



Advanced Governmental Accounting
Seminar

August 17-18, 2022

Geneva on the Lake, OH

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Seminar

August 11-12, 2022


Geneva on the Lake, OH

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**OHIO GFOA
ADVANCED GOVERNMENTAL
ACCOUNTING AND FINANCIAL
REPORTING**

*August 17 & 18, 2022
Geneva on the Lake, Ohio*




INSTRUCTORS

- Jared Cottrell, Principal, Rea & Associates
- Jeff McCuen, Ohio GFOA Education Chair
- Joann Bury, Director of Finance, City of Gahanna




INTRODUCTIONS

- Participants
 - Name
 - Title/Area of Work
 - Entity
 - Years of Experience
 - One Interesting Fact??
 - Complete index card(s) with questions




COURSE OBJECTIVES

- Learn what's new in governmental accounting
- Deep dive topics
- Forecasting in a Pandemic
- Federal American Rescue Plan Funds
- Ohio Biennium Budget
- How to implement new GASB's
- Review outstanding GASB Projects




WHAT'S GOING ON?

GASB insatiable desire for more standards?




GFOA V. GASB
(PER JEFFREY L. ESSER, GFOA EXECUTIVE DIRECTOR/CEO)

- GFOA concerned that GASB has been moving beyond its proper jurisdiction confusing accounting with accountability
- GASB insists that its charge extends not just to accounting, but to all aspects of accountability – staking a claim to set future reporting standards for future financial and non financial aspects of public administration



GFOA CONCERNS

- GASB has opted for a supply driven approach, which presumes demand for standards is limitless
 - 14 standards in 1992 NOW #101!!!!
- There isn't an accounting solution to every financial problem
- GASB has been creating unnecessary divergence from private-sector standards
 - Exemplified by separate standard for factoring receivables, pollution remediation, deferred inflows & outflows and derivatives



PROSPECTS FOR THE FUTURE

- GFOA remains committed to independent standard setting
- GFOA will carefully monitor developments and represent interests of state and local governments



GASB PROJECTS PROCESS

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
 - Comment period & redeliberate
- Exposure Draft
 - Comment period & redeliberate
- Final Pronouncement



GASB PROJECTS PROCESS

- *"The users are often very late to the game in terms of understanding the impact of new accounting standards"*
 - ~ Mark LaMonte, former managing director
Moody's Investors Service
- Many opportunities to provide input
- We need to do a better job of getting out front of these issues.



GASB YEAR IN REVIEW

- Overview of Upcoming Implementations
- New Pronouncements -11
- Exposure Drafts



WHEN DO WE IMPLEMENT?

Statement

- GASB 91 Conduit Debt
- GASB 92 Omnibus
- GASB 93 Interbank Offering
- GASB 94 Partnerships

Effective for Periods beginning after:


- December 15, 2021*
- June 15, 2021
- June 15, 2021
- June 15, 2022

* Postponed by GASB 95




WHEN DO WE IMPLEMENT?

Statement #	Effective for Periods beginning after:
▪ GASB 96 SBITA	▪ June 15, 2022
▪ GASB 97 Comp Unit & 457	▪ June 15, 2021
▪ GASB 98 ACAR	▪ Dec 15, 2021
▪ GASB 99 Omnibus 2022	▪ June 15, 2022 *June 15, 2023
▪ GASB 100 Acct Changes	▪ June 15, 2023
▪ GASB 101Comp Abs	▪ Dec 15, 2023



**CURRENT GASB PROJECTS
CONCEPTUAL FRAMEWORK**

- Conceptual Framework: Recognition
 - Preliminary Views redeliberation



CURRENT GASB COMPREHENSIVE PROJECTS

- Financial Reporting Model
 - Exposure Draft being redeliberated
- Revenue & Expense Recognition
 - Preliminary Views redeliberation



CURRENT GASB PROJECTS
MAJOR PROJECTS

- Going Concern Uncertainties and Severe Financial Distress
 - Initial Deliberations



CURRENT GASB PROJECTS
PRACTICE ISSUES

- Classification of Nonfinancial Assets
 - Added to Agenda
- Implementation Guidance – 2022 Update
 - Added to Agenda
- Risks and Uncertainties disclosures
 - Exposure Draft comment period



CURRENT GASB PROJECTS
PRE-AGENDA RESEARCH

- Capital Assets
- Subsequent Events

- Interim Financial Reporting removed?



Legislation Update

HB 110 – State Budget Bill

- The budget bill is over 2,400 pages
- Areas of focus:
 - Fiscal & Economic Recovery
 - Improve public health & infrastructure
 - Broadband funding and expansion
 - Marketing and positioning Ohio for economic opportunity

HB 110 – State Budget Bill

- Local Government Impacts
 - The funding formula for schools was overhauled
 - Broadband funding for unserved areas
 - Municipal income tax withholding

HB 110 – State Budget Bill

- Local Government Impacts
 - Brownfield remediation
 - Megaproject job creation tax credit program
 - Exemption of employment services and job placement services from sales tax.

HB 110 – State Budget Bill

- Local Government Impacts
 - Brownfield remediation
 - Megaproject job creation tax credit program
 - Exemption of employment services and job placement services from sales tax.
 - Tax increment financing in downtown redevelopment districts

Local Impact Other Bills

- Other bills passed in 2021 that are expected to have a local impact.
 - H.B. 122 Health care professionals and telehealth services
 - H.B. 134 Technology-based educational opportunities
 - S.B. 1 School district curriculum

Local Impact Other Bills

- Other bills passed in 2021 that are expected to have a local impact.
 - S.B. 2 Competency evaluations in certain state facilities
 - S.B. 18 Ohio income tax conformity to federal law
 - S.B. 57 Changes to property tax law


Local Impact Other Bills

- Below are bills signed into law in 2022 that may impact local government
 - H.B. 99 Teachers & school workers carrying firearms
 - S.B. 15 Fiscal officer liability for loss of public funds
 - S.B. 225 Opportunity zone investment tax credits, historic building rehabilitation

Upcoming Legislation

- From Ohio Municipal League (OML) bulletins here are some things to keep an eye on.
 - H.B. 123 CRA modifications
 - H.B. 706 Municipal income tax and foreign temporary agricultural workers

Taxable Debt Issuance



AGENDA

- Why taxable bonds
- Items to consider
- Taxable bond issuances

WHY TAXABLE BONDS

- In most cases tax-exempt debt will be the lowest cost option, however there may be other factors that may make a taxable issuance more beneficial some of these are
 - Relief from legal covenants
 - Private use
 - Advanced Refunding
 - Broaden the market to investors

CONSIDERATIONS

- There may be legal implications
- Compliance with debt policy
- IRS threshold of 10% for non-tax-exempt purposes (PABs)
- Debt Structure
 - Total cost of the issuance
 - Structural features
 - Comparing current vs advance refunding benefits

CONSIDERATIONS


- Call provisions
- Market consideration
 - Investor differences
 - Interest rate environment
 - Frequency of issuing taxable bonds
 - Pricing process

TAXABLE BONDS

- Taxable government bonds have traditionally been a low percentage of bonds issued typically between 5% and 10% of total issuances.
- The Build America Bonds spurred an increase of 35% in 2010.
- From 2017 on, this has increased from about 10% to 30% mainly driven by the prohibition of issuing tax-exempt refunding bonds.


SEPARATE ACCOUNTABILITY FOR FEDERAL PROGRAMS AUTHORIZED BY AMERICAN RESCUE PLAN ACT OF 2021

AOS TECHNICAL BULLETIN 2021-004
AOS TECHNICAL BULLETIN 2022-008




AMERICAN RESCUE PLAN ACT OF 2021 OVERVIEW

- \$1.9 trillion authorized in total
- \$350 billion allocated to state and local governments
- Additional funding for other areas including, but not limited to, education, rental assistance and transit




NEW FUND(S)

- Federal Funding Accountability and Transparency Act (FFATA) requires separate accountability for direct recipients as well as subrecipients of federal awards greater than \$30,000.
- ORC Section 5705.09 requires subdivisions to establish separate funds for each class of revenue derived from a source other than the general property tax, which the law requires to be used for a particular purpose.
- AOS approval/legislation not required.



PROGRAM SUMMARY

- Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)(new)
- Coronavirus Capital Projects Fund (new)
- Local Assistance and Tribal Consistency Fund (new)
- Education and Secondary School Emergency Relief (ESSER) Fund III
- Governors Education Emergency Relief Fund (GEER) III
- Higher Education Emergency Relief Fund (HEERF) III



CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND (CSLFRF)

Allowable Uses:

- Replacing lost public sector revenue
- Public health and economic impacts
- Premium pay for essential workers
- Water, sewer and broadband infrastructure.
- Subawards permitted



CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND (CSLFRF)

Period of Availability:

- Available for costs obligated through December 31, 2024 and liquidated through December 31, 2026.



CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND (CSLFRF)

GFOA Guiding Principles:

- Avoid creating new programs or add-ons to existing programs that require an ongoing financial involvement
- Additional budgetary restraint may be necessary to maintain structural balance in future budgets
- Investment in critical infrastructure is a particularly well suited use of ARPA funds because it is non-recurring. However, care should be taken to assess any on-going operating costs.



CAPITAL PROJECTS FUND

- \$10 billion to states, territories and tribal governments.
- Each state will receive a minimum allocation of \$100 million plus an additional allocation of remaining funds based on population and poverty criteria.
- To carry out critical capital projects, specifically related to enabling work, education, and health monitoring, including remote options, in response to COVID-19
- Available until expended.
- Subawards permitted




LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND

- \$1.5 billion is provided for eligible revenue sharing counties (notably public land counties that receive PILOT and Secure Rural School (SRS) payments) with \$750 million allotted to each year for federal fiscal years 2022 and 2023




SCHOOL FUNDING

- Third round of fund for ESSER, GEER and HEERF
- Not new programs, but some new requirements



ACCOUNTING GUIDANCE


- Create new fund
- Deposit ALL award receipts to new fund
- Charge expenditures directly to the new fund, including expenditures related to the replacement of lost revenue
- Complete billing/revenue reallocation process periodically
- Reimbursement-Type Grant



SEFA GUIDANCE


Prior fiscal year expenditures reimbursed with federal funds are reported on the current year SEFA when:

- Award is determined to exist as of fiscal year-end
- Expenditure allowed by federal government
- Initial expenditure made without management having an expectation of charging to a federal program
- Management made the decision to charge the expenditure to the federal program in the current period



BUDGETARY CONSIDERATIONS

- Federal grants deemed appropriated (ORC 5705.42)
- Do not need to amend appropriation measure
- Need to amend certificate of estimated resources
- Estimated revenues and appropriations (by function) should be recorded in the accounting system




REPORTING

- Interim Reports
- Quarterly Project and Expenditure Reports
- Recovery Plan Performance Reports



INTERIM REPORTS

- Summary expenditures by category
- Date of award through July 31, 2021
- Due August 31, 2021



QUARTERLY PROJECT AND EXPENDITURE REPORTS

- Financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding utilization of award funds
- Initial = Date of Award through September 30, 2021
- Due October 31, 2021
- Subsequent reports due 30 days after end of quarter



RECOVERY PLAN PERFORMANCE REPORTS

- Population > 250,000 only
- Descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by CSLFRE.
- Initial = Date of award through July 31, 2021
- Due August 31, 2021
- Subsequent = 12-month period due 30 days after



AUDITS COSTS

- In accordance with CFR Section 200.425 of subpart E of the Uniform Guidance, a reasonably proportionate share of the costs of Single Audits are allowable costs.
- Local government auditors will provide a breakdown of hours directly attributable to the Single Audit for allocating these costs, upon request.



SINGLE AUDIT ALTERNATIVE AOS TB 2022-08

- Alternative Compliance Examination (ACE) permitted by OMB in lieu of Single Audit
- Activities Allowed or Unallowed and Allowable Costs/Cost Principles
- Only recipients that would otherwise not be required to undergo a Single Audit if not for CSLFRF expenditures
- Contact auditor ASAP for timing purposes




Cyber Security




Cyberattack

- Theft of data is a significant concern for all of us.
- Personal data of anyone can be used on the dark web, children's data can be more valuable as financial accounts created may not be discovered for years
- Local governments are 44% more likely to be targeted for a ransomware attack than any other type of organization!!!



Cyberattack

- Atlanta & Baltimore > \$15 million
- City of Stuart Florida (16,000 res) did not pay ransom recovery took over 2,000 staff hours
- Ohio Unemployment – over 1,500 checks sent to same address!!
- Licking County – lost all communication
- Ohio School District – phishing payroll < \$100,000
- NCOESC – Ebay gift cards \$500



Cyberattack

- We are soft targets
 - Small governments may lack IT departments
 - Many services therefore more access points
 - Sensitive data
 - Provide essential services that cant be down



Threats

- Phishing/ Wire Fraud
- Identity Theft/ Employment Fraud
- Denial of Service Attack
- Website defacement
- Malware/ Spyware
- Business Disruption
- Ransomware



Ransomware

- Type of malicious attack where attackers encrypt an organizations data and demand payment to restore access.



Ransomware

- Median cost in 2021 \$98,000
- Average cost in 2021 \$267,000
- 10% cost over \$600,000
- Costs are going up as level of sophistication increases



Ransomware

- Costs of a breach
 - Forensics
 - Business interruption
 - Recovery
 - Ransom?



