



2023 OHGFOA GASB Update

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

June 30 Effective Dates— *As of July 2020*

June 30: Fiscal Year 2021

- Statement 84—Fiduciary Activities
- Statement 90—Majority Equity Interests
- Statement 93—Replacement of Interbank Offered Rate
- Implementation Guide 2019-1—Update
- Implementation Guide 2019-2—Fiduciary Activities

June 30: Fiscal Year 2022

- Statement 87—Leases
- Statement 89—Interest Cost Incurred before the End of a Construction Period
- Statement 92—Omnibus 2020 (multiple effective dates)
- Statement 97—CCUC and Section 457 Plans
- Implementation Guide 2019-3—Leases
- Implementation Guide 2020-1—Update

June 30: Fiscal Year 2023

- Statement 91—Conduit Debt
- Statement 94—Public Private Partnerships
- Statement 96—Subscription-Based IT Arrangements

June 30 Effective Dates – *As of September 2023*

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

New GASB Statement Impact

Potential Level of Effort for Preparer and Auditor*

Statement and FY Effective		Potential Level of Effort*						
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GASB 87 – Leases	2022	LARGE EFFORT						
GASB 89 – Construction-period Interest	2022	Minimal						
GASB 91 – Conduit Debt	2023	Small						
GASB 92 – Omnibus (multiple effective dates)	Various	Small						
GASB 93 – LIBOR Removal and Lease Modifications	2022	Small						
GASB 94 – Public-Private Partnerships	2023	MEDIUM						
GASB 96 – SBITA	2023	LARGE EFFORT						
GASB 97 – Certain Component Unit Criteria/Section 457 plans	2022	Small						
GASB 98 – The Annual Comprehensive Financial Report	2022	Minimal						
GASB 99 – Omnibus (multiple effective dates)	Various	Small						
GASB 100 – Accounting Changes and Error Corrections	2024	Small						
GASB 101 – Compensated Absences	2025	MEDIUM						

*Based on June 30 fiscal years

Current Technical Agenda Projects

Technical Plan Overview – As of April 2022

▪ **Conceptual Framework:**

- Disclosure Framework
- Recognition

▪ **Comprehensive Projects:**

- Financial Reporting Model Re-examination
- Revenue and Expense Recognition

▪ **Major Projects:**

- Going Concern and Severe Financial Stress

▪ **Practice Issues:**

- Accounting Changes and Error Corrections
- Compensated Absences
- Implementation Guide—Update
- Nonfinancial Assets
- Omnibus
- Certain Risks Disclosures

▪ **Pre-Agenda Research Activities:**

- Capital Assets
- Subsequent Events

Technical Plan Overview – As of August 2023

▪ **Conceptual Framework:**

- Disclosure Framework
- Recognition

▪ **Comprehensive Projects:**

- Financial Reporting Model Re-examination*
- Revenue and Expense Recognition

▪ **Major Projects:**

- Going Concern / Severe Financial Stress
- Infrastructure Assets

* - Governmental Funds removed 06/2023

▪ **Practice Issues:**

- Accounting Changes and Error Corrections (100)
- Compensated Absences (101)
- Implementation Guide—Update
- Nonfinancial Assets
- Omnibus (99)
- Certain Risks Disclosures
- Subsequent Events

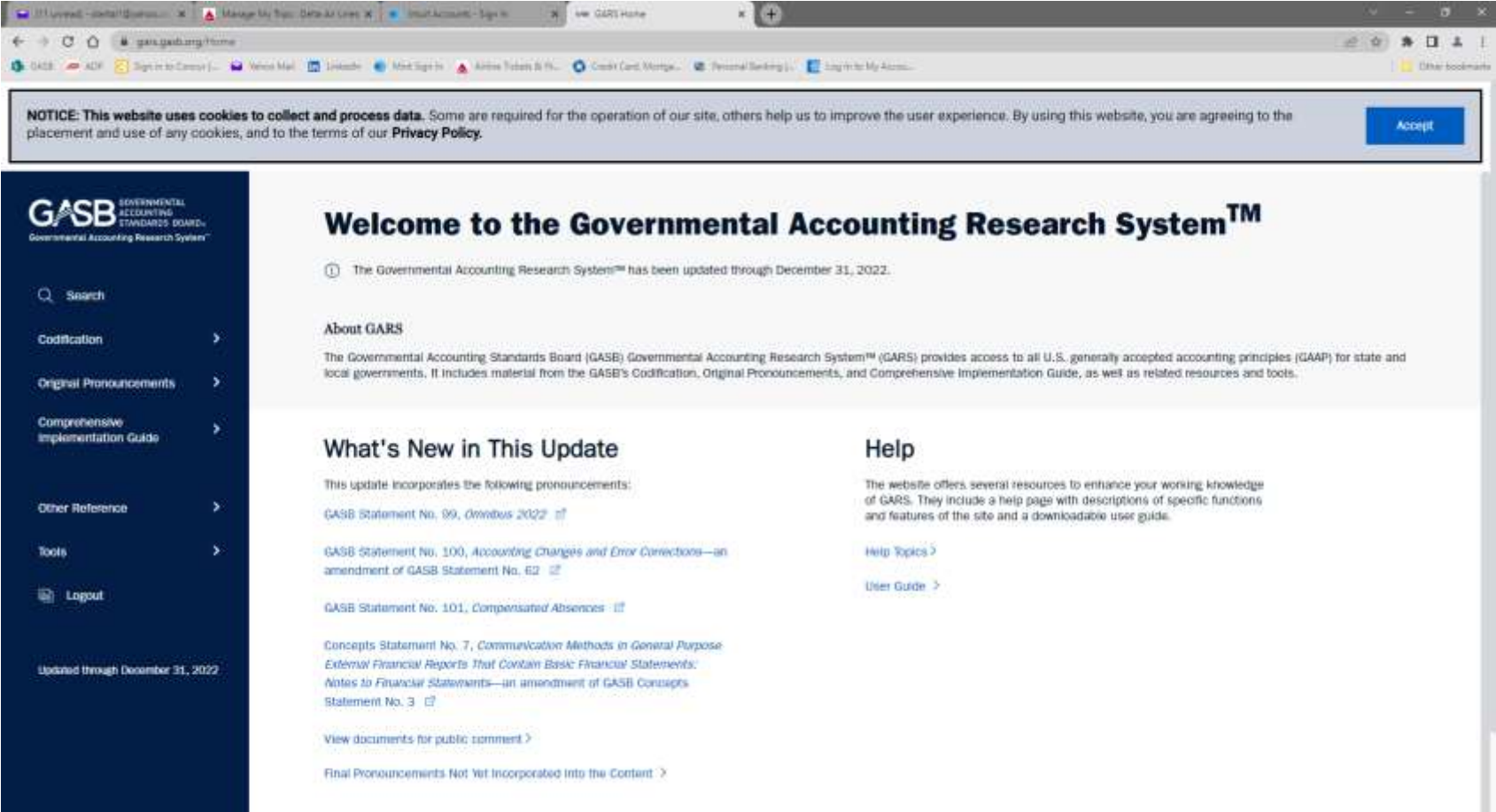
▪ **Pre-Agenda Research Activities:**

- GAAP Structure
- Capital Assets
- Subsequent Events

New GARS Platform...

