</u>	Hours N
<i>(assume annual leave (vacation leave) is 100% taken or paid)</i>			
Total hours expected to be compensated (paid or taken)		<u>2,672</u>	Hours O = M + N

How about a sample calculation?

Sure



5. Calculate total expected pay and add benefits:			
Total hours expected to be compensated (paid or taken) from step 4	2,672	Hours	O
Average pay per hour at June 30th	\$ 37.36		P
Total hours times rate per hour = Expected pay without benefits		\$ 99,826	Q = O x P
Add benefits that are a percentage of pay (as applicable):			
FICA	7.65%		R
Retirement (if applicable -- use the specific rate for your	5.00%		S
Other benefit (if applicable)	0.00%		T
Total benefits percentage		12.65%	U = R + S + T
Benefits estimate on expected pay		\$ 12,628	V = Q x U
Total accrued liability for compensated absences including benefits		\$112,454	W = Q + V

Summary calculation

GASB 101

	Salary	Benefits	Total
Sick days taken	25,704	3,252	28,956
Sick days settled	29,290	3,705	32,995
Annual Leave	44,832	5,671	50,503
Total expected liability	99,826	12,628	112,454

What about vesting?

GASB 101

*Vesting can help contribute to expectations . . .
but “more likely than not” is **the** criteria to be
used for measurement.*



What about sick leave pools?

If leave is “more likely than not” expected to be used . . .

Yes, accrue.

What about converting or crediting to defined benefit postemployment benefits (pensions or OPEB)?

If leave is “more likely than not,” expected to be converted to defined postemployment benefits, (either pension or OPEB) . . .

Don't double count.

Are there exceptions to the general recognition approach?

Yes.

If it is for a sporadic event for a small portion of employees, like:

Jury duty

Military leave

Parental leave

Bereavement

Worker's Comp.



Should we still report amounts due within one year?

Yes.

An estimate is expected.



If a raise is granted after year-end, should we update the calculation?

No, the standard says to use the pay rate at year-end.

The Board – opted to keep it simple.



Do we need an actuary?

No.

The GASB thinks a vast majority of jurisdictions can perform this calculation without the help of an actuary.



Now what?

The Accounting Department, Payroll and HR all probably have components of this calculation.

Try it out with June 30, 2024 amounts.

Follow GASBS #101 for disclosures

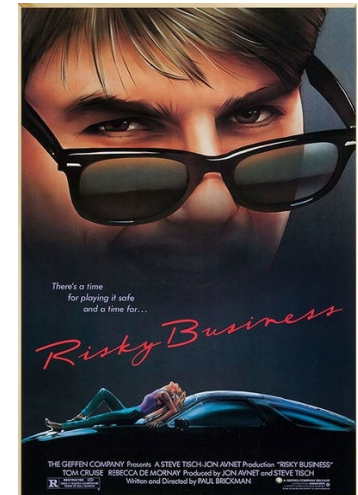


Comments or Questions?



GASB Statement 102

Certain Risk Disclosures



Future Statement Implementations

GASB Statement Number and Topic

Description

102, Certain Risk Disclosures

Tell us more! -- FY 2025

Governments should report some concentrations and constraints.

Concentration: *A lack of diversity related to inflow or outflow of significant resources (i.e. one very large taxpayer or one industry).*

Constraint: *A limitation imposed on a government (i.e. a tax cap, a debt cap or a spending cap).*

Certain Risk Disclosures GASBS 102

1. Concentration or constraint is **known prior** to financial statements.
2. The concentration or constraint **makes the government vulnerable** to the risk of substantial impact.
3. An **event that could cause** a substantial impact:
 - a. has occurred
 - b. has begun to occur
 - c. is more likely than not to occur within 12 months of the date of the financial statements.

Certain Risk Disclosures GASBS 102

Disclosures should include:

- 1. The concentration or constraint*
- 2. Each event that could cause a substantial impact*
- 3. **Actions** taken by the government to mitigate risk
(prior to the issuance of the financial statements)*

Questions?