Ransomware

- Do we pay?
- Perpetrators are highly skilled
- Perpetrators are known to authorities
- List of those who are "good" thieves
 - History of returning data after payment



Risk Management

- Controls vs Insurance
 - Many tools for controls
 - Self insurance amount?
 - Do we buy insurance?
- Cost vs Benefit
 - Prevent or Remediate



Tools

- Multifactor Authentication
- Encryption of stored data
- Secure VPN
- Endpoint protection and response
- Phishing/ Cyber Awareness Training
- Email filtering
- Patch Management
- Firewalls
- Disaster Recovery/ Backups



Risk Mitigation vs Risk Transfer

- Assessment – know your systems
- Quantification – what is our risk?
 - gfoa.org/cyber-insurance
- Examine Insurance possibilities
 - Limits
 - Exclusions
 - Retentions
- Reassess



Insurance Coverages

- Operational Risks
 - Network Business Interruption
 - System Failure
 - Cyber Extortion
 - Digital Asset Restoration



Insurance Coverages

- Privacy and Network Security Risks
 - Privacy Liability
 - Security Liability
 - Privacy Regulatory Fines and Penalties
 - PCI Fines & Penalties
 - Breach Event Expenses



Insurance Coverages

- Cybercrime Insurance Coverages
 - Social Engineering
 - Funds Transfer Fraud
 - Computer Fraud




Insurance Coverages

- Misc Cybercrime Insurance Coverages
 - Reputational Income Loss
 - Claims Avoidance
 - Reward payment
 - Betterment




GASB 87 – ACCOUNTING FOR LEASES




EFFECTIVE DATE AND TRANSITION

- The requirements of GASB 87 are effective for reporting periods beginning after June 15, 2021 (**FY2022/CY2022**).
- Changes should be applied retroactively by restatement financial statements for all prior periods presented.
- Leases should be recognized and measured using the facts and circumstances that existed at the beginning of the period of implementation.




DEFINITION

<p style="text-align: center; color: red;">GASB 62 (OLD)</p> <p>An agreement conveying the right to use capital assets (land and/or depreciable assets) usually for a stated period of time.</p>	<p style="text-align: center; color: red;">GASB 87 (NEW)</p> <p>A contract that conveys control of the right to use another entity's <u>nonfinancial</u> asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.</p>
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CLASSIFICATION


<p style="text-align: center; color: red;">GASB 62 (OLD)</p> <p>If at inception a lease meets one or more of the following four criteria, the lease should be classified as a capital lease by the lessee. Otherwise, it should be classified as an operating lease.</p>	<p style="text-align: center; color: red;">GASB 87 (NEW)</p> <p>Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. <u>No more capital versus operating.</u></p>
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LEASE TERM

The lease term is the period during which a lessee has a noncancelable right to use an underlying asset (referred to as the noncancelable period), plus the following periods, if applicable:


- Periods covered by the lessee or lessor options to extend if it is reasonably certain that the option will be exercised.
- Periods covered by the lessee or lessor options to terminate the lease if it is reasonably certain that the option will not be exercised.



GASB 87 CLASSIFICATION

Any noncancelable right to use an underlying asset, except the following:

- Short-Term Leases
- Contracts that Transfer Ownership



SHORT-TERM LEASES

- A short-term lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including options to extend, regardless of their probability of being exercised.



CONTRACTS THAT TRANSFER OWNERSHIP

A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options, but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised, should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.



NOT APPLICABLE


- Leases of intangible assets
- Leases of biological assets, including timber, living plants, and living animals
- Leases of inventory
- Service Concession Arrangements
- Leases in which the underlying asset is financed with outstanding conduit debt
- Supply contracts, such as power purchase agreements
- \$1 contracts



PROPRIETARY AND GOVERNMENT-WIDE ACCOUNTING


At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset.

At the commencement of the lease term, a lessor should recognize a lease receivable and deferred inflow of resources and continue to report the leased asset.




LEASE LIABILITY

- A lessee initially should measure the lease liability at the present value of payments expected to be made during the lease term.
- Future lease payment should be discounted using the interest rate the lessor charges the lessee. If the interest rate cannot be readily determined, the lessee's incremental borrowing rate should be used.




LEASE LIABILITY

- In subsequent financial reporting periods, the lessee should calculate the amortization of the discount on the lease liability and report that amount as an outflow of resources (for example, interest expense) for the period.
- Any payments made should be allocated first to the accrued interest liability and then to the lease liability.




LEASE ASSET

- A lessee initially should measure the lease asset as the sum of the following:
- The amount of the initial measurement of the lease liability
- Lease payments made to the lessor at or before commencement of the lease term, less any incentives received from the lessor
- Initial direct costs that are ancillary charges necessary to place the lease asset into service



LEASE ASSET

- A lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.
- If a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, the lease asset should be amortized over the useful life of the underlying asset.




LEASE RECEIVABLE

- Lessor recognizes a lease receivable and a deferred inflow of resources.
- Lease receivable should be measured at the present value of payments expected to be received during the lease term.




LEASE RECEIVABLE

- Future lease payments should be discounted using the interest rate the lessor charges the lessee, which may be the interest rate implicit in the lease.
- The deferred inflow should initially be measured as the amount of the initial measurement of the lease receivable.




DEFERRED INFLOW OF RESOURCES

- In subsequent periods, the lessor should calculate the amortization of the discount on the lease receivable.
- The deferred inflow should be amortized in a systematic and rationale manner over the lease term.



GOVERNMENTAL FUND ACCOUNTING - LESSEE

- An expenditure and other financing source should be reported in the period the lease is initially recognized.
- Subsequent lease payments should be accounted for consistent with principles for debt service payments on long-term debt.



GOVERNMENTAL FUND ACCOUNTING - LESSOR

- Recognize a lease receivable and deferred inflow.
- Measure deferred inflow at the initial value of the lease receivable.
- Recognize the deferred inflow as inflows of resources in a systematic and rationale manner over the term of the lease.



DISCLOSURES

A lessee should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

- A general description of the leasing arrangements including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the liability are determined and (2) the existence of terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability



DISCLOSURES

- The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets
- The amount of leased assets by major classes of underlying assets, disclosed separately from other capital assets
- The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability



DISCLOSURES

- The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability
- Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter
- Commitments under leases before the commencement of the lease term
- The components of any loss associated with an impairment.



CONTRACTS WITH MULTIPLE COMPONENTS

- If a lease contains a lease component and a nonlease component, or multiple underlying assets, the government should account for the separate components as separate contracts.
- To allocate the contract price to the different components, lessees should first use any prices listed in the contract, as long as the prices do not appear to be unreasonable.
- Otherwise, lessees should use professional judgement to determine the estimate.



MODIFICATIONS AND TERMINATIONS


An amendment should be considered a lease modification unless the lessee's right to use the underlying asset decreases, in which case the amendment should be considered a partial or full lease termination



LEASE MODIFICATIONS

A modification to a lease contract should be accounted for as a separate lease if both of the following conditions are present:

- The modification gives the lessee an additional lease asset by adding one or more underlying assets
- The increase in lease payments for the additional lease asset(s) does not appear to be unreasonable.



LEASE MODIFICATIONS

- Unless a modification is reported as a separate lease, a lessee should account for a lease modification by remeasuring the lease liability.
- The lease asset should be adjusted by the difference between the remeasured liability and the liability immediately before the lease modification.



LEASE TERMINATIONS

- The lessee should account for an amendment during the reporting period resulting in a decrease in the lessee's right to use the underlying asset as a partial or full lease termination.
- Carrying value of the lease asset and lease liability should be reduced with the difference reported as a gain or loss.




IMPLEMENTATION GUIDE

- Review state and local laws to determine impact on compliance with debt limitations and bond covenants.
- Consider changing policies and procedures for tracking and reporting leases and capital assets (right-to-use).
- Consider adding procedures to identify when lease agreements have been initiated or modified.
- Increase communication between departments entering into leases and central accounting staff.



IMPLEMENTATION GUIDE

- GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- Compile master schedule of leases containing all necessary classification and accounting info (i.e. lease asset, lease term, lease payments, renewal and termination options, etc.)
- Compile individual amortization schedules, as required, for each lease.



**GASB Statement No. 96
Subscription Based IT Arrangements**

- Effective for reporting periods beginning after June 15, 2022
- Early implementation is encouraged



GASB Statement No. 96

- Subscription Based IT Arrangements (SBITAs) Defined
 - Contract that conveys control of the right to use another party's (a SBITA vendor) hardware, software, or a combination of both, including IT infrastructure (the underlying hardware or software), as specified in the contract for a period of time in an exchange or exchange-like transaction.



GASB Statement No. 96

- SBITA Contracts Included/Excluded
 - Included: Contracts that contain both a right-to-use hardware or software component and an IT support services component
 - Excluded: Contracts that solely provide IT support services



GASB Statement No. 96

- SBITA Contracts Includes
 - Cloud computing arrangements
 - Software as a service
 - Platform as a service
 - Infrastructure as a service



GASB Statement No. 96

- Intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). Asset includes:
 - Initial measurement of the subscription liability
 - Payments made to the SBITA vendor at or before the commencement of the subscription term, less any SBITA vendor incentives
 - Capitalizable implementation costs (Initial Implementation Stage)



GASB Statement No. 96

- Subscription Term
 - Period during which a government has a noncancellable right to use the underlying hardware or software, plus the following periods, if applicable:
 - Periods covered by government's or SBITA vendor's option to extend (reasonably certain will exercise)
 - Periods covered by government's or SBITA vendor's option to terminate (reasonably certain will not exercise)



GASB Statement No. 96

- Short term SBITA
 - Contract is maximum of 12 months or less including options to extend
 - Recognize as outflow of resources (expenditure/expense)



GASB Statement No. 96

- Fund Statement Accounting
 - Expenditure and Other Financing Source measured like Subscription Liability
 - Subsequent governmental fund subscription payments accounted for with principles for debt service payments on long-term debt



GASB Statement No. 96

- Subscription Liability
 - Liability at the present value of payments expected to be made during the term
 - Fixed payments
 - Variable payments that depend on an index or a rate
 - Variable payments that are fixed in substance
 - Payments for penalties for terminating the SBITA
 - Any subscription contract incentives receivable
 - Any other payments reasonably certain of being required based on all relevant factors



GASB Statement No. 96

- Subscription Liability
 - Discount Rate
 - Interest rate charged by vendor is preferred
 - Governments estimated incremental borrowing rate if vendor rate cannot be determined



GASB Statement No. 96

- Subscription Liability
 - Calculate the amortization of the discount on the subscription liability and report that amount as an outflow of resources (for example, interest expense) for the period.
 - Payments made should be allocated first to the accrued interest liability and then to the subscription liability



GASB Statement No. 96

- Disclosures
 - General description of SBITA arrangements, including basis, terms and conditions on which subscription liability are determined
 - Total amount of subscription assets and the related accumulated amortization disclosed separately from other capital assets



GASB Statement No. 96

- Disclosures
 - Variable payments recognized during the period that are not included in subscription liability
 - Other payments recognized during the period that are not included in the subscription liability
 - Commitments under SBITA's before the commencement of the subscription term



GASB Statement No. 96

- Disclosures
 - Maturity schedule of all future subscription payments
 - Payments for each of the first 5 years
 - Payments in 5 year increments thereafter
 - Display principal and interest separately
 - Components of any loss associated with an impairment (gross impairment loss less any related change in subscription liability)



GASB Statement No. 96

- Implementation
 - Similar to Leases
 - Identify all SBITAs
 - Look in general ledger activity
 - Review minutes
 - Ask vendors
 - Aggregate the agreements
 - Review terms
 - Fixed and variable payments?
 - Discount rate?



GASB Statement No. 96

- Implementation
 - Develop spreadsheet template
 - Calculate subscription asset
 - Calculate subscription liability
 - Develop amortization schedules
 - Communicate
 - Auditors
 - Attorneys
 - Community



GASB Statement No. 96

- Implementation difficulties
 - Identifying all of them
 - Splitting cost into three stages (preliminary, initial implementation and operation)
 - Contracts are not explicitly broken out



GASB Statement No. 96

- Agreements we have
 - AESOP – absence reporting
 - Nutrislice – menu and food service payment system
 - My Payment Plus – student fees
 - Infinite Campus – student software
 - Various textbook software licenses



GASB Statement No. 96

- All agreements are 12 months
- Most agreements will be automatically extended
- My Payment Plus processes all of our payments for an annual fee



GASB Statement No. 96

- Ownership?
- Why elevate beyond operating expense?



Similar Accounting treatment

- Leases
- Service Concession Arrangements
- Subscription based IT Agreements
- PPA & APA



Similar Accounting
treatment

- Unnecessary Complications?
- Does this make our financial statements easier to understand?
- Does this add value to accounting?