- **Launched earlier in 2023**
- **Free access (professional view is no longer needed for elevated access)**
- **Improved user interface, search functionality, additional tools**

New GARS platform...



New GARS platform...

The screenshot shows a web browser window displaying the GARS platform search results. The browser address bar shows 'gars.gasb.org/search'. A cookie notice banner is at the top. The main content area shows search results for 'SBITA' with 168 results in 2 categories. The 'Codification' category is selected, showing three results: SS0.112, SS0.107, and SS0.108. The first result, SS0.112, is expanded to show its text: 'For a SBITA that has cancelable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term of that SBITA is the noncancelable period, including any notice periods. A SBITA that previously had been determined to be short term and has been modified to extend the initial maximum possible term under the SBITA contract should be reassessed from the inception of the SBITA....' The left sidebar contains navigation links for 'Codification', 'Original Pronouncements', 'Comprehensive Implementation Guide', 'Other Reference', 'Tools', and 'Logout'. The right sidebar shows 'Content Type' (Standards (40)) and 'Narrow Results By Section' with a dropdown menu.

Statements being Implemented

Right-to-Use Statements

Statement 87

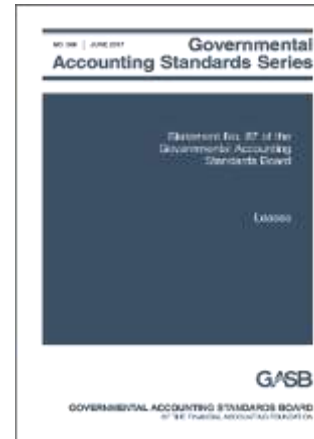
Leases

Statement 94

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

Statement 96

*Subscription-Based Information Technology
Arrangements*



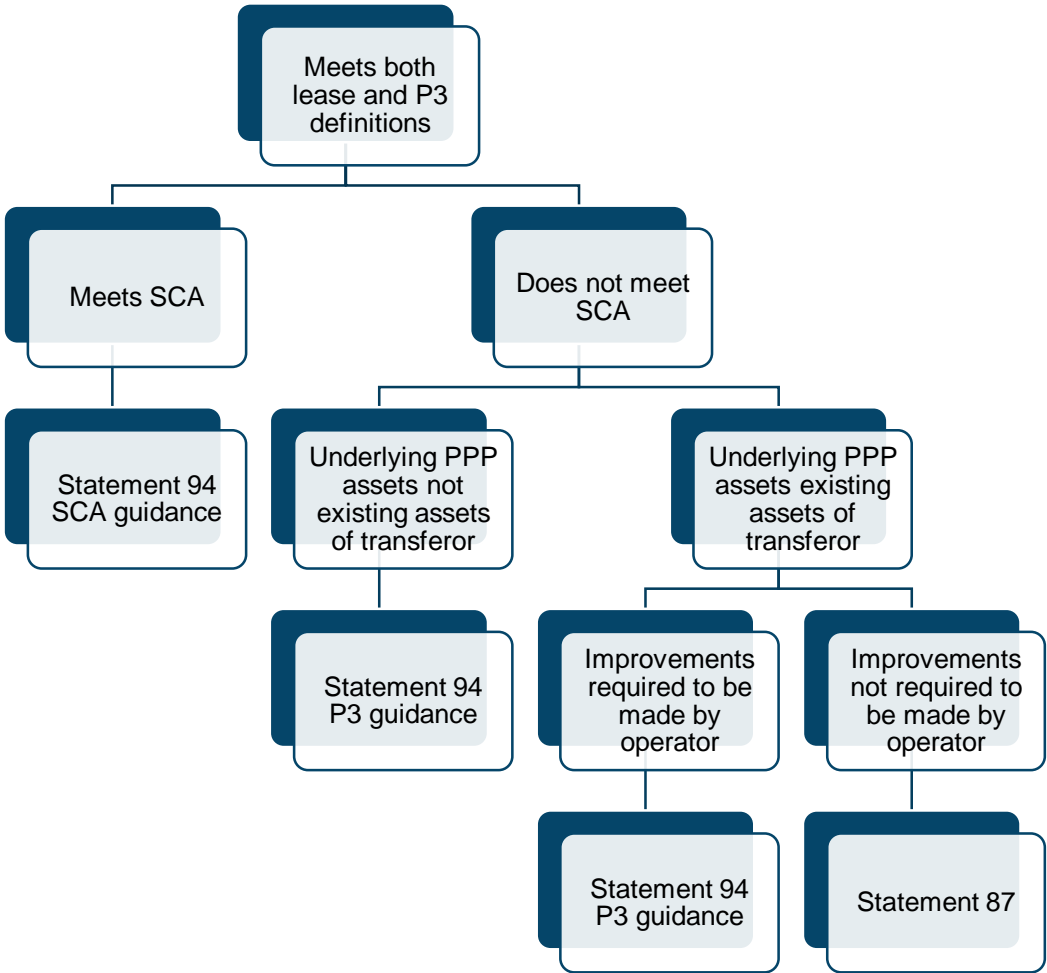
Definitions – Leases, PPP, and SBITA

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**.

Relationship between Leases and P3



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 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

- Noncancellable period plus certain optional periods
 - One party has option - reasonably certain will extend or not cancel
- Excludes cancellable periods – both parties can cancel

▪ Short-Term Lease/SBITA

- Maximum possible term of 12 months or less
 - Includes all one-party options to extend
 - Excludes cancellable periods
- Recognize expense/expenditure or revenue (applies to lessors too) based on contract

Topics That Are The Same

- **General recognition and measurement**

- Intangible right-to-use asset and liability (lessee/operator/SBITA)
- Receivable and deferred inflow of resources (lessor/transferor)

- **Contracts with multiple components**

- Generally, account for lease and non-lease components as separate contracts and multiple underlying assets as separate lease components
- Allocate contract price to different components

- **Modifications and terminations**

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 wont, 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

Lease and SBITA Topics

- **While GASB does not enforce compliance, we can infer the following leases issues based on conversations with stakeholders.**
 - What is the lease population?
 - Do I have access to all the contracts?
 - Does the government have all the amendments to the lease?
 - What is the right level of materiality for leases/SBITA? \$5,000?

 - How do I know if my subscription contract grants control of the right to use the vendor's software?
 - What do I do if the government is acting as the SBITA vendor?