GASB Statement 103

*Financial Reporting Model **Improvements***



What does statement 103 do?

- *Updates the MD&A*
- *Defines unusual OR infrequent items*
- *Standardizes proprietary fund statements*
- *Provides major component unit information*
- *Presents comparable budgetary information*
- *Standardizes financial trends in the statistical section*

Some provisions (details):

Updates the MD&A:



&



The MD&A should be:

- *Objective*
- *Easily read (Written for people NOT be familiar with governmental accounting.)*
- *Based on currently known: facts, decisions, or conditions.*



Some provisions (details):

Limits the MD&A to five sections:

1. *Overview of the financial statements*
2. *Financial summary*
3. *Detailed analysis*
4. *Significant capital asset & long-term financing*
5. *Currently known facts, decisions or conditions*



Some provisions (details):

Financial Managers should be knowledgeable about:

- *Transactions and events in the report*
- *Fiscal policies to govern operations and decision-making*
- *Conditions that may affect financial position or operations*



MD & A should discuss:

- *Significant positive or negative impact activities*
- *Fact-based, explanations and interpretations*
- *Charts and graphs*
- *Assist users understanding why there were changes rather presenting what changed*



Some provisions (details):

MD & A requirements (continued):

Currently known facts, decisions, or conditions:

- ❖ *Trends* – *in relevant economic and demographic data*
- ❖ *Relevant factors* – *used to develop the budget*
- ❖ *Expected changes* – *in net position or fund balance*
- ❖ *Actions* – *that will affect future periods (debt, OPEB etc.)*
- ❖ *Actions* – *other parties have taken that will affect the gov't.*

For a good example – see Exhibit C GASBS#103



Some provisions (details):

Defines Unusual OR Infrequent items

defines: Unusual in nature

Infrequent in occurrence

Unusual

TextStudio



Some provisions (details):

Present Unusual OR Infrequent items LAST on:

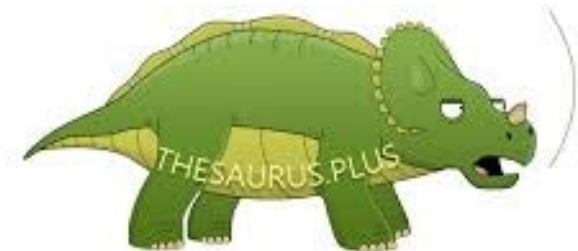
Government-wide

Governmental fund statements

Proprietary fund statements

(Individually, not netted)

synonyms for infrequent:
rare, uncommon, sporadic, unusual, scarce, occasional,
irregular, isolated, sparse, scattered



Some provisions (details):

Disclose Unusual OR Infrequent items and include:

- 1. Program, function or activity related to the items (if any)*
- 2. Whether the item is within the control of management*

synonyms for infrequent:
rare, uncommon, sporadic, unusual, scarce, occasional,
irregular, isolated, sparse, scattered



GASBS 103 Some provisions:

Standardizes proprietary fund statements



Standardizes Proprietary Fund Statements should:

GASB 103

Revenues split into – Operating & Nonoperating

Expenses split into – Operating & Nonoperating

Subtotal for operating income or loss

Operating = not nonoperating revenue or expense.

proprietary

Standardizes Proprietary Fund Statements need:

GASB 103

Nonoperating revenue or expense includes:

- 1) Subsidies received or provided*
- 2) Contributions to endowments*
- 3) Financing transactions*
- 4) Disposals of inventory or capital assets*
- 5) Investment income and expenses*

proprietary

Standardizes Proprietary Fund Statements

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

GASB 103

	Employee Insurance	Facilities and Equipment Management	Total (See Exhibit 8)
OPERATING REVENUES			
Charges for services	\$ 26,174	\$ 16,349	\$ 42,523
Miscellaneous	12	66	78
Total operating revenues	26,186	16,415	42,601
OPERATING EXPENSES			
Personnel services	146	5,640	5,786
Contractual services	394	3,723	4,117
Insurance claims and expenses	26,388	-	26,388
Depreciation	25	390	415
Other	-	7,834	7,834
Total operating expenses	26,953	17,587	44,540
Operating (loss)	(767)	(1,172)	(1,939)
NONCAPITAL SUBSIDIES			
Intergovernmental revenue	881	-	881
Transfers in	-	300	300
Total noncapital subsidies	881	300	1,181
Operating income (loss) and noncapital subsidies	114	(872)	(758)
OTHER NONOPERATING REVENUES			
Interest earnings	443	3	446
Gain from sale of capital assets	-	3	3
Transfers in—restricted for capital assets	-	1,215	1,215
Total other nonoperating revenues	443	1,221	1,664
Increase in fund net position	557	349	906
Fund net position—beginning of period	5,846	6,541	12,387
Fund net position—end of period	\$ 6,403	\$ 6,890	\$ 13,293

Some provisions (details):

Provides major component unit information –

In basic financial statements present EACH major component unit separately

(if it does not reduce the readability of statements)



Some provisions (details):

Presents comparable budgetary information



- 1. Original budget, final budget and variances*
- 2. Final budget, actual and variances*
- 3. Explanation of significant variations in the notes to the RSI – emphasis on “why” instead of “what”*

Some provisions (details):

GASB 103

Presents Comparable Budgetary Information

	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,580	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,282	8,282	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
	<u>208,179</u>	<u>208,764</u>	<u>585</u>	<u>213,376</u>	<u>4,612</u>
Total budgetary revenues					

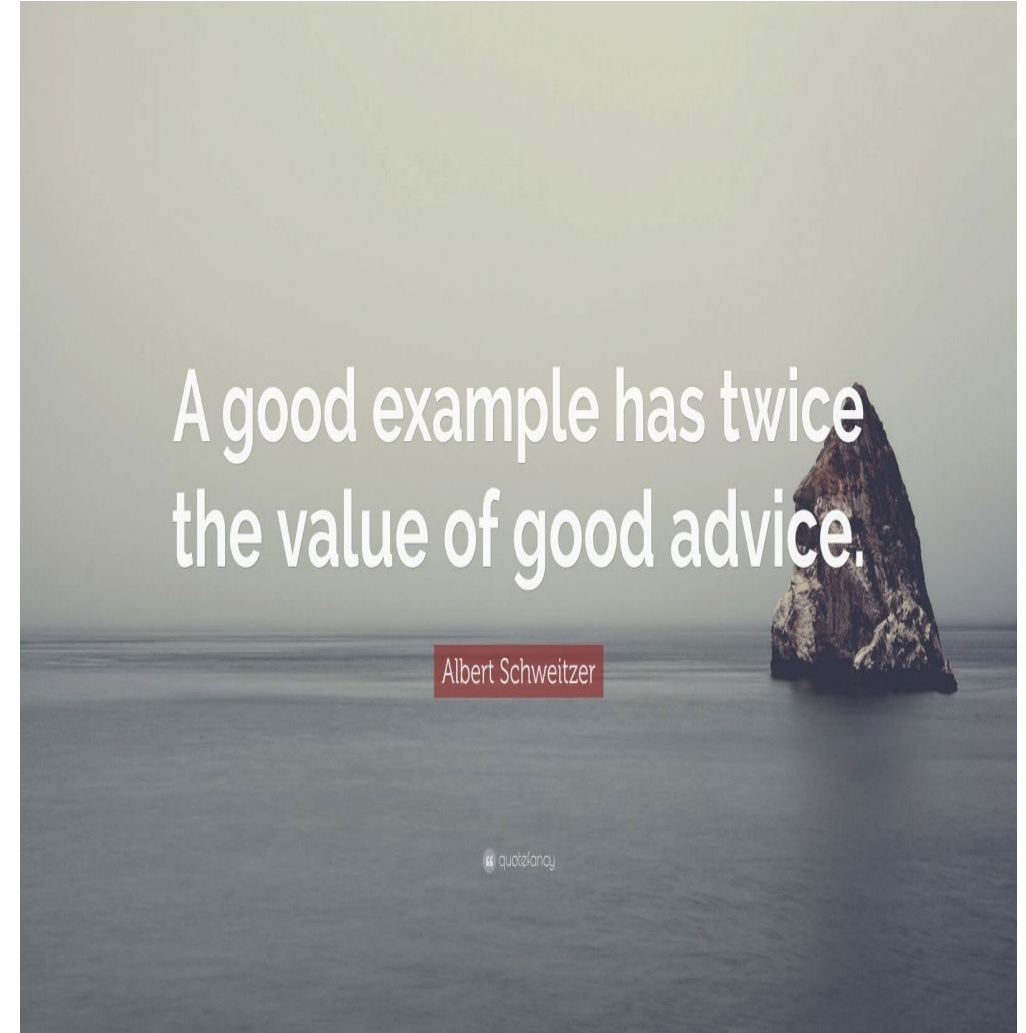
Other information:

GASBS #103 Appendix C

provides examples of

MD&A and more!

www.gasb.org



Questions?

GASB 103



GASBS #104:

Disclosure of Certain Capital Assets



As part of the normal capital asset note disclosures . . .

GASBS #104:

Disclosure of Certain Capital Assets

**Separate disclosure
of assets and amortization of:**

1. Lease assets
2. Intangible Public Private Partnerships (PPP)
and PP and APA assets
3. Subscription assets (SBITAs)
4. Other Intangible assets



GASBS #104:

Disclosure of Certain Capital Assets

Capital Assets *held for sale*:

1. *If* Government decided to do sell
2. Expects a sale within a year

Then report the asset, accumulated depreciation and any debt pledged against it



My favorite provision . . .

- *It's at the back of every statement*
- *It's often overlooked*

The provisions of this Statement need not be applied to immaterial items.



immaterial

Session Objectives

➤ Some timely GASB guidance

➤ Recent GASB guidance



➤ GASB projects

IN THE WORKS

➤ Other topics and projects:

Future GASB projects



- **Going concern/probable dissolution uncertainties**
- **Severe financial stress**
- **Infrastructure classification**
- **Revenue and expense recognition**
- **Subsequent events**

IN THE WORKS

Going Concern Uncertainties

(Probable dissolution)

Going Concern: the entity has the *ability and willingness to continue* to operate for the foreseeable future and provides an accounting basis as opposed to liquidation basis

Define Severe Financial Stress:

GASB is developing a definition:

a : causing discomfort or hardship : **HARSH**

| *severe* winters

b : very painful or harmful

| *a severe* wound

: requiring great effort : **ARDUOUS**

| *a severe* test

: of a great degree

| *severe* depression

Governments would assess each year (June 30) – Yes or No?



Preliminary Views Infrastructure Assets – Define and Classify

Examples

Recognition in statements



Infrastructure Reporting

“Big Picture views”



*You are allowed to report whole systems –
water system, sewer system, stormwater system.*

Land should be separate, but you are allowed to allocate

Session Objectives

➤ Some timely GASB guidance

➤ Recent GASB guidance



➤ GASB projects

IN THE WORKS

➤ Other topics

Infrastructure as a Service ?

- *One firm is marketing a short-term 30-day lease for:*
 - **Parking Garages**
 - **Turf Fields**
 - **Vehicles**



Sir Edmund Hillary

1919 – 2008 New Zealand mountaineer, explorer.



“I have enjoyed great satisfaction from my climb of Everest and my trips to the poles. . . .”

But there’s no doubt that my most worthwhile things have been the building of schools and medical clinics.”

Thank you!



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“Thank you for what you do!”