Implementing the new GASB's



Recent GASB Standards

- Statement #91
 - Conduit Debt Obligations
 - Effective for periods beginning after December 15, 2021
- Statement # 92
 - Omnibus 2020
 - Effective for periods beginning after June 15, 2021*
- Statement #93
 - Replacement of Interbank Offered Rates
 - Effective for periods beginning after June 15, 2021*



Recent GASB Standards

- Statement #94
 - Public-Private & Public-Public Partnerships
 - Effective for periods beginning after June 15, 2022
- Statement # 96
 - Subscription Based Information Technology
 - Effective for periods beginning after June 15, 2022
- Statement # 97
 - Component Unit Criteria & IRC 457 Deferred Comp
 - Effective for periods beginning after June 15, 2021



Recent GASB Standards

- Statement #98
 - The Annual Comprehensive Annual Report
 - Effective for periods beginning after December 15, 2021
- Statement # 99
 - Omnibus 2022
 - Effective for periods beginning after June 15, 2022 except financial guarantees and derivatives June 15, 2023
- Statement # 100
 - Accounting Changes and Error Corrections
 - Effective for periods beginning after June 15, 2023



Recent GASB Standards

- Statement #101
 - Compensated Absences
 - Effective for periods beginning after December 15, 2023



GASB Statement No. 91 Conduit Debt Obligations

- Effective for periods beginning after December 15, 2021



GASB Statement No. 91

- Defines conduit debt obligation..All characteristics:
 - At least 3 parties involved: issuer, third-party obligor and a debt holder or a debt 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.



GASB Statement No. 91

- Conduit debt with additional conditions
 - An issuer sometimes, separate from the debt, provides explicit and/or implicit conditions guaranteeing payment of the debt
 - A liability is established for such conditions when payment on the condition is more likely than not (#70)
 - Qualitative factors are evaluated at issuance or triggering event to determine if a liability exists



GASB Statement No. 91

- Conduit debt with capital asset
 - An issuer sometimes issues conduit debt to finance construction of capital asset for third party obligor, usually private sector entities, to use in third-parties operations with issuer maintaining title to asset.
 - The asset is usually pledged as collateral for the benefit of debt holders.
 - Payments, frequently leases, are structured to make the conduit debt payments.
 - 3 different types defined



GASB Statement No. 91

- Arrangements associated with Conduit debt
 1. Third-party obligor receives title to the capital asset after debt is paid
 2. Issuer maintains title after debt is paid and Third-party issuer has exclusive use of asset during the time it is being paid for
 3. Issuer maintains title after debt is paid and third-party issuer has partial use of asset during the time it is being paid for.



GASB Statement No. 91

- Arrangements associated with Conduit debt
 - No debt or liability is recorded in any of the three types
 - A capital asset is recorded in second type when the debt is paid off.
 - A capital asset is recorded at inception in third type because it possesses current service capacity to the issuer with a credit to deferred inflow of resources.



GASB Statement No. 93 Replacement of Interbank Offered Rates

- Effective for reporting periods beginning after June 15, 2021



GASB Statement No. 93

- Some agreements have variable rate payments or receipts based on an interbank offered rate (IBOR)
- The London IBOR is expected to cease to exist at the end of 2021



GASB Statement No. 93

- Amends Statements 40 & 53
 - 53 required elimination of hedge accounting upon changes in the agreement
- Leases – IBOR is replaced with another rate by changing the rate or fallback provisions does not result in a lease modification



GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
 - Hedging derivative instrument is amended or replaced to change the reference rate of the variable payment



GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
 - The new reference rate essentially equates the original by one of the methods below:
 - Reference rate is multiplied by a coefficient or adjusted by addition or subtraction of a constant to essentially equate the replacement rate to the original
 - An upfront payment is made to essentially equate the replacement rate to the original



GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
 - If replacement of the reference rate is effectuated by ending the original agreement and initiating a new one, those transactions occur on the same date.
 - Other terms that affect changes in fair values and cash flows are the same



GASB Statement No. 93

- Term Changes are limited to the following:
 - Frequency with which the rate of variable payment resets
 - Dates on which rate resets
 - Methodology for resetting the rate
 - Dates on which periodic payments are made



GASB Statement No. 93

- Upfront payment
 - Recognized as asset or liability and amortized over life of derivative instrument
- Modification of rate is not a termination
- Probability of occurrence of transaction is not affected by replacement of IBOR



GASB Statement No. 93

- Appropriate Benchmark rates
 - Interest rate on Treasury obligations of US government
 - EFFR – Effective Federal Funds Rate
 - SOFR – Secured Overnight Financing Rate
 - LIBOR is not an appropriate benchmark



GASB Statement No. 94 Public-Private & Public-Public Partnerships PPP

- Effective for reporting periods beginning after June 15, 2022
- Restatement is recommended, but if not practicable report cumulative effect as restatement of beginning net position



GASB Statement No. 94

- Public-Private & Public-Public Partnerships (PPP) Defined
 - An arrangement in which a govt (transferor) contracts with an operator to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset, for a period of time in an exchange or exchange-like transaction



GASB Statement No. 94

- Some PPP's are SCA's (all criteria must be met):
 - Transferor conveys to operator the right and related obligation to provide public services through the use and operation of the PPP asset in exchange for significant consideration
 - The operator collects and is compensated by fee from third parties



GASB Statement No. 94

- Some PPP's are SCA's (all criteria must be met):
 - Transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom and the rates that can be charged
 - The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end



GASB Statement No. 94

- Availability Payment Arrangements (APA)
 - **Govt compensates** an operator for activities that may include designing, constructing, financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction



GASB Statement No. 94

- Availability Payment Arrangements (APA)
 - Payments by the gov't are based entirely on the asset's availability for use not third party fees.
 - Availability for use may be based on specified criteria such as physical condition of the asset, construction milestones, or achievement of certain performance measures



PPP's & APA's Accounting

- PPP that meets the definition of a lease in Statement 87, but is not an SCA, applies that guidance.
- Other PPP's Term
 - Period when operator has a noncancellable right to use the underlying asset, plus options to extend by either party if reasonably certain option will be used and options to terminate if reasonably certain option will not be used



PPP's & APA's Accounting

- PPP Term is determined at commencement, factors to consider include:
 - Is there a significant economic incentive or disincentive for the exercise of the option?
 - The history of exercising options to extend or terminate
 - The extent to which the PPP asset is crucial



PPP's & APA's Accounting

- PPP Term may be reassessed only if one of the following occur:
 - A party elects to exercise an option even though it was previously determined it would not be
 - A party elects not to exercise an option even though it was previously determined they would
 - An event in the PPP arrangement that requires extension or termination of the PPP takes place



PPP's & APA's Accounting

- PPP Existing Asset
 - Continue to report asset, depreciation and impairment
 - If agreement requires operator to return asset in same or better condition then do not depreciate
 - Receivable for installment payments if any
 - Deferred inflow



**PPP's & APA's
Accounting**

- PPP New Asset purchased or constructed by operator or existing asset improved AND PPP meets definition of SCA, recognize:
 - Asset for underlying PPP asset measured at acquisition value when placed in service
 - Asset for improvements made by operator measured at acquisition value when placed in service Also, continue to report underlying asset
 - Receivable for installment payments, if any
 - Deferred inflow of resources



**PPP's & APA's
Accounting**

- PPP New Asset purchased or constructed by operator or existing asset improved and PPP does not meet definition of SCA, recognize:
 - A receivable for the underlying asset to be received from operator
 - At operator's estimated carrying value as of the future date of transfer, remeasured if there is a change in the PPP terms
 - Receivable for installment payments, if any
 - Deferred inflow of resources



**GASB Statement No. 97
Component Unit Criteria and
Accounting and Financial
Reporting for IRC 457 Plans**

- Effective for reporting periods beginning after June 15, 2021



Component Unit Criteria

- When no governing board exists for a legally separate organization
 - Financial accountability for potential CU inclusion if the primary govt performs the duties ordinarily performed by governing board then treat as if voting majority was appointed
- Excludes DC pensions DC OPEB or other employee benefit plan (457)



Deferred Compensation Plans

- 457 Plan is classified as either a pension plan or an other employee benefit plan
- If it meets definition in Statement 67 para 51 or Statement 73 para 128 it is a pension plan
- All others are other employee benefit plans



Deferred Compensation Plans

- Must meet definition of pension plan - arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.
- Reported as a fiduciary activity of the government



Deferred Compensation Plans

- Review of 457 Plans and potential inclusion in financial statements
- Necessary as many governments have these as fiduciary funds and now also contribute to employees plan



GASB Statement No. 98 The Annual Comprehensive Financial Report

- Effective for reporting periods beginning after December 15, 2021



GASB Statement No. 99 Omnibus 2022

- Effective for reporting periods beginning after June 15, 2022 Except for
- Financial Guarantee and Derivative items apply after June 15, 2023



GASB Statement No. 99 Omnibus 2022

- Exchange or exchange like financial guarantee is defined as a guarantee of an obligation of a legally separate entity or individual that requires the guarantor to indemnify a third party obligation holder under specified conditions.
 - Apply Statement 70 for Nonexchange Financial Guarantees



GASB Statement No. 99 Omnibus 2022

- Derivative instruments within scope Statement 53 but do not meet the definition of an investment derivative or a hedging derivative are considered *Other derivative instruments*.
 - Changes in fair value reported on resource flows statement separately from investment revenue
 - Separate disclosure from hedging and investment derivatives
 - Disclose the fair values of derivative instruments that were reclassified from hedging to other



GASB Statement No. 99 Omnibus 2022

- Lease, SBITA and PPP Termination clarification
 - An option to terminate an agreement only in certain circumstances such as violation of agreement or non payment is not considered an option to terminate
 - Only unconditional option to terminate is considered when determining the term of the Lease/SBITA/PPP



GASB Statement No. 100 Accounting Changes and Error Corrections

- Effective for reporting periods beginning after June 15, 2023



Accounting Changes and Error Corrections

- 3 types of Accounting Changes
 - Change in Accounting Principle
 - Change in Accounting Estimate
 - Change to or within the Financial Reporting Entity



Accounting Changes and Error Corrections

- Change in Accounting Principle
 - Change from one GAAP principle to another
 - Implementation of new pronouncement
 - Restate retroactively for all periods presented it practicable
 - If not, report restatement of beginning net position, fund balance or fund net position as applicable



Accounting Changes and Error Corrections

- Change in Accounting Estimate
 - Change in estimate is a result of a change in circumstance, new information, more experience or methodology
 - Report prospectively in the reporting period in which the change occurs.



Accounting Changes and Error Corrections

- Change in Reporting Entity
 - Addition or removal of a fund that results from movement of resources within the primary government including blended CU's.
 - Change in the fund presentation as major or nonmajor
 - Change in presentation of CU.



Accounting Changes and Error Corrections

- Change in Reporting Entity
 - Addition or removal of a CU from reporting entity.
 - Unless acquisition, merger or transfer of operations, as defined by #69, creates the addition or removal pursuant to #90 Majority Equity Interests.



Accounting Changes and Error Corrections

- Change in Reporting Entity
 - Report by adjusting beginning net position, fund balance or fund net position as applicable as if the change occurred as of beginning of the reporting period



Accounting Changes and Error Corrections

- Error Correction
 - Mistake in math, application of accounting principle or misuse of facts that existed at time statements were issued.
 - Change from non GAAP to GAAP.
 - Retroactive restatement for all periods presented.



First Time Adoption of GAAP by GASB Financial Reporting Framework

- Not an Accounting Change
- Not an Error



GASB Statement No. 101 Compensated Absences

- Effective for reporting periods beginning after December 15, 2023



GASB Statement No. 101 Compensated Absences

- Criteria for recognizing liability
 - Attributed to service already rendered
 - Leave accumulates
 - More likely than not to be used by taking time off or being paid in cash
- Vesting is not a criteria



GASB Statement No. 101 Compensated Absences

- Calculation of liability
 - Use current pay rate
 - Add amounts that are directly related to salary payment
 - Retirement
 - Medicare
 - Exclude amounts not directly related
 - Insurances



GASB Statement No. 101 Compensated Absences

- Disclosures
 - No longer required to show increases and decreases
 - If netted you must disclose this fact
 - No longer required to disclose fund from which payment will be made



GASB Projects Process

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
 - Comment period & redeliberate
- Exposure Draft
 - Comment period & redeliberate
- Final Pronouncement



Other Current GASB Projects

- Conceptual Framework: Recognition
 - Exposure Draft being redeliberated
- Financial Reporting Model
 - Exposure Draft being redeliberated
- Revenue & Expense Recognition
 - Preliminary Views redeliberation
- Going Concern Uncertainties and Severe Financial Distress
 - Added to Agenda



Practice Issues

- Classification of Nonfinancial Assets
 - Added to Agenda
- Implementation Guidance – 2022 Update
 - Added to Agenda
- Risks and Uncertainties disclosures
 - Exposure Draft comment period



Pre-Agenda Research

- Capital Assets
- Subsequent Events









Why Financial Policies are Important

- Informal practices may be relied on in the absence of formal policies which leads to:
 - ❑ Inconsistent application
 - ❑ Loss of force
 - ❑ Limits forward thinking

Misconceptions

- State statute already provides guidance for financial policies
- Financial policies limit flexibility
- Small governments do not need them

Control Vs Flexibility

Control	Flexibility
<ul style="list-style-type: none">➤ High risk of fraud or mismanagement➤ A trend of poor decision making➤ Desire to minimize management discretion	<ul style="list-style-type: none">➤ Desire to make decisions on a case-by-case basis➤ Need for a high level of consensus from multiple stakeholders➤ Desire to increase management discretion

Policy Vs Procedure

Policy	Procedure
<ul style="list-style-type: none">> Guidelines for decision making> Written to a broad audience> Policies are a statement of principle or goal adopted by the governing board	<ul style="list-style-type: none">> Detailed steps to accomplish processes> Compliment policies by aligning day-to-day work with policy> Procedures are staff level directives

Policy Vs Procedure

- > Policy and procedures should not be commingled for the following reasons:
 - ❑ Makes the strategic intent of the of the policy less clear
 - ❑ Dilutes the force of an organization's commitment to the principles or goal of the policy
 - ❑ May cause the governing board to duplicate staff capabilities
 - ❑ Makes it difficult and time consuming to update procedures

Components of Financial Policies

- > Explicit in Writing
- > Current & Relevant
- > Literal
- > Easily Accessible
- > Concise
- > Comprehensive

Components of Financial Policies

- > Policy components should be relevant to decision making at a board level and should not contain excessive language. Example components:
 - ❑ Purpose - rationale and why it is important
 - ❑ Governing Board Policy - official board policy on the subject at hand
 - ❑ Procedures to Accomplish Policy - steps that will be taken to enact it
 - ❑ Responsibility and Authority - Who is responsible for the policy implementation
 - ❑ Definitions - defines any critical or ambiguous terms
- > A policy should address all relevant risks that prompted the need for its creation.