Lease and SBITA Topics

▪ Questions most often fielded by the team

- Definition/scope
 - Does this contract convey control of the underlying asset?
 - Is it an exchange or exchange-like transaction?
- Transfer of ownership
 - Does a bargain purchase option count?
- Evaluating options
 - One-sided (lessee only or lessor only) vs two-sided (both lessee and lessor) – treated differently for short-term and lease term evaluations
- Liability/receivable calculation
 - How to measure when payments based on CPI
 - How to estimate incremental borrowing rate
- Transition
 - Measuring as of implementation date vs beginning of lease
 - Whether to recognize expenditure and OFS in governmental funds for in-process leases

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

▪ **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

What is the difference between a P3 and APA...it is really about who maintains the right to determine rates? Did it remain with the government (transferor) or was it provide to the other entity?

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

Proposed SBITA Questions and Answers

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

Proposed SBITA Questions and Answers

- **Q—A government enters into a six-year subscription-based information technology arrangement (SBITA) contract with no options to extend or terminate the contract and begins making semi-annual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. What is the subscription term?**
 - A—The subscription term is four years. The initial implementation stage is completed at the end of the second year of the contract. Therefore, in accordance with paragraphs 9 and 15 of Statement 96, the subscription term commences at the beginning of the third year and ends at the conclusion of the sixth year when the SBITA contract ends.

Edited (from Proposed) SBITA Question and Answers

- **Q—For purposes of determining the applicability of Statement 96, do Software as a Service, Platform as a Service, and Infrastructure as a Service contain a combination of IT software and tangible capital assets)?**
 - A—Yes. Software as a Service, Platform as a Service, and Infrastructure as a Service are three common deployment models of cloud computing arrangements. Notwithstanding the labels of those arrangements, each deployment model contains IT software used in combination with tangible capital assets. To further assess the applicability of Statement 96, the substance of the arrangement should be evaluated in accordance with all aspects of paragraph 6 of that Statement to determine whether the arrangement meets the definition of a subscription-based information technology arrangement (SBITA).

Implementation Guidance

■ **Implementation Guide No. 2019-3, Leases**

- 77 questions and answers (authoritative)
- 3 illustrations (nonauthoritative)

■ **Implementation Guide No. 2020-1, Implementation Guidance Update—2020**

- 12 questions and answers about Statement 87 (authoritative)

■ **Implementation Guide No. 2021-1, Implementation Guidance Update—2021**

- 19 questions and answers about Statement 87 (authoritative)

■ **Implementation Guide No. 2023-1, Implementation Guidance Update—2021**

- 6 questions and answers about Statement 87 (authoritative)
- 3 questions and answers about Statement 96 (authoritative)

Effective Dates

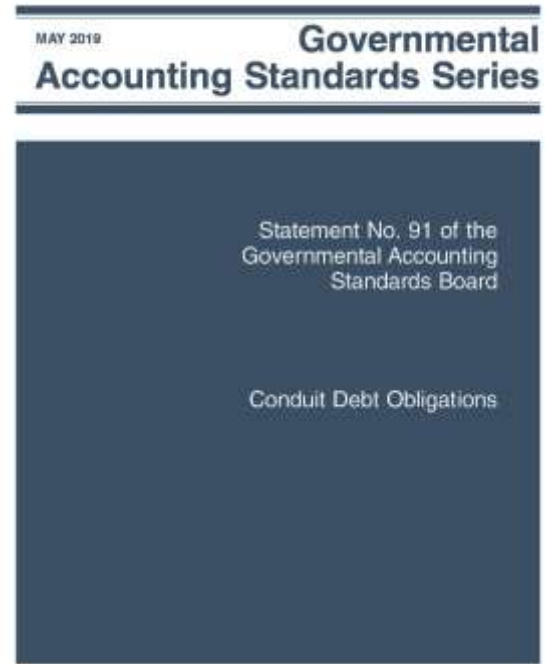
Pronouncement	Beginning After
Statement 87	June 15, 2021*
Statement 94	June 15, 2022**
Statement 96	June 15, 2022*
Implementation Guide 2019-3	June 15, 2021*
Implementation Guide 2020-1 (Statement 87 questions)	December 15, 2021*

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

** Reporting periods beginning after this date

Conduit Debt Obligations

Statement No. 91



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

- There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- 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 entire capital asset	Yes, when the arrangement ends	No
No, and third party has exclusive use of only portions 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

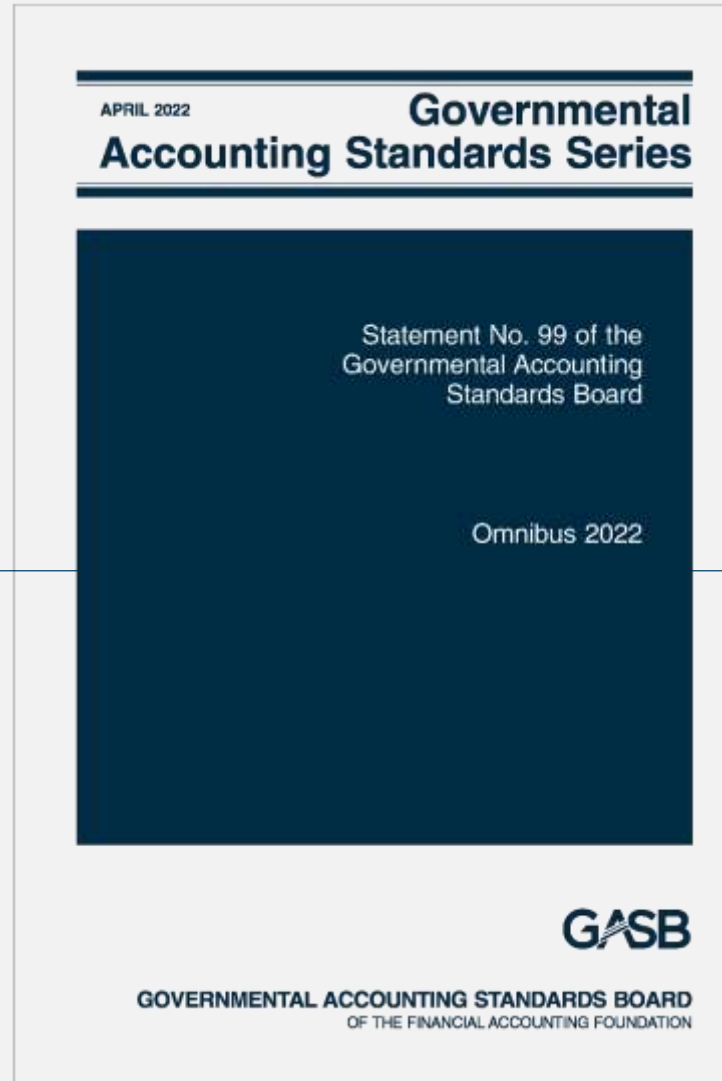
- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

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 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