Writing Financial Policies

- > To draft policies that are effective, emphasize control or flexibility, and convey strategic intent there are a few conventions that can be used.
 - ❑ Have a preamble
 - ❑ Policy rationale
 - ❑ Performance targets
 - ❑ Identifying decision rights and responsibilities
 - ❑ Segregating the details of the policy
 - ❑ Report back to the board

Performance Targets

- > Performance targets should be set in a manner that will not impact any desired flexibility. Some ways to do that are:
 - ❑ Set target ranges rather than a defined target
 - ❑ Create goals rather than a defined policy requirement
 - ❑ Establish dates rather than setting targets and goals with no expectation of completion
 - ❑ Using if then statements rather than an open-ended targets or goals without direction if it is not accomplished

Process for Development & Implementation

- > Good policy development results in a high-quality policy that engages stakeholders to ensure successful adoption and implementation.
- > This includes:
 - ❑ Deciding when and where to start
 - ❑ Establish a vision and values
 - ❑ Define the problem the policy will address
 - ❑ Draft the policy
 - ❑ Executive team review
 - ❑ Informal presentation to the board

Process for Development & Implementation

- ❑ Public comment period
- ❑ Formally consider and adopt
- ❑ Put policy into practice
- ❑ Monitor and maintain

Policies for Good Financial Management

Essential	Highly Advisable
<ul style="list-style-type: none">> Fund Balance & Reserves> Operating Budget> Capital Budgeting & Planning> Debt Management> Long-range Financial Planning> Investment	<ul style="list-style-type: none">> Accounting & Financial Reporting> Revenues> Internal Controls> Expenditures> Purchasing> Risk management> Economic Development

Fund Balance & Reserves

- > Fund balance reserves are the cornerstone of financial flexibility.
- > A policy will help determine what level to set reserves at and what reserves may be used for.
- > The most common and visible is General Fund Reserves
- > The primary reason for a reserve is to be prepared for an emergency or other unexpected event but there are some others, such as:
 - ❑ Maintain a good standing with rating agencies
 - ❑ Avoid interest expense by using the reserve for capital or short-term cash shortfalls rather than issuing debt
 - ❑ Generate investment income
 - ❑ Ensure cash availability during the year when there are normal dips in revenue
 - ❑ Creates a better working relationship with the board

Fund Balance & Reserves

- > Components of a General Fund Reserve Policy should include:
 - ❑ Target level of the reserve
 - ❑ Defining the purpose of the reserve
 - ❑ Funding the reserve
 - ❑ Conditions for use
 - ❑ Authority over the reserve
 - ❑ Replenishment of the reserve
 - ❑ Use of excess reserves
 - ❑ Periodic review

Fund Balance & Reserves

- > While less common, reserves may be established for other funds.
- > There are typically laws and regulations which required the creation of the fund and in most cases, this alone reserves (restricts) the funds.
- > However, a government may want to apply another level of restriction for various purposes, such as:
 - ❑ Maintain a reserve to meet grant match requirements
 - ❑ Reserves for self-insurance
 - ❑ Reserves for equipment replacement
 - ❑ Reserves for self-sufficient funds
 - ❑ Reserves for capital maintenance

Operating Budget

- > This is the most important document a government produces. The operating budget:
 - Is the financial plan
 - A policy document
 - Operational guide
 - Communication device

Operating Budget

- > An operating budget policy sets the guidelines for the governing board and staff to consider.
- > A budget policy should remain flexible because of the political nature and need for the governing board, staff, and public to come to a consensus.
- > There are six key areas a budget policy can provide guidance:
 - Key budget features
 - Principles for budgeting
 - Policies for special situations
 - Budget process
 - Budget control system
 - Amendments to the budget

Operating Budget

- > Key budget features include:
 - Scope
 - Length of the budget period
 - Basis of budgeting
 - Cost allocation
 - Level of control
 - Definition of a balanced budget
 - Budget form and information
 - Long-term financial forecasts
 - Performance measures

Operating Budget

- > Budgeting principles provide a shared understanding of the overarching values behind the budget.
- > Principles will vary across organizations as they are more philosophical or represent ideological views. Some examples would be:
 - ❑ Linking the budget to long-term strategic plans
 - ❑ Critically examine past spending
 - ❑ Prioritize services
 - ❑ Maintain existing services over adding new
 - ❑ Manage the price of government
 - ❑ Establish budget balancing strategies
 - ❑ Assign costs to users

Operating Budget

- > Policies for special situations help maintain consistency. The most common are:
 - ❑ How to budget for vacancy savings and the best use of realized savings
 - ❑ The best use of budget savings
 - ❑ How to fund the replacement of small equipment
- > Policies governing the budget process should not be overly detailed but should include:
 - ❑ Roles and responsibilities
 - ❑ Calendar
 - ❑ Budget Document
 - ❑ Citizen participation
 - ❑ Provisions from State laws

Capital Budgeting & Planning

- > Capital projects have a major impact on services, economic vitality, and overall quality of life.
- > Capital improvement policies should provide a high level of flexibility to accommodate political will through sound financial decisions.
- > These policies should be designed to create debate and make optimal choices. To accomplish this the policies should include:
 - ❑ Capital improvement planning
 - ❑ Capital budgeting
 - ❑ Capital project management
 - ❑ Capital asset maintenance

Capital Budgeting & Planning

- > Capital Improvement plan should define:
 - ❑ The scope
 - ❑ Project identification
 - ❑ Participation
 - ❑ Selecting projects
 - ❑ Impact on operating budgets
 - ❑ Balancing the CIP
 - ❑ Funding Strategies

Capital Budgeting & Planning

- > The capital budget should constitute the first year of the CIP by simply stating this in policy.
- > There should also be guidance on how to handle discrepancies between the cost identified in the CIP and cost based on the bid award.
- > Project management policies should identify the role of the project manager and additional policies may be used to encourage good management.
- > Maintaining capital assets competes for the same funds as new assets or improvements. Policies should be established to reduce the risk of deferred maintenance or replacement.

Debt Management

- > A debt policy is essential to financial management because debt obligates the government over a long period of time which may limit flexibility to respond to future events such as a change in revenue inflow.
- > Ohio law sets policy for local governments regarding the type of debt that may be issued, for what purposes, maturity maximums, authorization for issuing debt, and limitations of indebtedness. However, there are other important elements to consider as part of a local policy.
 - ❑ Purpose to use debt wisely and keeping future financial flexibility relatively unconstrained.
 - ❑ Conditions for issuing debt
 - ❑ Restrictions on issuing debt
 - ❑ Method of sale
 - ❑ Use of professional service providers

Long Range Financial Planning

- > A long-term financial plan helps a government strategically and proactively recognize and address issues impacting financial position.
- > These policies are very specific to each local governments and vary depending on each governments most relevant issues, preferences, and participants.
- > There are similar elements of a long-term financial plan that may be customized to each government's unique conditions.
 - ▣ Commit to prepare a plan
 - ▣ Scope
 - ▣ Relationship between strategic and financial planning
 - ▣ Find imbalances
 - ▣ Long-term balance

Investments


- > An investment policy is necessary to maximize interest income, preserve capital, and maintain sufficient liquidity.
- > Much of what a local government may invest in, and maturities are provided by state statute.
- > Other items a government may want to include in the policy are
 - ▣ Objectives
 - ▣ Pooling of funds
 - ▣ Standards of Care
 - ▣ Investment Portfolio
 - ▣ Safekeeping and custody
 - ▣ Reporting

Investments

- > Objectives of an investment policy in order of importance:
 - ▣ Safety
 - ▣ Liquidity
 - ▣ Yield
- > The investment policy should then continue with how the objectives will be met, such as:
 - ▣ Pooling of funds and interest allocation
 - ▣ Standards of care
 - ▣ Investment portfolio (most important for meeting objectives)
 - ▣ Safekeeping & Custody
 - ▣ Reporting


CERTAIN ASSET RETIREMENT OBLIGATIONS (ARO'S)

GASB 83




EFFECTIVE DATE AND TRANSITION

- The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2019 (CY2020/FY2021).
- Changes should be applied retroactively by restatement financial statements for all prior periods presented.
- As an alternative, the cumulative effect should be reported as a restatement of beginning net position.




DEFINITION

- An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset.
- The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner; however, it does not encompass the temporary idling of a capital asset.




INCLUDES

- Decommissioning of nuclear reactors
- Remove and disposal of wind turbines
- Dismantling and remove of sewage treatment plants
- Removal and disposal of x-ray machines
- Asset retirement obligations (ARO's) arising from contracts or court judgments.
- Underground Storage Tanks
- Sewer-related assets



EXCLUDES

- Obligations that arise from selling or otherwise disposing of a tangible capital asset
- Obligations that arise from preparing an asset for alternative use.
- Pollution remediation obligations (GASB 49)
- Obligations associated with maintenance
- Landfill closure/postclosure care (GASB 18)



LIABILITY RECOGNITION

- When **both** incurred and reasonable estimable.
- Incurrence of a liability is manifested by the occurrence of **both** an external obligating event and an internal obligating event resulting from normal operations.



EXTERNAL OBLIGATING EVENTS

- Approval of federal, state, or local laws or regulations.
- Creation of a legally binding contract.
- Issuance of a court judgment.




INTERNAL OBLIGATING EVENT

- Contamination resulting from the normal operation of a tangible capital asset.

For non-contamination-related ARO's:

- If based on use, placing the capital asset into operation and consuming a portion of the usable capacity.
- If not based on use, placing the capital asset into operation.
- Permanent abandonment of the capital asset.
- Acquiring a capital asset with an ARO.




DOOR RECOGNITION

- When an ARO is recognized, a corresponding deferred outflow of resources should also be recognized.
- Exception – Permanent Abandonment – Expense instead




INITIAL MEASUREMENT

- Based on relevant laws, regulations, contracts, or court judgments. The legal requirement from laws and regulations should be based on those approved as of the financial reporting date, regardless of their effective dates.
- Based on best estimate of the **current value** of expected outlays to be incurred.




SUBSEQUENT MEASUREMENT AND RECOGNITION OF ARO

- At least annually adjust the current value for the effects of inflation or deflation
- At least annually evaluate all relevant factors to determine whether the effect of one or more factors is expected to **significantly** increase or decrease estimated outlay.
- If significant, remeasure ARO.




SUBSEQUENT MEASUREMENT AND RECOGNITION OF DOOR

- Reduce as an expense in a systematic and rational manner over a period of time, in one of the following ways:
 - Estimated useful life of the capital asset, or
 - Remaining estimated useful life of the capital asset.




GOVERNMENTAL FUNDS

Liabilities and expenditures should be recognized for goods and services used for asset retirement activities upon the receipt of those goods and services, to the extent that the amounts are normally expected to be liquidated with expendable available financial resources (i.e. due and payable).




NOTE DISCLOSURES

- General description of the ARO and associated tangible capital assets, as well as the source of the ARO
- Methods and assumptions used to measure the ARO
- Estimated remaining useful life of the associated tangible capital asset.



NOTE DISCLOSURES

- How any legally required funding and assurance provisions associated with the ARO are being met
- The amount of assets restricted for payment of the liabilities, if not separately displayed in the financial statements.
- AROs incurred but not recognized because it is not reasonably estimable.




UNDERGROUND STORAGE TANKS

- Ohio Department of Commerce
- www.com.ohio.gov
- Look Up & Locate/Look Up a Licensee/List of Active USTs




SEWER-RELATED ASSETS

- EPA has a required decommissioning process.
- EPA has a process for determining something as hazardous waste and local governments are made aware of this.
- Examples: Sewage treatment facilities, pump stations, etc.




SEWER-RELATED ASSETS

- Step 1: Review capital asset ledgers for sewer-related assets (i.e. sewage treatment facilities, pump stations, etc).
- Step 2: Identify what the EPA will require once the useful lives of sewer-related capital assets are exhausted. EPA is currently working on a fact sheet to assist in this process and it should be available for 2022.
- Step 3: Obtain an estimate of the cost of the EPA requirements identified in Step 2.




SEWER-RELATED ASSETS

- Option 1: If the engineer is knowledgeable about what the EPA would require, and the local government is comfortable with the estimate, this ARO can be booked and appropriate note disclosure made for the ARO.
- Option 2: If the engineer was able to estimate what they know will need addressed, but viewed other items as not reasonably estimable, that is also acceptable. ARO note disclosures will need to be made for those items that have been estimated, and disclosure will also be needed for those items not reasonably estimable.




SEWER-RELATED ASSETS

- Option 3: If the engineer is not able to provide an estimate, this is also acceptable, as, at this time, there can be significant uncertainty as to what the EPA will require. Also, if there is an estimate from the engineer, but the local government/engineer feels there is significant uncertainty with that estimate, it can also be considered not reasonably estimable. ARO note disclosures will still be needed including the indication that amounts are not reasonably estimable.




AUDIT CONSIDERATIONS

- Document, Document, Document
- Obtain legal opinions
- Consider materiality



Accounting Software Replacement & Implementation



AGENDA

- What leads to a software replacement
- Process for identifying the replacement
- RFP Process
- Implementation

WHAT FACTORS LEAD TO REPLACEMENT

- Replacement versus upgrade is based on a few key factors
 - The age of the system
 - Set-up and institutional knowledge
 - Future support of the system
 - Functionality

PROCESS FOR IDENTIFYING A REPLACEMENT

- The upgrade we knew was just a temporary fix and we needed to make some decisions.
- This not only impacted finance and HR but other departments that were using the billing and receipting module of our legacy system.
- After careful consideration we gave the green light for the other departments to procure a best fit system rather than incorporating them into Finances ERP solution.
- We now knew what are scope of the project would be but what we really needed was unclear.

PROCESS FOR IDENTIFYING A REPLACEMENT

- While we were not sure what we actually needed, we knew what we did not want.
 - No customizations or limited customization
 - No pushing old processes into a new system
 - A complete overhaul of our chart of accounts
 - Move as many processes as we could to paperless
 - A system that could allow us to maximize efficiencies

PROCESS FOR IDENTIFYING A REPLACEMENT

- We then did an internal analysis of our Finance, IT, and HR departments staff asking ourselves:
 - Do we have anyone on staff who has experience with replacing an ERP system?
 - Do we have the technical expertise in house to determine what we actually need in a new system to meet current and future needs?
 - Do we have the knowledge and ability to successfully create an RFP and analyze the responses?
 - Do we have the ability to successfully negotiate the contract?
 - Does anyone know what a successful implementation looks like?

PROCESS FOR IDENTIFYING A REPLACEMENT

- We now added an additional item to the scope of our project which would be to select a consultant to walk us through
 - A detailed needs assessment
 - Using the results of the needs assessment to create an RFP
 - Assist with evaluating the responses to the RFP
 - Assist with awarding the contract
 - Negotiating the contract
 - Optional, implementation assistance

PROCESS FOR IDENTIFYING A REPLACEMENT

- Because of the nature of this type of service the City elected to request quotes from three identified vendors rather than perform a comprehensive RFP process.
- Two out of the three were close in price and services were comparable. What it really came down to was the fit.
- The first order of business was to identify the structure of the project participants.
 - Executive Sponsor
 - Project Team (Stakeholders & SMEs)
 - Project Manager
 - Technical Team

RFP PROCESS

- Before an RFP could be developed a determination of what we needed came first.
- During this process is when the first misstep was made regarding how we were approaching the timekeeping aspect.
- The needs assessment included all stakeholders and SMEs for the individual process.
- This was three full days, included 12 individual processes, and each process took from 1 to 2 hours to go through.

RFP PROCESS

- We then put the RFP out and gave permission for our consultant to send it directly to the companies they felt would be a good fit based on the needs assessment.
- The RFP was issued August 15, 2017, and responses due September 18, 2017.
- While awaiting responses a City selection team was created.
- The selection team as well as the consultants read all five responses we received.
- Based on the RFP scoring and with assistance from our consultant we narrowed it down to two vendors.
- Each vendor was then scheduled to provide a demonstration to the City.

RFP PROCESS

- Demonstrations were one full day for each vendor held in November of 2017.
- Our consultants were familiar with both finalist and were able to provide additional perspectives.
- The selection team then did a second round of scoring which the consultants used along with the first round to provide an overall score for each.
- The scores were very close, and the decision basically came down to, does the City want slightly better technology over potentially better customer service.
- The selection committee agreed that we could work through the technology and did not necessarily need hand holding.
- At the time, the timekeeping solution under one umbrella was also considered beneficial.

RFP PROCESS

- Our consultant assisted with contract negotiation and managed to get cost control worked in, at least for the first renewal.
- The contract was signed March 2018 with a two-year phased implementation schedule.
- Consideration was given to a big bang approach but under the advice of our consultant we opted for phases.

IMPLEMENTATION

- The implementation was broken into three separate phases
 - Core financials - April 18, 2018, to January 1, 2019
 - Financials II - January 1, 2019, to July 1, 2019
 - Human Resources, Payroll and Timekeeping - July 1, 2019, to April of 2020
- Tough decision points
 - How much to convert over from our legacy system
 - How to structure the new chart of accounts
 - Who would be on the implementation team
 - How would processes be updated
 - How were we going to establish user permissions
 - How were we going to train end users

IMPLEMENTATION

- The implementation team participants were selected, and the first step was how we wanted the system to be set up.
 - First big part was the new chart of accounts.
 - Next was going through each process similar to the needs assessment documenting our current state and what we wanted our future state to be.
 - This also required a lot of homework on our end.
 - The vendor then took this information and began building out the system.

IMPLEMENTATION

- Second step testing, testing, and more testing.
- Third reconfiguration, when necessary, then testing, testing, and more testing.
- The City made some significant changes from the legacy system to the new including
 - Paperless processing
 - Electronic workflow
 - Creating an automated credit card transaction process
 - Accounts receivable invoicing
 - Using workflow for employee personnel actions

IMPLEMENTATION

- As we moved through the various modules purchased, we did identify a few that would not be needed.
- Fourth step was developing a training program and getting folks trained.
 - First making sure we had a complete and accurate list of who needed train on each module/process.
 - Finding adequate space to train in.
 - Procuring technology so everyone being trained would have a lap-top to go through the processes in the system.
- Finally, go live. When no matter how much you test and plan there will always be issues that arise.

IMPLEMENTATION

- Phase 1 and 2 were successful and on schedule.
- Then came phase 3 and everything went south.
- The timekeeping solution was not performing as promised and there were some key reasons.
 - This was newly purchased by our vendor and there was definitely a knowledge gap.
 - There were two pieces timekeeping and scheduling, scheduling was being implemented by the original owner of the system.
 - Unfulfilled promises about upgrades resolving our problems


IMPLEMENTATION

- One good thing is the current vendor for our timekeeping system sent notice that the product would no longer be supported by September of 2022 and asked about upgrading.
- We were maintaining the old system just for HR and Payroll processing and the maintenance agreement would require renewal by the end of the year.
- Kind of rushed to get a temporary process to use the legacy timekeeping and new accounting system.
- On July 1, 2021, we finally went live with HR and Payroll and encountered multiple problems with deductions, pay codes, and pay rates.

IMPLEMENTATION


- The City and current timekeeping vendor immediately got to work on the timekeeping and scheduler upgrades.
- The timekeeping solution has been a success going live for the first pay of January 2022.
- We are still implementing the scheduler and the goal is to have this completed by the end of October.
- So as a quick timeline summary
 - Problem identified in 2012
 - Process began in 2017
 - Initial completion scheduled for 2020
 - Final completion TBD but hopefully October of 2022

INTERNAL CONTROLS AND EXTERNAL AUDITS



INTERNAL CONTROL TOPICS


1. Scope of Internal Control
2. Elements of a Comprehensive Framework of Internal Control
3. Responsibility for Internal Control
4. Inherent Limitations of Internal Control



TOPIC I: THE SCOPE OF INTERNAL CONTROL


The scope of internal control must be broad in order to help management carry out its duties:

- Operations (efficiency and effectiveness)
- Compliance
- Financial Reporting




TOPIC 2: COMPONENTS OF A COMPREHENSIVE FRAMEWORK OF INTERNAL CONTROL:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring




CONTROL ENVIRONMENT

- Management is knowledgeable about internal control, committed to making internal control work, and communicates its commitment to staff at all levels
- “Tone at the Top”
- The foundation for all other elements of internal control




RISK ASSESSMENT

- Risk assessment refers to an ongoing attempt by management to identify potential risks that might prevent management from carrying out its duties




RISK ASSESSMENT

- Changes in the operating environment
- Changes in personnel
- Changes in information systems
- Rapid growth
- New programs and services




RISK ASSESSMENT

- Need to focus on inherently risky areas
 - Complexity
 - Cash receipts
 - History of prior problems
 - History of prior unresponsiveness to identified control deficiencies




CONTROL ACTIVITIES

- The design, maintenance, and implementation of specific control procedures is essential to ensuring the integrity and reliability of the data processed by the accounting system and included in financial reports.



CONTROL ACTIVITIES


- Procedures to ensure that transactions are properly authorized
- Properly designed records
- Control to secure assets and accounting records
- Segregation of incompatible duties
- Periodic reconciliations
- Periodic verifications
- Analytical review of accounting data for reasonableness



INFORMATION AND COMMUNICATION


Effective Communication of Information:

- Clear lines of communication are essential in order for internal control to function
- Communication should flow in all directions
- Includes communication with external parties
- Can take various forms – written procedures, meetings, memos, informal updates



INFORMATION AND COMMUNICATION


Formal Documentation of Finance Related Policies and Procedures Enhances Accountability and Consistency



INFORMATION AND COMMUNICATION

Documentation of how transactions and events are processed should include:

- Who
- What
- How often
- How evidenced



MONITORING

- To ensure that control-related policies and procedures have been properly designed, fully implemented, and remain operational
- To ensure that management has responded appropriately when control-related policies and procedures have indicated a potential problem




TOPIC 3: RESPONSIBILITY FOR INTERNAL CONTROL

Internal control is essentially management oriented. Management is primarily responsible for the proper functioning of internal control.



RESPONSIBILITY FOR INTERNAL CONTROL (CONTINUED)

The Governing Board is ultimately responsible for ensuring that management fulfills its duty in regard to internal control.



RESPONSIBILITY FOR INTERNAL CONTROL (CONTINUED)

The Independent Auditor's assessment of internal control is NOT a substitute for management's own ongoing monitoring and evaluation of the effectiveness of its control related policies and procedures.



TOPIC 4: INHERENT LIMITATIONS OF INTERNAL CONTROL


- Cost vs. Benefit
- Management Override
- Risk of Collusion



QUESTION 1

Which is the foundation of the five components of a comprehensive framework of internal control?


- A. Control Environment
- B. Risk Assessment
- C. Control Activities
- D. Information and Communication
- E. Monitoring



QUESTION 2

Who is *ultimately* responsible for internal control?


- A. Management
- B. Governing Board
- C. Internal Auditor
- D. Independent Auditor



QUESTION 3


Which of the following is an inherent limitation of internal control?

- A. Cost/benefit considerations
- B. Management involvement
- C. Collusion
- D. All of the above
- E. Both A and C




EXTERNAL AUDITS

1. Financial Audits
2. Single Audits



TOPIC I: FINANCIAL AUDITS

Objective of a Financial Audit is to Provide Users of Financial Reports with Reasonable Assurance from an Independent Source that Reports are Reliable



FINANCIAL AUDITS


- Auditing Standards
- Certain Key Financial Audit Concepts
- Audit Reports



FINANCIAL AUDITS

Auditing Standards –

Financial Audits of Governmental Entities are Performed in Accordance With Generally Accepted Auditing Standards (GAAS) issued by the AICPA AND Generally Accepted Government Auditing Standards (GAGAS) issued by the US Government Accountability Office (GAO).



FINANCIAL AUDITS


Key Financial Audit Concepts:

- Reasonable Assurance
- Materiality
- Audit Risk
- Material Weakness/Significant Deficiency



FINANCIAL AUDITS

- Reasonable Assurance – Auditors do NOT attempt to ensure 100% accuracy of financial reports
- Rather, auditor seeks to affirm that Financial Statements are Free of Material Misstatement
- Auditor Considers Both Quantitative and Qualitative Materiality
- Numerous “opinion units”




FINANCIAL AUDITS

Audit Risk

Must evaluate the following to achieve LOW audit risk:

- Inherent Risk
- Control Risk
- Detection Risk



FINANCIAL AUDITS


Audit Findings

- Control Deficiencies
- Significant Deficiencies
- Material Weakness




FINANCIAL AUDITS

Auditor's Report on the Financial Statements – Provides the Auditor's Opinion on Whether the Financial Statements are Fairly Presented




FINANCIAL AUDITS

- "Unmodified" Opinion - Financial Statements are Fairly Presented in all Material Respects
- "Modified" Opinion - Auditor has some reservation Regarding the Fair Presentation of the Financial Statements
- "Disclaimer" of an Opinion on All or Certain Parts of the Financial Statements
- "Adverse" Opinion is Issued when the Auditor states that the Financial Statements Are NOT Fairly Presented




FINANCIAL AUDITS

Auditor's Report on Compliance and Internal Control Over Financial Reporting



FINANCIAL AUDITS

- the report lists significant or material instances of non-compliance discovered during the financial audit
- the report lists control deficiencies, distinguishing between significant deficiencies and material weaknesses



TOPIC 2: SINGLE AUDITS

Objective of a Single Audit is to provide federal grantor agencies with assurance that recipients of federal financial assistance have complied with all relevant legal, regulatory, grant, and contractual requirements



SINGLE AUDITS

- Auditing Standards
- Certain Key Single Audit Concepts
- Audit Reports




SINGLE AUDITS

Single Audit Act – Applies to All Governmental Entities that Expend More than \$750,000 per fiscal year in Federal Awards



SINGLE AUDITS

A Single Audit must be Conducted In Accordance with GAAS, GAGAS and Uniform Guidance.