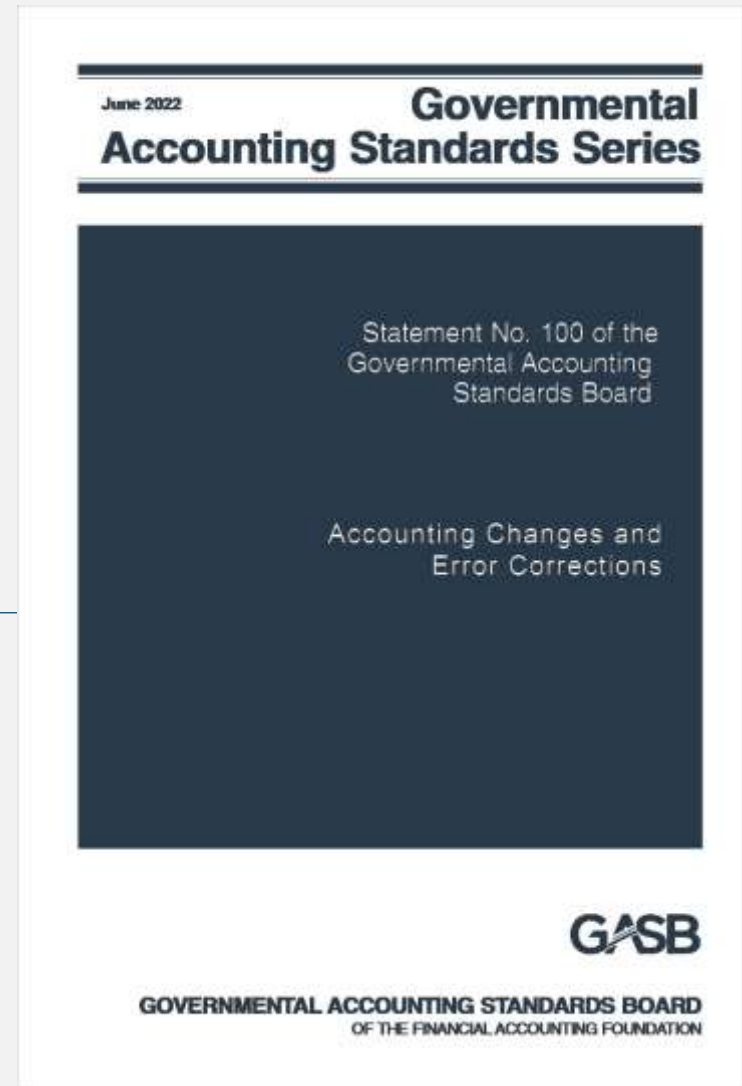
- Clarifies that no total column is required for the financial reporting entity as a whole.

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



Reexamination of Statement 62

What?

GASB's review of the effectiveness of existing standards identified substantial need for improvement and clarification

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?

Exposure Draft approved May 2021

More about Why...

- **Research showed issues related to:**

- Changes in accounting principle vs. correction of an error
- How to classify changes in measurement methodology of estimates versus changes in inputs to estimates versus changes in accounting policy
- Certain currently required disclosures were often missing

- **Common questions regarding:**

- How to account for changes in reporting entity
- Impact of changes of prior balances on RSI and SI

Type of Accounting Changes / Corrections

Change in Accounting Principle

Change in Accounting Estimate

Change to or Within the Financial Reporting Entity

Corrections of an Error (not an Accounting Change)

Statement Proposals

- **For each type of Accounting Change and Error Correction**
 - **Definitions**
 - What is included in each type
 - **Accounting & Reporting**
 - Restatement (and if so which period) or accounted for in current period
 - Includes discussion of impact on RSI and SI
 - **Disclosures**

Change in Accounting Principle

▪ Definition

- A change from one generally accepted accounting principle to another that is **justified** on the basis that the newly adopted accounting principle is **preferable** to the accounting principle used before the change.
- The implementation of a new authoritative accounting and financial reporting pronouncement.

▪ Accounting

- **Retroactive** to all prior periods presented (unless another standard directs otherwise)
- If practicable

Change in Accounting Estimate

▪ Definition

- A *change* in accounting estimate results from **changes to the inputs of that estimate**. Changes to inputs result from a change in circumstance, new information, or more experience.
 - Accounting estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies.
 - Outputs are amounts that are recognized or disclosed in the basic financial statements and subject to measurement uncertainty.

▪ Accounting

- **Prospective** by recognizing the change in the reporting period the change occurs

Change to or Within the Financial Reporting Entity

▪ Definition

- A change to or within the financial reporting entity results from:
 - The **addition or removal** of a fund that results from movement of resources within the primary government, including its blended component units
 - Change in fund presentation as major or nonmajor
 - Generally, the addition or removal of a component unit to or from the financial reporting entity
 - A change in the presentation (blended or discretely presented) of a component unit.

▪ Accounting

- **Adjust beginning balances** for the current period (not all periods presented).

Correction of Error

▪ Definition

- 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 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

- **Retroactive** to all prior periods presented
- No practicality exception

Display

- **Shown separately**

- **Aggregate** amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit

Disclosure

Reclassifications and Restatements consisted of the following (amounts in thousands):

	12/31/20X1 As Previously Reported	Changes to or within the Financial Reporting Entity	Changes in Accounting Principle	Error Corrections	12/31/20X1 As Restated
Governmental Funds and Activities					
Major Funds:					
General Fund	\$ 6,806,931	\$ -	\$ -	\$ (99,403)	\$ 6,707,528
Fund A	1,087,648	-	-	(1,231)	1,086,417
Nonmajor Funds	436,328	-	-	(4,413)	436,328
Total Governmental Funds	8,330,908	-	-	(105,046)	8,225,861
Government-Wide Adjustments					
Capital Assets, net of depreciation	26,903,086	-	-	(66,723)	26,836,364
Other Noncurrent Assets and Liabilities	(709,340)	-	-	60	(709,280)
Inclusion of Internal Service Funds in Governmental Activities	559,343	-	-	6,402	565,745
Total Governmental Funds and Activities	\$ 35,083,996	\$ -	\$ -	\$ (165,306)	\$ 34,918,690
Proprietary Funds and Business-Type Activities					
Major Funds:					
Fund B	4,514,667	69,597	4,501	2,756	4,591,521
Nonmajor Funds	532,633	(165,977)	-	6,400	373,055
Removal of Internal Service Funds in Governmental Activities	(559,343)	-	-	(6,402)	(565,745)
Total Proprietary Funds and Business-Type Activities	\$ 4,487,957	\$ (96,381)	\$ 4,501	\$ 2,753	\$ 4,398,831
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	115,095,653	-	-	5,240	115,100,893
Total Fiduciary Funds	\$ 115,095,653	\$ -	\$ -	\$ 5,240	\$ 115,100,893
Discretely Presented Component Units					
	\$ 10,967,062	\$ 147,061	\$ (1,388)	\$ 123,946	\$ 11,236,680
Total Reporting Entity	\$ 165,634,668	\$ 50,680	\$ 3,113	\$ (33,367)	\$ 165,655,094