SINGLE AUDITS


Auditor Must Determine if the Mandated Supplementary Schedule of Expenditures of Federal Awards is Fairly Presented in Relation to the Financial Statements



SINGLE AUDITS


Because the Auditor Cannot Devote the Same Level of Attention to All Federal Programs, the Auditor uses a Risk Assessment Process to Identify Programs for Testing

- Low Risk = 20%
- Not Low Risk = 40%




SINGLE AUDITS

For Each Major Program, the Auditor Must Gain an Understanding of Internal Controls Over Compliance and Test Such Controls



SINGLE AUDITS

In addition, the Auditor Must Render An Opinion on Whether the Entity Complied with Laws and Regulations That Could have a Direct and Material Effect on Each Major Federal Program



SINGLE AUDITS

Audit Reports -


- Auditor's Report on the Federal Schedule
- Auditor's Report on Compliance and Internal Control over Compliance Applicable to Each Major Federal Program Award



QUESTION 1

The purpose of a financial statement audit is to provide users of financial reports with absolute assurance from an independent source that reports are reliable


- A. True
- B. False



QUESTION 2

The basic criterion used in determining whether a Single Audit is required is:


- A. Amount of federal awards received
- B. Amount of federal awards received or committed
- C. Amount of federal awards expended
- D. Greater of A or C




QUESTION 3

On which of the following does the auditor express an *opinion*?

- A. Compliance for federal awards
- B. Internal control over compliance for federal awards
- C. Both A and B
- D. None of the above



UPDATE ON FINANCIAL REPORTING MODEL IMPROVEMENTS




FINANCIAL REPORTING MODEL TIMELINE

- Research started in 2013
- Preliminary Views comment period September 2018 – February 2019 w/ opposing views
- Exposure Draft Comment period July – Feb 2021
- Public hearings March & April 2021
- Current redeliberation thru June 2023
- Draft of new statement December 2023




FINANCIAL REPORTING MODEL SCOPE

- Management Discussion & Analysis
 - Explore options to enhance
 - Consider elimination of some boilerplate items
 - Clarify guidance around currently known facts that effect finances




FINANCIAL REPORTING MODEL SCOPE

- Major Funds
 - Explore options to provide more data on debt service funds
- Government Wide Financial Statements
 - Explore alternative format for statement of activities
 - Require cash flows statement?
 - Schedule of Govt. Activities by natural classification?




FINANCIAL REPORTING MODEL SCOPE

- Government Fund Financial Statements
 - Explore conceptually consistent measurement focus and basis of accounting
 - Consider format of statements
- Proprietary Fund Statements
 - Explore definition of operating



FINANCIAL REPORTING MODEL SCOPE

- Budgetary Comparisons
 - Basic financial statements or RSI?
 - Which variances should be reported?



**FINANCIAL REPORTING MODEL
PRELIMINARY VIEWS**

- 1,800 Webex Participants wanting more info
- 150 responses
- 3 public hearings
- 2 user forums



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Desire more thoroughness in analysis of year to year changes
 - Present so as to avoid unnecessary duplication
 - Remove requirement for disclosure of infrastructure assets using modified basis



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Budgetary variance discussion to be presented in RSA not in MD&A
 - Should include charts, graphs and tables when appropriate
 - New illustration for new financial statements



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Currently known facts, decisions....with significant effect on finances to include:
 - Trends in economic data
 - Population growth
 - Customer base
 - Unemployment rate
 - Action regarding postemployment benefits, capital improvement plans, and long term debt



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Currently known facts, decisions....with significant effect on finances to include:
 - Details of subsequent year's approved budget
 - Changes to amount available for appropriation
 - Changes in planned spending
 - Expected changes in fund balance
 - Information regarding actions by other parties that effect the government(legislation, litigation)



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Allow for professional judgement to determine what is unnecessarily duplicative
 - Eliminate requirement to reference summary of significant accounting policies note
 - Change section to Introduction to Overview of the Financial Statements
 - Change "Significant Capital Asset and Long-Term Debt Activity" to Significant Capital Asset and Long-Term Financing Activity



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- MD&A
 - Remove requirement to provide analysis of nonmajor funds in the aggregate and require only analysis of balances and transactions of each major fund
 - Include an analysis of all significant long term financing activity



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Major Funds
 - Current reporting of Debt is sufficient
 - Cash Flow Statement is from alternative views standpoint and not part of preliminary views



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Government wide financial statements
 - Schedule of Governmental Activities Expenses by Function and Natural Classification – Eliminated due to Cost vs Benefit
 - Cash Flow Statement is from alternative views standpoint and not part of preliminary views
 - Special Revenue funds changed to Special Resources funds



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Government Fund Financial Statements
 - Current financial resources , total financial resources and economic resources should not be used in governmental funds
 - Short Term financial resources to be used with decisions to be made regarding which views to include
 - Eliminates nonspendable fund balance
 - Remain part of basic financials



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus
 - Short term transactions recognized when they occur
 - Long Term transactions recognized when they are due
 - Does not treat assets the same as liabilities and needs greater clarity




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
 - Short term transactions recognized when cash is expected to be received within one year from financial statements
 - Long Term transactions recognized when cash is expected to be paid within one year from financial statements
 - Replace concept of "normally"




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
 - Financial assets would include principal of receivables including notes to the extent due in the next year




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
 - Financial liabilities would include the following to the extent due in the next year
 - Principal of GO and Long Term debt
 - Compensated absences
 - Claims and judgements
 - Tax and revenue anticipation notes




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
 - Normally replaced with:
 - Stated or contractual maturities of financial assets and liabilities
 - Best estimate of periods of receipt or payment if there are no stated or contractual maturities
 - Less ambiguity and more consistency
 - Example paying off long term debt early




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Proprietary fund statements
 - Operating
 - Activities other than nonoperating
 - Nonoperating
 - Subsidies received and provided
 - Financing activities
 - Investment activities
 - Disposal of assets
 - New subtotal for operating income (loss) and noncapital subsidies




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Proprietary fund statements
 - Reviewing definition of subsidies
 - Noncapital unless limited to capital purposes
 - Analyze if specific transactions qualify
 - Payment in lieu of taxes
 - Internal scholarship allowances
 - Intergovernmental revenues
 - Contributions and grants
 - Endowment gifts
 - Third party payments



**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Proprietary fund statements
 - Accept proposed format of new statements
 - Update statistical section for governments only engaged in business type activities to include
 - Operating
 - Noncapital subsidy
 - Other nonoperating revenues and expenses




**FINANCIAL REPORTING MODEL
TENTATIVE DECISIONS**

- Budgetary Comparisons
 - Will be RSI
 - Required variances
 - Final budget to actual
 - Original budget to final budget
 - Discussion of changes as notes to budgetary comparisons




GASB's Other Projects & Exposure Drafts




GASB Projects Process

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
 - Comment period & redeliberate
- Exposure Draft
 - Comment period & redeliberate
- Final Pronouncement



Other Current GASB Projects

- Conceptual Framework: Recognition
 - Exposure Draft being redeliberated
- Financial Reporting Model
 - Exposure Draft being redeliberated
- Revenue & Expense Recognition
 - Preliminary Views redeliberation
- Going Concern Uncertainties & Severs Financial Distress
 - Initial deliberations



Practice Issues

- Classification of Nonfinancial Assets
 - Initial deliberations
- Implementation Guidance – 2022 Update
 - Added to agenda
- Risks and Uncertainties disclosures
 - Exposure Draft Comment period thru Sept 30, 2022



Pre-Agenda Research

- Capital Assets
- Subsequent Events



Documentation of Process

www.gasb.org

The background and current status for each project is found on the "Projects" tab on the home page.



Exposure Drafts

- Revenue & Expense Recognition
 - Due June 2023
- Risks & Uncertainties
 - Comments Due September 30, 2022



Certain Risk Disclosures

- Governments are exposed to many risks
- Some are disclosed under current guidance
- Others are not disclosed because they are not currently required



Certain Risk Disclosures

- 2 types of Risks Identified
 - Certain concentrations
 - Certain constraints



Certain Risk Disclosures

- The risks may limit a governments ability to acquire resources or to control spending



Certain Risk Disclosures

- Certain Concentrations
 - Principal employers
 - Principal industries
 - Principal resource providers
 - Composition of principal inflows of resources
 - Workforce covered by collective bargaining
 - Suppliers of material, labor or services



Certain Risk Disclosures

- Certain Constraints
 - Limitations on raising revenues
 - Limitations on spending
 - Limitations on the incurrence of debt
 - Mandated spending



Certain Risk Disclosures

- Disclosure criteria
 - The risk is known prior to the issuance of financial statements
 - An associated event either has occurred or is more likely than not to begin within 12 months of financial statement date

AND



Certain Risk Disclosures

- Disclosure criteria
 - It is at least reasonably possible that within 3 years of the financial statement date, the event will cause there to be substantial effect on governments ability to (1) meet its obligations as they come do or (2) continue to provide services at the level provided in the current reporting period



Certain Risk Disclosures

- Required Disclosures
 - Description of the concentration or constraint
 - Description of each event including
 - Timing of event within 12 months or 3 years
 - Actions taken to mitigate the substantial effect



Certain Risk Disclosures

- Interesting Terms
 - Substantial
 - More likely than not

 - Both require professional judgement
 - Different from material and probable!



**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model	Changes from Old Reporting Model to New Model					New Model	Changes	
	General Fund	Eliminate Nonspendable	PT Available for Advance DIOR	Property Tax Delinquent DIOR	Property Tax Settlements DIOR	Intergov DIOR	Interest DIOR		General Fund
Short-Term Assets:									
Cash and Investments	\$ 101,627,788	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 101,627,788	\$ -
Inventory	76,599	-	-	-	-	-	-	76,599	-
Receivables, net	95,510,266	-	-	-	-	-	-	95,510,266	-
Interfund Receivable	17,700	-	-	-	-	-	-	17,700	-
Intergovernmental Receivable	216,904	-	-	-	-	-	-	216,904	-
Prepaid Items	1,168,038	-	-	-	-	-	-	1,168,038	-
Total Short-Term Assets	\$ 198,617,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,617,295	\$ -
Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:									
Short-Term Liabilities:									
Accounts Payable	\$ 868,540	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	868,540	\$ -
Accrued Liabilities	10,391,412	-	-	-	-	-	-	10,391,412	-
Interfund Payable	41,410	-	-	-	-	-	-	41,410	-
Intergovernmental Payable	3,673,613	-	-	-	-	-	-	3,673,613	-
Accrued Interest Payable	-	-	-	-	-	-	-	-	-
Total Short-Term Liabilities	14,974,975	-	-	-	-	-	-	14,974,975	-
Deferred Inflows of Short-Term Financial Resources:									
Unavailable Revenue	3,089,856	-	-	(2,601,088)	-	(216,904)	(271,864)	-	(3,089,856)
Taxes Receivable Levied for the next year	55,731,222	-	35,750,000	-	(572,873)	-	-	90,908,349	35,177,127
Total Deferred Inflows of Short-Term Financial Resources	58,821,078	-	35,750,000	(2,601,088)	(572,873)	(216,904)	(271,864)	90,908,349	32,087,271
Short-Term Financial Resources Fund Balances:									
Nonspendable:									
Inventory	76,599	(76,599)	-	-	-	-	-	-	(76,599)
Prepaid items	1,168,039	(1,168,039)	-	-	-	-	-	-	(1,168,039)
Restricted for:									
Debt Service	-	-	-	-	-	-	-	-	-
Capital Outlay	-	-	-	-	-	-	-	-	-
School Supplies	-	-	-	-	-	-	-	-	-
Non-public Schools	-	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-	-
Committed to:									
Co-curricular Activities	-	-	-	-	-	-	-	-	-
Budget Contingency	21,753,480	-	-	-	-	-	-	21,753,480	-
Not Used	-	-	-	-	-	-	-	-	-
Assigned for:									
Public School Support	736,288	-	-	-	-	-	-	736,288	-
Instruction	550,819	-	-	-	-	-	-	550,819	-
Support Services	1,379,290	-	-	-	-	-	-	1,379,290	-
Other Purposes	12,215	-	-	-	-	-	-	12,215	-
Future Appropriations	31,194,695	-	(31,194,695)	-	-	-	-	-	(31,194,695)
Unassigned	67,949,817	1,244,638	(4,555,305)	2,601,088	572,873	216,904	271,864	68,301,879	352,062
Total Short-Term Financial Resources Fund Balances	124,821,242	-	(35,750,000)	2,601,088	572,873	216,904	271,864	92,733,971	(32,087,271)
Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances	\$ 198,617,295	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 198,617,295	\$ -