RSI and SI

- **Change in accounting principle**

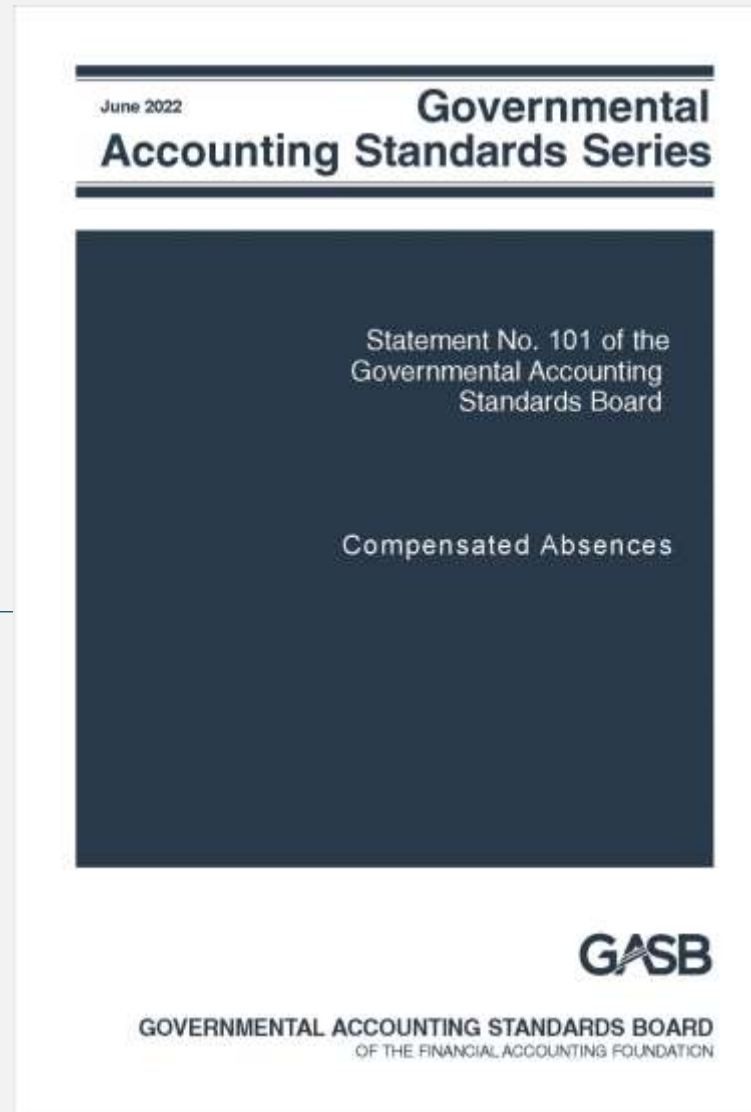
- Do not restate periods earlier than those presented in basic financial statements

- **Error correction**

- Restate periods earlier than those presented in basic financial statements (to extent affected by the error), 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

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?

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?

Certain Risks Disclosures

Certain Risks Disclosures

What?

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

Why?

Stakeholders asked the GASB to address instances in which a government is exposed to risks that could impact services or the payment of obligation

When?

Exposure Draft issued June 2022

Comment deadline is September 30, 2022

Final August 2023

Overall Framework

- **Two Conditions**

- Conditions which a government might face
 - Concentrations
 - Constraints

- **Events**

- Events which relate to the conditions

- **Impact**

- Substantial disruption to the normal functioning of the government

Concentrations

▪ What is a concentration within the context of this proposal?

- Governments are exposed to risks that are based on **concentrations that create a lack of sufficient diversity** related to an aspect of a **significant revenue source or expense**.
- Those concentrations may limit a government's ability to acquire resources or to control spending.
- Examples include, but are not limited to, the following:
 - Principal employers
 - Principal industries
 - Principal resource providers
 - Composition of principal inflows of resources
 - Workforce covered by collective bargaining agreements
 - Suppliers of material, labor, or services.

Constraints

▪ **What is a constraint within the context of this proposal?**

- Governments are exposed to risks that are based on constraints common in the governmental environment that may limit their ability to acquire resources or to control spending.
- Those constraints may be imposed by an external party or by formal action of a government's highest level of decision-making authority.
- Examples include, but are not limited to, the following:
 - Limitations on raising revenue
 - Limitations on spending
 - Limitations on the incurrence of debt
 - Mandated spending.

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 date the financial statements are available for issuance
- It is *at least reasonably possible* that the event could cause there to be a *substantial impact* (disruption of normal functioning of the government)

Exposure Draft: Disclosure Requirements

Required to 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.

- Including:
 - Description of concentration or constraint
 - Description of each event associated with the concentration/constraint, including the criteria met
 - Description of actions taken to mitigation the substantial effect.
- Disclosure if not required *mitigating actions taken* cause any of the disclosure criteria to no longer be met.
- Disclosures should be **made at the primary government level as well as for any reporting units that recognize revenue bonds.**

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
Final Statement	August 2023

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?

Separate Disclosure of Certain Capital Assets

- For the purpose of note disclosures about capital assets required by paragraphs 116 and 117 of Statement 34:
 - Information about the following should be disclosed separately:
 - Capital assets held for sale, by major class of asset (see paragraphs 5–7)
 - Lease assets reported in accordance with Statement No. 87, Leases, by major class of underlying asset
 - Subscription assets reported in accordance with Statement No. 96, Subscription-Based Information Technology Arrangements
 - Intangible assets other than lease assets and subscription assets, by major class of asset.
 - Intangible assets that represent the right to use intangible underlying assets are not required to be disclosed separately but should not be reported with owned intangible assets. However, this subparagraph does not apply to subscription assets that represent the right to use intangible underlying assets. Subscription assets should be disclosed separately in accordance with subparagraph a(3).

Capital Assets Held for Sale

- **A capital asset should be classified as held for sale if (a) the government has decided to sell the asset and (b) it is probable that the sale will be finalized within one year of the financial statement date.**
- **Factors to consider when evaluating whether it is probable that the sale will be finalized within one year of the financial statement date include the following:**
 - Whether the asset is available for immediate sale in its present condition
 - Whether an active program to locate a buyer has been initiated, which may include the asset being put out for bid
 - Market conditions for selling that type of asset
 - Regulatory approvals needed to sell the asset.
- **The classification of a capital asset as held for sale should be evaluated each reporting period.**

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	September 2023

Implementation Guide Update

Exposure Drafts: *Implementation Guidance Update—2023* and *Additional Proposal for Implementation Guidance Update—2023*

What?

Proposed new Q&As and proposed amendments to existing Q&As on various topics were issued in two Exposure Drafts (October 2022 and January 2023).

Why?