**WORTHINGTON CITY SCHOOL DISTRICT
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This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model Debt Service Fund	Changes from Old Reporting Model to New Model					New Model Debt Service Fund	Changes
		PT Available for Advance Now DIOR	Property Tax Delinquent DIOR	Property Tax Settlements DIOR	A/R DIOR	Interest Payable Accrued		
Short-Term Assets:								
Cash and Investments	\$ 4,884,246	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,884,246	\$ -
Inventory	-	-	-	-	-	-	-	-
Receivables, net	6,085,705	-	-	-	-	-	6,085,705	-
Interfund Receivable	-	-	-	-	-	-	-	-
Intergovernmental Receivable	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-
Total Short-Term Assets	\$ 10,969,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,969,951	\$ -
Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:								
Short-Term Liabilities:								
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-
Interfund Payable	-	-	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	-	-	-
Due to Fiduciary Fund	-	-	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	183,832	-	183,832
Total Short-Term Liabilities	-	-	-	-	-	183,832	-	183,832
Deferred Inflows of Short-Term Financial Resources:								
Unavailable Revenue	188,518	-	(181,718)	-	(6,800)	-	-	(188,518)
Taxes Receivable Levied for the next year	3,344,131	2,498,000	-	(36,566)	-	-	-	5,805,565
Total Deferred Inflows of Short-Term Financial Resources	3,532,649	2,498,000	(181,718)	(36,566)	(6,800)	-	-	2,272,916
Short-Term Financial Resources Fund Balances:								
Nonspendable:								
Inventory	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-
Restricted for:								
Debt Service	7,437,302	(2,498,000)	181,718	36,566	6,800	(183,832)	-	4,980,554
Capital Outlay	-	-	-	-	-	-	-	-
School Supplies	-	-	-	-	-	-	-	-
Non-public Schools	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-
Committed to:								
Co-curricular Activities	-	-	-	-	-	-	-	-
Budget Contingency	-	-	-	-	-	-	-	-
Assigned for:								
Public School Support	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-
Support Services	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-
Future Appropriations	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total Short-Term Financial Resources Fund Balances	7,437,302	(2,498,000)	181,718	36,566	6,800	(183,832)	-	(2,456,748)
Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances	\$ 10,969,951	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,969,951	\$ -

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model		Changes from Old Reporting Model to New Model					New Model	
	Building Fund		No effect					Building Fund	Changes
Short-Term Assets:									
Cash and Investments	\$ 5,517,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,517,860	\$ -
Inventory	-	-	-	-	-	-	-	-	-
Receivables, net	-	-	-	-	-	-	-	-	-
Interfund Receivable	-	-	-	-	-	-	-	-	-
Intergovernmental Receivable	-	-	-	-	-	-	-	-	-
Prepaid Items	-	-	-	-	-	-	-	-	-
Total Short-Term Assets	\$ 5,517,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,517,860	\$ -
Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:									
Short-Term Liabilities:									
Accounts Payable	\$ 309,502	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 309,502	\$ -
Accrued Liabilities	-	-	-	-	-	-	-	-	-
Interfund Payable	-	-	-	-	-	-	-	-	-
Intergovernmental Payable	-	-	-	-	-	-	-	-	-
Accrued Interest Payable	-	-	-	-	-	-	-	-	-
Total Short-Term Liabilities	309,502	-	-	-	-	-	-	309,502	-
Deferred Inflows of Short-Term Financial Resources:									
Unavailable Revenue	-	-	-	-	-	-	-	-	-
Taxes Receivable Levied for the next year	-	-	-	-	-	-	-	-	-
Total Deferred Inflows of Short-Term Financial Resources	-	-	-	-	-	-	-	-	-
Short-Term Financial Resources Fund Balances:									
Nonspendable:									
Inventory	-	-	-	-	-	-	-	-	-
Prepaid items	-	-	-	-	-	-	-	-	-
Restricted for:									
Debt Service	-	-	-	-	-	-	-	-	-
Capital Outlay	5,208,358	-	-	-	-	-	-	5,208,358	-
School Supplies	-	-	-	-	-	-	-	-	-
Non-public Schools	-	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-	-
Committed to:									
Co-curricular Activities	-	-	-	-	-	-	-	-	-
Budget Contingency	-	-	-	-	-	-	-	-	-
Assigned for:									
Public School Support	-	-	-	-	-	-	-	-	-
Instruction	-	-	-	-	-	-	-	-	-
Support Services	-	-	-	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-	-	-	-
Future Appropriations	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total Short-Term Financial Resources Fund Balances	5,208,358	-	-	-	-	-	-	5,208,358	-
Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances	\$ 5,517,860	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,517,860	\$ -

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

**SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET
GOVERNMENTAL FUNDS
AS OF JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model		Changes from Old Reporting Model to New Model					New Model	
	Governmental Funds	Eliminate Nonspendable	Intergov DIOR				Other Governmental Funds	Changes	
Short-Term Assets:									
Cash and Investments	\$ 3,243,652	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,243,652	\$ -	
Inventory	55,191	-	-	-	-	-	55,191	-	
Receivables, net	-	-	-	-	-	-	-	-	
Interfund Receivable	-	-	-	-	-	-	-	-	
Intergovernmental Receivable	611,135	-	-	-	-	-	611,135	-	
Prepaid Items	59,211	-	-	-	-	-	59,211	-	
Total Short-Term Assets	\$ 3,969,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,969,189	\$ -	
Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:									
Short-Term Liabilities:									
Accounts Payable	\$ 56,328	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,328	\$ -	
Accrued Liabilities	574,962	-	-	-	-	-	574,962	-	
Interfund Payable	20,000	-	-	-	-	-	20,000	-	
Intergovernmental Payable	88,833	-	-	-	-	-	88,833	-	
Accrued Interest Payable	-	-	-	-	-	-	-	-	
Total Short-Term Liabilities	740,123	-	-	-	-	-	740,123	-	
Deferred Inflows of Short-Term Financial Resources:									
Unavailable Revenue	367,917	-	(367,917)	-	-	-	-	(367,917)	
Taxes Receivable Levied for the next year	-	-	-	-	-	-	-	-	
Total Deferred Inflows of Short-Term Financial Resources	367,917	-	(367,917)	-	-	-	-	(367,917)	
Short-Term Financial Resources Fund Balances:									
Nonspendable:									
Inventory	55,191	(55,191)	-	-	-	-	-	(55,191)	
Prepaid items	59,211	(59,211)	-	-	-	-	-	(59,211)	
Restricted for:									
Debt Service	-	-	-	-	-	-	-	-	
Capital Outlay	712,440	-	-	-	-	-	712,440	-	
School Supplies	117,091	-	-	-	-	-	117,091	-	
Non-public Schools	215,637	3,359	-	-	-	-	218,996	3,359	
Other Purposes	1,342,583	102,336	194,008	-	-	-	1,638,927	296,344	
Committed to:									
Co-curricular Activities	533,975	8,707	-	-	-	-	542,682	8,707	
Budget Contingency	-	-	-	-	-	-	-	-	
Assigned for:									
Public School Support	-	-	-	-	-	-	-	-	
Instruction	-	-	-	-	-	-	-	-	
Support Services	-	-	-	-	-	-	-	-	
Other Purposes	-	-	-	-	-	-	-	-	
Future Appropriations	-	-	-	-	-	-	-	-	
Unassigned	(174,979)	-	173,909	-	-	-	(1,070)	173,909	
Total Short-Term Financial Resources Fund Balances	2,861,149	-	367,917	-	-	-	3,229,066	367,917	
Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances	\$ 3,969,189	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,969,189	\$ -	

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 201€

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model	Changes from Old Reporting Model to New Model							New Model	Changes
	General Fund	Transfers Classification	PT Available for Advance Now DIOR	Property Tax Delinquent DIOR	Property Tax Settlements DIOR	Intergov DIOR	Interest DIOR	A/R DIOR	General Fund	
Inflows of Short-Term Financial Resources for Current Activities:										
Property and Other Local Taxes	\$ 100,496,699	\$ -	\$(35,750,000)	\$ (307,011)	\$ 572,873	\$ -	\$ -	\$ -	\$ 65,012,561	\$ (35,484,138)
Intergovernmental	33,921,509	-	-	-	-	(300,377)	-	-	33,621,132	(300,377)
Investment Income	715,425	-	-	-	-	-	91,946	-	807,371	91,946
Tuition and Fees	1,905,450	-	-	-	-	-	-	-	1,905,450	-
Co-curricular Activities	132,472	-	-	-	-	-	-	-	132,472	-
Customer Sales and Services	530,405	-	-	-	-	-	-	-	530,405	-
Other	1,200,703	-	-	-	-	-	-	-	1,200,703	-
Proceeds from Sale of Capital Assets	5,447	-	-	-	-	-	-	-	5,447	-
Transfers In	-	-	-	-	-	-	-	-	-	-
Total Inflows of Short-term Financial Resources for Current Activities	138,908,110	-	(35,750,000)	(307,011)	572,873	(300,377)	91,946	-	103,215,541	(35,692,569)
Outflows of Short-Term Financial Resources for Current Activities:										
Instruction:										
Regular	61,836,027	-	-	-	-	-	-	-	61,836,027	-
Special	15,985,600	-	-	-	-	-	-	-	15,985,600	-
Vocational	811,980	-	-	-	-	-	-	247,817	1,059,797	247,817
Other	255,137	-	-	-	-	-	-	-	255,137	-
Support services:										
Pupils	7,830,234	-	-	-	-	-	-	-	7,830,234	-
Instructional Staff	5,778,652	-	-	-	-	-	-	-	5,778,652	-
Board of Education	32,994	-	-	-	-	-	-	-	32,994	-
Administration	9,610,615	-	-	-	-	-	-	-	9,610,615	-
Business	4,033,448	-	-	-	-	-	-	-	4,033,448	-
Operation and Maintenance of Plant	12,129,050	-	-	-	-	-	-	-	12,129,050	-
Pupil Transportation	5,089,415	-	-	-	-	-	-	-	5,089,415	-
Central	1,510,629	-	-	-	-	-	-	-	1,510,629	-
Food Service Operations	-	-	-	-	-	-	-	-	-	-
Community Services	918,937	-	-	-	-	-	-	-	918,937	-
Co-curricular Student Activities	2,211,898	-	-	-	-	-	-	-	2,211,898	-
Transfers Out	-	6,351	-	-	-	-	-	-	6,351	6,351
Total Outflows of Short-Term Financial Resources for Current Activities	128,034,616	6,351	-	-	-	-	-	247,817	128,288,784	254,168
Net Flows of Short-Term Financial Resources for Current Activities	10,873,494	(6,351)	(35,750,000)	(307,011)	572,873	(300,377)	91,946	(247,817)	(25,073,243)	(35,946,737)
Net Flows of Short-Term Financial Resources for Noncurrent Activities:										
Transfers In	-	-	-	-	-	-	-	-	-	-
Capital Outlay	(203,113)	-	-	-	-	-	-	-	(203,113)	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Transfers Out	(2,809,677)	6,351	-	-	-	-	-	-	(2,803,326)	6,351
Net Flows of Short-Term Financial Resources for Noncurrent Activities	(3,012,790)	6,351	-	-	-	-	-	-	(3,006,439)	6,351
Net Change in Short-Term Financial Resources Fund Balances	7,860,704	-	(35,750,000)	(307,011)	572,873	(300,377)	91,946	(247,817)	(28,079,682)	(35,940,386)
Short-Term Financial Resources Fund Balances Beginning of Year, As Restated	116,960,538	-	-	2,908,099	-	517,281	179,918	247,817	120,813,653	3,853,115
Short-Term Financial Resources Fund Balances End of Year	\$ 124,821,242	\$ -	\$(35,750,000)	\$ 2,601,088	\$ 572,873	\$ 216,904	\$ 271,864	\$ -	\$ 92,733,971	\$ (32,087,271)