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

When?

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

Proposed Implementation Guide Update

Adds new questions on standards regarding

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

Updates existing Q&A guidance related to

- Leases

Proposed effective date

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

Project Timeline

Exposure Drafts Cleared	October 2022; January 2023
Comment Periods Ended	January 2023; March 2023
Redeliberations Began	March 2023
Final Implementation Guide Update Issued	June 2023

Concepts Statement No. 7

Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements

Concepts Related to Notes to Financial Statements

What?

The Board has amended existing concepts regarding what information should be disclosed in notes

Why?

The GASB reexamined existing note disclosure requirements and concluded that it was necessary to elaborate on the concept of “essential” as it relates to notes

When?

Final Concepts Statement issued in June 2022

Concepts Related to Disclosures

Concepts Statements guide the Board's decisions when setting accounting and financial reporting standards

Concepts Statement 3 establishes criteria for what communication method should be used to report information – financial statements, notes to financial statements, required supplementary information, and supplementary information

Amended Concepts

The purpose of note disclosures is to provide information that explains, describes, or supplements the financial statements and is **essential** to users in making economic, social, and political decisions and assessing accountability

Principal revisions to Concepts Statement 3 relate to the criteria that determine essentiality – the term essential conveys the degree of importance that information contained in notes should possess

Information that is essential possesses the following characteristics:

The information has or is expected to have a **meaningful effect** on users' analyses for making decisions or assessing accountability

A **breadth or depth of users** utilize or are expected to utilize the information in their analyses for making decisions or assessing accountability

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 Q1 2024

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 fund net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

Concerns with Governmental Fund Financial Statements

- Lack of effectiveness of governmental fund information
- Lack of conceptual consistency
- Lack of guidance for complex transactions
- Lack of consistency in applying the current financial resources measurement focus and modified accrual basis of accounting

Proposals: Management's discussion and analysis

**PREPARERS:
Remember Users
are Different**

- Users have different levels of knowledge and sophistication.
- Continue to provide objective and readable explanations and interpretations that users can understand.

Proposals: Management's discussion and analysis (continued)

Telling Your Story

- Focus on the primary government.
- Discuss comparative results of current year and prior year, focusing on current year
- Avoid unnecessary duplication and “boilerplate” discussions.

Proposals: Management's discussion and analysis (continued)

Do Some House-Keeping

- Move budgetary analysis and discussion of infrastructure assets modified approach (if applicable) to the relevant parts of RSI
- Use five required sections -
 - Introduction
 - Financial summary
 - Detailed analysis
 - Significant capital assets and long-term debt activity
 - Currently known facts, decisions, or conditions

Proposals: Management's discussion and analysis (continued)

EXAMPLES

Currently known facts, decisions, or conditions

- Trends in relevant economic and demographic data
- Information related to the subsequent year's budget
- Information about certain actions the government has taken after the end of the reporting period
- Information related to actions other parties have taken that will affect the government

Proposals: Management's discussion and analysis (continued)

Board Tentative Decisions

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

Other Proposals

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

Board is currently considering whether the concept of magnitude should somehow be incorporated into the determination of unusual or infrequent

Proposals: Proprietary Funds

- Statement of Revenues, Expenses, and Changes in Fund Net Position
 - Continue separate presentation of operating and nonoperating revenues and expenses

AND

- New definition/description proposed for operating and nonoperating revenues and expenses to increase comparability in reporting

Proposals: Proprietary Funds

Separate presentation of operating and nonoperating revenues and expenses

Operating

- Activities other than nonoperating activities

Nonoperating

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

Proposals: Proprietary Funds (cont.)

Subsidies

- 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

Board Tentative Decisions - Clarifications

- (1) Indicate that all transfers should be included
- (2) Clarify that subsidies have a direct or indirect impact on user fees and charges
- (3) Clarify that subsidies should be classified as noncapital subsidies unless they are limited to capital purposes

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

Proposals: Budgetary Comparison Information

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

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	April 2024

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

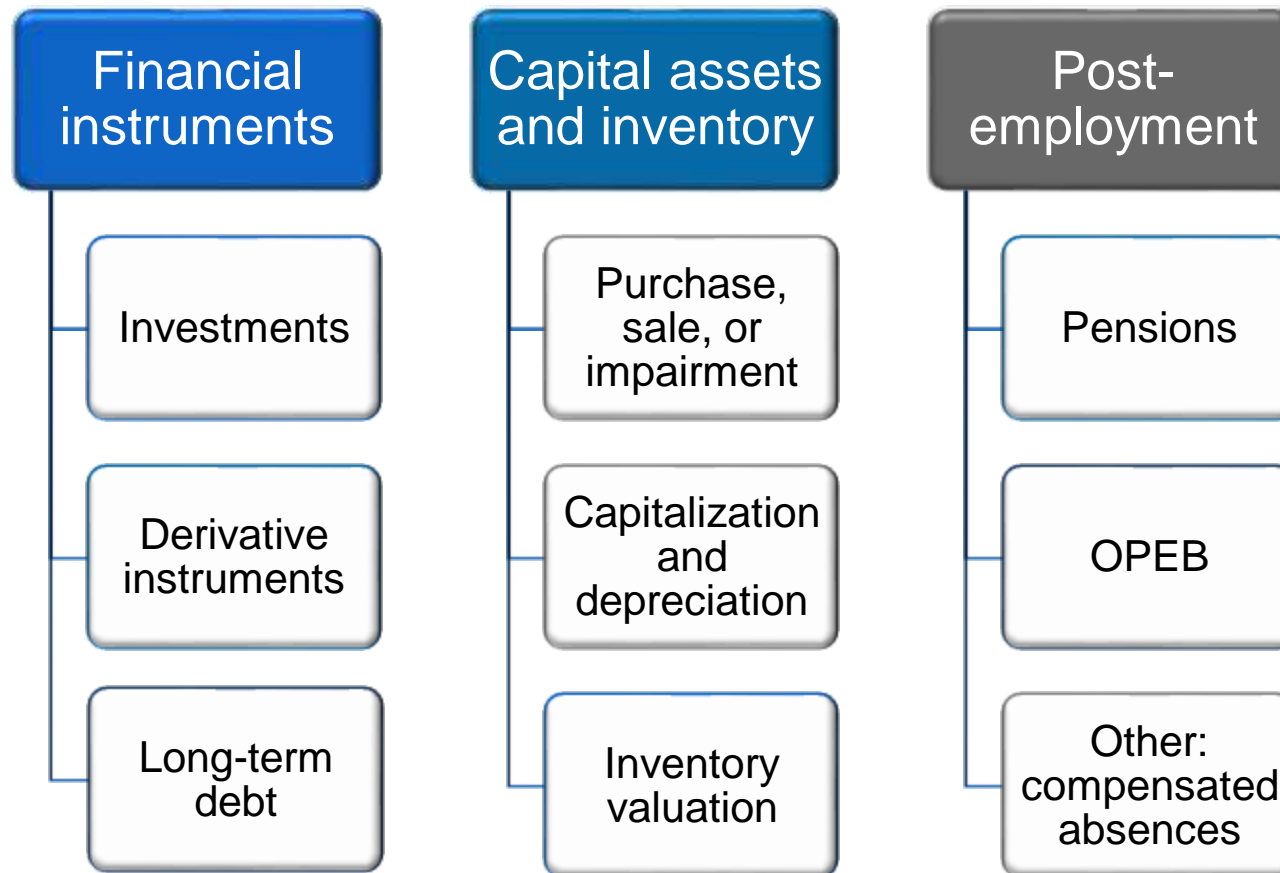
Broad Project Objective

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

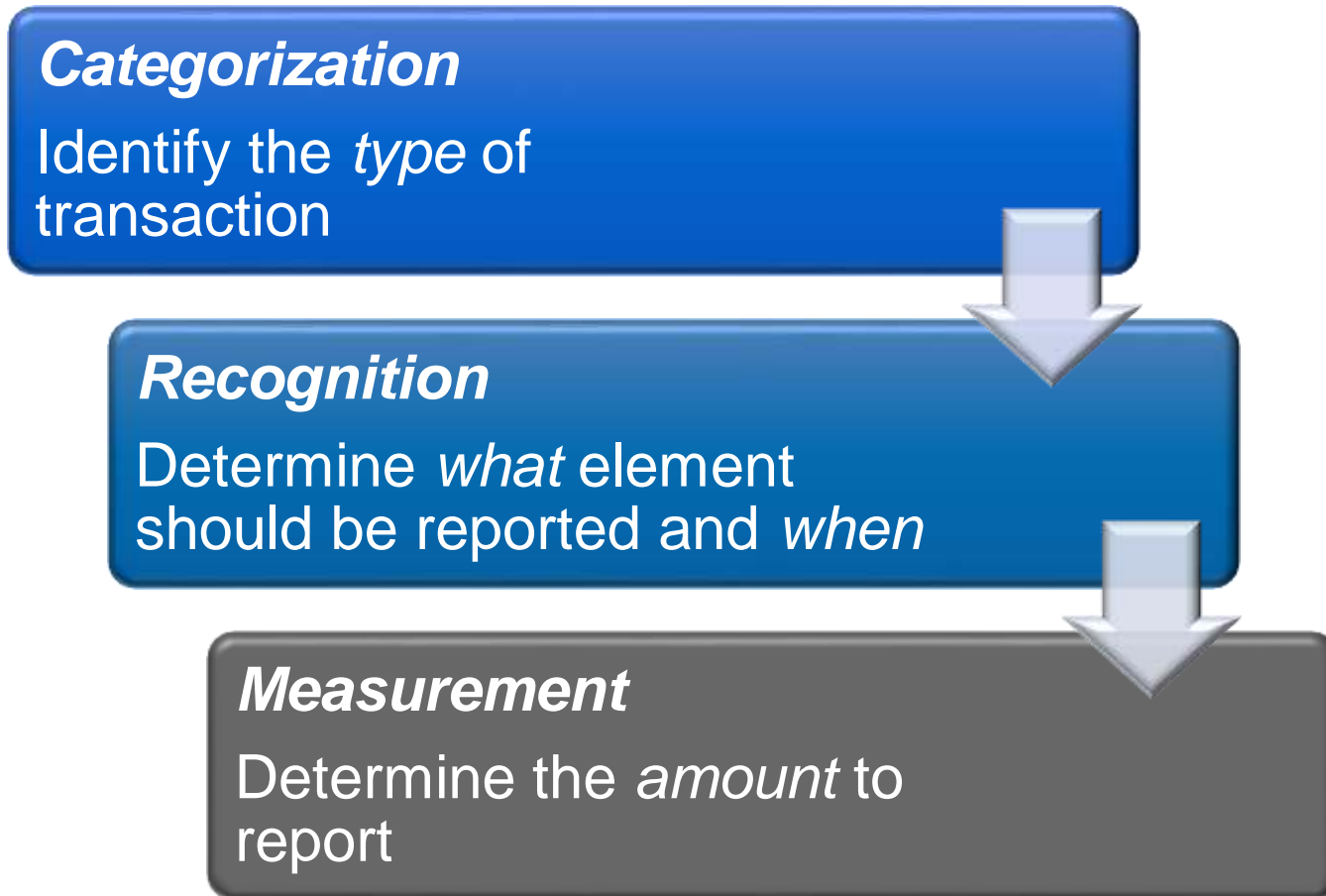
- Expand on areas where there is no guidance—expenses
- Expand on areas where there is limited guidance—certain revenues
- Consider practice issues and challenges identified in current guidance—Statement 33
- Consider the conceptual framework—issued after Statement 33
- Consider performance obligation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

Scope of the Project

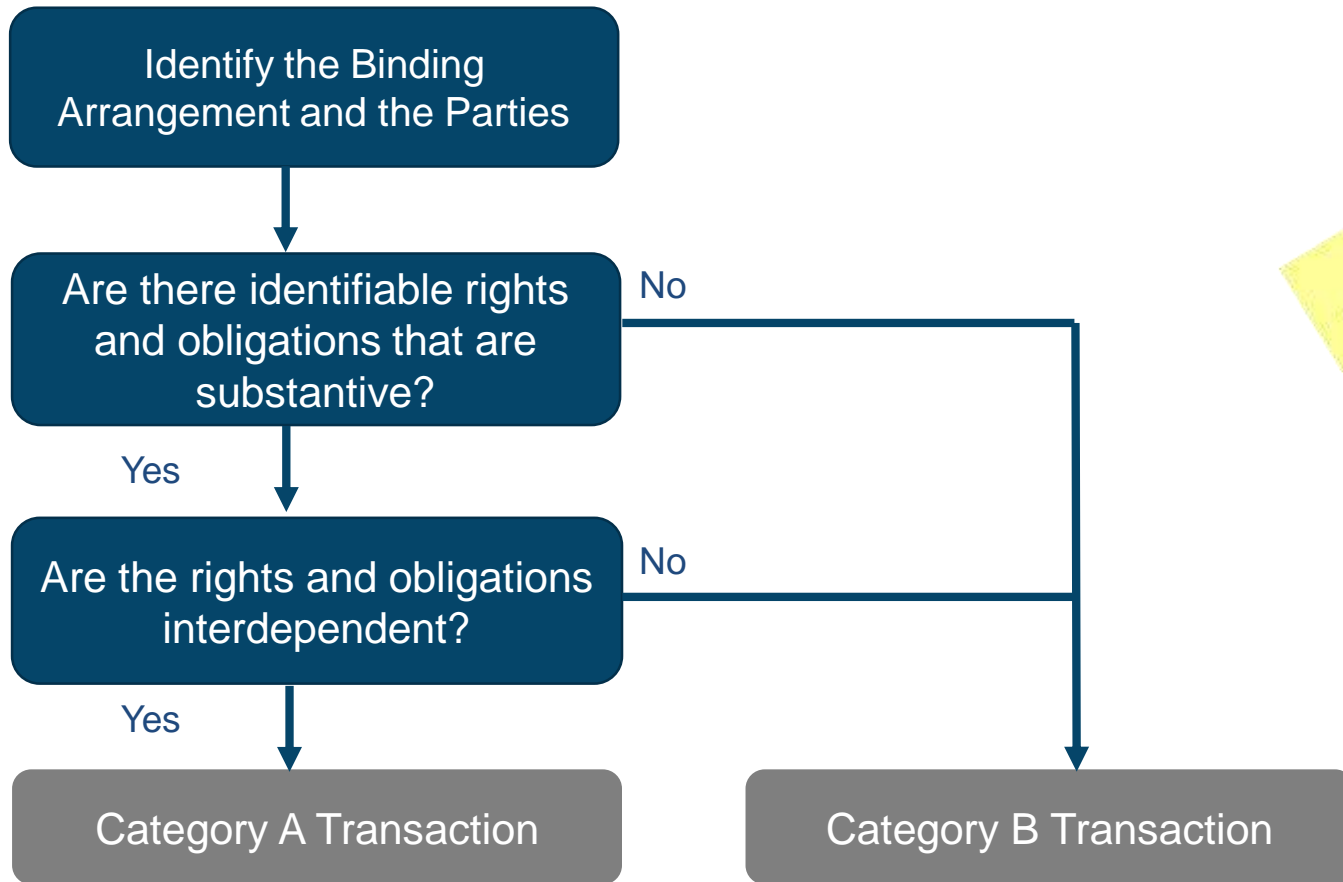
- The scope is defined broadly to include revenues and expenses except for those ***explicitly excluded***:



Proposed Recognition Model Components



Proposed Categorization Methodology

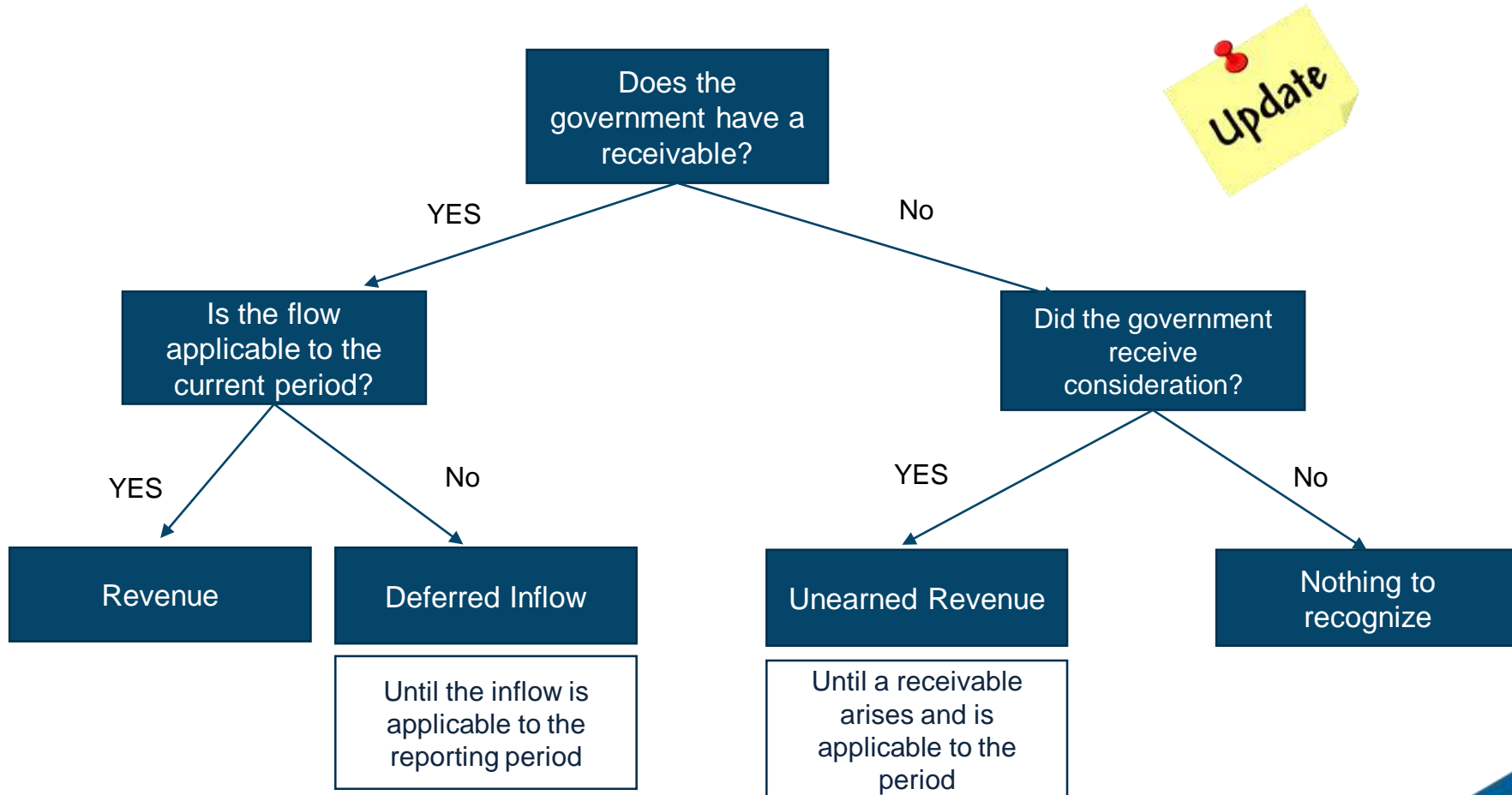


Outcomes of the Proposed Model *

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



Proposed Revenue Recognition Principles

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

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

Category A Proposed Revenue Recognition Principles

Categorization

Contain the following characteristics:

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

Recognition

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

Category A Expense Recognition Examples

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

City orders supplies

- Expense is recognized as the city receives the supplies

School district hires CPA

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

Public utility employees

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

Category B Proposed Revenue Recognition Principles

Categorization

Fails one of the following:

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

Recognition

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

Category B Proposed Revenue Recognition Principles Continued

Receivable

- Recognized when a legally enforceable claim arises

Revenue

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

Liability

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

Deferred Inflow of Resources

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

Category B Expense Recognition Examples

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

Contractual arrangements

Shared revenue (outflows)

General aid (outflows)

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 / Monitoring Post-Implementation Reviews (PIR)

Monitoring

Digital Assets

Electronic Financial Reporting

Environmental Credits

SBITA Implementation

Other

Questions?

Visit www.gasb.org