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model Debt Service Fund	Changes from Old Reporting Model to New Model					New Model Debt Service Fund	Changes	
		PT Available for Advance Now DIOR	Property Tax Delinquent DIOR	Property Tax Settlements DIOR	A/R DIOR	Interest Payable Accrued			
Inflows of Short-Term Financial Resources for Current Activities:									
Property and Other Local Taxes	\$ 7,019,611	\$ (2,498,000)	\$ (11,494)	\$ 36,566	\$ -	\$ -	\$ -	\$ 4,546,683	\$ (2,472,928)
Intergovernmental	881,114	-	-	-	-	-	-	881,114	-
Investment Income	-	-	-	-	-	-	-	-	-
Tuition and Fees	-	-	-	-	-	-	-	-	-
Co-curricular Activities	-	-	-	-	-	-	-	-	-
Customer Sales and Services	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-
Transfers In	-	-	-	-	-	-	-	-	-
Total Inflows of Short-Term Financial Resources for Current Activities	7,900,725	(2,498,000)	(11,494)	36,566	-	-	-	5,427,797	(2,472,928)
Outflows of Short-Term Financial Resources for Current Activities:									
Current:									
Instruction:									
Regular	-	-	-	-	-	-	-	-	-
Special	-	-	-	-	-	-	-	-	-
Vocational	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Support services:									
Pupils	-	-	-	-	-	-	-	-	-
Instructional Staff	-	-	-	-	-	-	-	-	-
Board of Education	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-
Business	96,608	-	-	-	-	-	-	96,608	-
Operation and Maintenance of Plant	-	-	-	-	-	-	-	-	-
Pupil Transportation	-	-	-	-	-	-	-	-	-
Central	-	-	-	-	-	-	-	-	-
Food Service Operations	-	-	-	-	-	-	-	-	-
Community Services	-	-	-	-	-	-	-	-	-
Co-curricular Student Activities	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-
Total Outflows of Short-Term Financial Resources for Current Activities	96,608	-	-	-	-	-	-	96,608	-
Net Flows of Short-Term Financial Resources for Current Activities	7,804,117	(2,498,000)	(11,494)	36,566	-	-	-	5,331,189	(2,472,928)
Net Flows of Short-Term Financial Resources for Noncurrent Activities:									
Transfers In	2,803,326	-	-	-	-	-	-	2,803,326	-
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt service:									
Principal	(7,615,108)	-	-	-	-	-	-	(7,615,108)	-
Interest	(2,045,415)	-	-	-	-	19,825	-	(2,025,590)	19,825
Transfers Out	-	-	-	-	-	-	-	-	-
Net Flows of Short-Term Financial Resources for Noncurrent Activities	(6,857,197)	-	-	-	-	19,825	-	(6,837,372)	19,825
Net Change in Short-Term Financial Resources Fund Balances	946,920	(2,498,000)	(11,494)	36,566	-	19,825	-	(1,506,183)	(2,453,103)
Short-Term Financial Resources Fund Balances Beginning of Year, As Restated	6,490,382	-	193,212	-	6,800	(203,657)	-	6,486,737	(3,645)
Short-Term Financial Resources Fund Balances End of Year	\$ 7,437,302	\$ (2,498,000)	\$ 181,718	\$ 36,566	\$ 6,800	\$ (183,832)	\$ -	\$ 4,980,554	\$ (2,456,748)

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	2,565	2,565										
	Old Model	Changes from Old Reporting Model to New Model						New Model				
	Building Fund	No effect						Building Fund	Changes			
Inflows of Short-Term Financial Resources for Current Activities:												
Property and Other Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Intergovernmental	-	-	-	-	-	-	-	-	-	-	-	
Investment Income	102,329	-	-	-	-	-	-	-	-	102,329	-	
Tuition and Fees	-	-	-	-	-	-	-	-	-	-	-	
Co-curricular Activities	-	-	-	-	-	-	-	-	-	-	-	
Customer Sales and Services	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-	-	
Transfers In	-	-	-	-	-	-	-	-	-	-	-	
Total Inflows of Short-term Financial Resources for Current Activities	102,329	-	-	-	-	-	-	-	-	102,329	-	
Outflows of Short-Term Financial Resources for Current Activities:												
Current:												
Instruction:												
Regular	319,496	-	-	-	-	-	-	-	-	319,496	-	
Special	7,254	-	-	-	-	-	-	-	-	7,254	-	
Vocational	-	-	-	-	-	-	-	-	-	-	-	
Other	-	-	-	-	-	-	-	-	-	-	-	
Support services:												
Pupils	-	-	-	-	-	-	-	-	-	-	-	
Instructional Staff	82,849	-	-	-	-	-	-	-	-	82,849	-	
Board of Education	-	-	-	-	-	-	-	-	-	-	-	
Administration	999	-	-	-	-	-	-	-	-	999	-	
Business	2,565	-	-	-	-	-	-	-	-	2,565	-	
Operation and Maintenance of Plant	657,073	-	-	-	-	-	-	-	-	657,073	-	
Pupil Transportation	15,040	-	-	-	-	-	-	-	-	15,040	-	
Central	-	-	-	-	-	-	-	-	-	-	-	
Food Service Operations	4,907	-	-	-	-	-	-	-	-	4,907	-	
Community Services	-	-	-	-	-	-	-	-	-	-	-	
Co-curricular Student Activities	58,789	-	-	-	-	-	-	-	-	58,789	-	
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	
Total Outflows of Short-Term Financial Resources for Current Activities	1,148,972	-	-	-	-	-	-	-	-	1,148,972	-	
Net Flows of Short-Term Financial Resources for Current Activities	(1,046,643)	-	-	-	-	-	-	-	-	(1,046,643)	-	
Net Flows of Short-Term Financial Resources for Noncurrent Activities:												
Transfers In	-	-	-	-	-	-	-	-	-	-	-	
Capital Outlay	(2,412,864)	-	-	-	-	-	-	-	-	(2,412,864)	-	
Debt service:												
Principal	-	-	-	-	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	-	-	-	-	
Transfers Out	-	-	-	-	-	-	-	-	-	-	-	
Net Flows of Short-Term Financial Resources for Noncurrent Activities	(2,412,864)	-	-	-	-	-	-	-	-	(2,412,864)	-	
Net Change in Short-Term Financial Resources Fund Balances	(3,459,507)	-	-	-	-	-	-	-	-	(3,459,507)	-	
Short-Term Financial Resources Fund Balances Beginning of Year, As Restated	8,667,865	-	-	-	-	-	-	-	-	8,667,865	-	
Short-Term Financial Resources Fund Balances End of Year	\$ 5,208,358	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,208,358	\$ -	

**WORTHINGTON CITY SCHOOL DISTRICT
FRANKLIN COUNTY**

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS
GOVERNMENTAL FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

	Old Model					Changes from Old Reporting Model to New Model			New Model	
	Other Governmental Funds	Transfers Classification	Intergov DIOR					Other Governmental Funds	Changes	
Inflows of Short-Term Financial Resources for Current Activities:										
Property and Other Local Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	6,080,832	-	(180,053)	-	-	-	-	5,900,779	(180,053)	-
Investment Income	21,248	-	-	-	-	-	-	21,248	-	-
Tuition and Fees	367,298	-	-	-	-	-	-	367,298	-	-
Co-curricular Activities	824,689	-	-	-	-	-	-	824,689	-	-
Customer Sales and Services	1,962,216	-	-	-	-	-	-	1,962,216	-	-
Other	48,293	-	-	-	-	-	-	48,293	-	-
Proceeds from Sale of Capital Assets	-	-	-	-	-	-	-	-	-	-
Transfers In	-	6,351	-	-	-	-	-	6,351	6,351	-
Total Inflows of Short-term Financial Resources for Current Activities	9,304,576	6,351	(180,053)	-	-	-	-	9,130,874	(173,702)	-
Outflows of Short-Term Financial Resources for Current Activities:										
Current:										
Instruction:										
Regular	305,899	-	-	-	-	-	-	305,899	-	-
Special	2,307,001	-	-	-	-	-	-	2,307,001	-	-
Vocational	33,963	-	-	-	-	-	-	33,963	-	-
Other	-	-	-	-	-	-	-	-	-	-
Support services:										
Pupils	496,349	-	-	-	-	-	-	496,349	-	-
Instructional Staff	289,424	-	-	-	-	-	-	289,424	-	-
Board of Education	-	-	-	-	-	-	-	-	-	-
Administration	-	-	-	-	-	-	-	-	-	-
Business	-	-	-	-	-	-	-	-	-	-
Operation and Maintenance of Plant	86,222	-	-	-	-	-	-	86,222	-	-
Pupil Transportation	2,064	-	-	-	-	-	-	2,064	-	-
Central	32,400	-	-	-	-	-	-	32,400	-	-
Food Service Operations	3,343,807	-	-	-	-	-	-	3,343,807	-	-
Community Services	936,270	-	-	-	-	-	-	936,270	-	-
Co-curricular Student Activities	729,194	-	-	-	-	-	-	729,194	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Total Outflows of Short-Term Financial Resources for Current Activities	8,562,593	-	-	-	-	-	-	8,562,593	-	-
Net Flows of Short-Term Financial Resources for Current Activities	741,983	6,351	(180,053)	-	-	-	-	568,281	(173,702)	-
Net Flows of Short-Term Financial Resources for Noncurrent Activities:										
Transfers In	6,351	(6,351)	-	-	-	-	-	-	(6,351)	-
Capital Outlay	(94,612)	-	-	-	-	-	-	(94,612)	-	-
Debt service:										
Principal	-	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-	-	-
Net Flows of Short-Term Financial Resources for Noncurrent Activities	(88,261)	(6,351)	-	-	-	-	-	(94,612)	(6,351)	-
Net Change in Short-Term Financial Resources Fund Balances	653,722	-	(180,053)	-	-	-	-	473,669	(180,053)	-
Short-Term Financial Resources Fund Balances Beginning of Year, As Restated	2,207,427	-	547,970	-	-	-	-	2,755,397	547,970	-
Short-Term Financial Resources Fund Balances End of Year	\$ 2,861,149	\$ -	\$ 367,917	\$ -	\$ -	\$ -	\$ -	\$ 3,229,066	\$ 367,917	-



Exposure Draft

June 20, 2022

Comments Due: September 30, 2022

Proposed Statement
of the Governmental Accounting Standards Board

Certain Risk Disclosures

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the GASB for public comment. Written comments should be addressed to:

Director of Research and Technical Activities
Project No. 3-41

Governmental Accounting Standards Board

CERTAIN RISK DISCLOSURES

WRITTEN COMMENTS

Deadline for submitting written comments: September 30, 2022

Requirements for written comments. Comments should be addressed to the Director of Research and Technical Activities, Project No. 3-41, and emailed to director@gasb.org. Comments also may be submitted through an [electronic input form](#).

OTHER INFORMATION

Public hearing. The GASB has not scheduled a public hearing on the issues addressed in this Exposure Draft.

Public files. Written comments will become part of the GASB's public file and are posted on the GASB's website.

This Exposure Draft may be downloaded from the GASB's website at www.gasb.org.

Final GASB publications may be ordered at www.gasb.org.

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Notice to Recipients of This Exposure Draft

The Governmental Accounting Standards Board (GASB) is responsible for (1) establishing and improving standards of state and local governmental accounting and financial reporting to provide useful information to users of financial reports and (2) educating stakeholders—including issuers, auditors, and users of those financial reports—on how to best understand and most effectively implement those standards.

The due process procedures that we follow before issuing our standards and other communications are designed to encourage broad public participation in the standards-setting process. As part of that due process, the GASB is issuing this Exposure Draft setting forth proposed standards that would address the disclosure of certain risks.

We invite your comments on all matters in this proposed Statement. Because this proposed Statement may be modified before it is issued as a final Statement, it is important that you comment on any aspects with which you agree as well as any with which you disagree. To facilitate our analysis of comments, it would be helpful if you explain the reasons for your views, including alternatives that you believe the GASB should consider.

All responses are distributed to all Board members and to staff members assigned to this project, and comments are considered during the deliberative process leading to a final Statement. In deciding on changes in accounting and financial reporting standards, the GASB also takes into consideration the expected benefits and the perceived costs associated with the changes. Only after the Board is satisfied that all alternatives have adequately been considered, and modifications have been made as considered appropriate, will a vote be taken to issue a final Statement. A majority vote of the Board is required for adoption.

Summary

State and local governments face a variety of risks that could negatively affect the level of service they can provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about certain other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required.

The objective of this proposed Statement is to provide users of government financial statements with essential information about risks related to a government's current vulnerabilities due to (1) certain concentrations and (2) certain constraints common in the governmental environment.

This proposed Statement would define a *concentration* as a lack of sufficient diversity related to an aspect of a significant revenue source or expense. A *constraint* is a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

This proposed Statement would require a government to assess whether an event associated with a concentration or constraint has occurred or is more likely than not to begin to occur within 12 months of the financial statement date or shortly thereafter (for example, 3 months). Additionally, this proposed Statement would require a government to assess whether it would be at least reasonably possible that within three years of the financial statement date, the event would cause there to be a substantial effect on the government's ability to provide services at the level provided in the current reporting period or meet its obligations as they come due.

If a government determines that those requirements for disclosure have been met for a concentration or constraint, it would disclose information in notes to financial statements in sufficient detail to enable users of financial statements to understand the general nature of the circumstances disclosed and their potential effect on the government's ability to provide services at the level provided in the current reporting period or meet its obligations as they come due. That disclosure would include descriptions of:

- The concentration or constraint.
- Each event associated with the concentration or constraint, including the following:
 - The event either has occurred or is more likely than not to begin to occur within 12 months of the financial statement date or shortly thereafter.
 - It is at least reasonably possible that within three years of the financial statement date, the event will cause there to be a substantial effect on the government's ability to continue to provide services at the level provided in the current reporting period or meet its obligations as they come due.
- Actions taken by the government prior to the issuance of the financial statements to mitigate the effect.

Effective Date and Transition

The requirements of this proposed Statement would be effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application would be encouraged.

How the Changes in This Proposed Statement Would Improve Financial Reporting

The requirements of this proposed Statement would improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The proposed disclosures would give users an “early warning” regarding certain concentrations or certain constraints that, when combined with the likelihood of an associated event or events occurring, may substantially affect a government’s ability to provide services or meet its obligations. As a result, users would have better information with which to understand and anticipate certain risks to a government’s financial health.

How the Board Considered Costs and Benefits in the Development of This Proposed Statement

One of the principles guiding the Board’s setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits of implementing this proposed Statement—essential information about certain risks that is understandable, reliable, relevant, timely, consistent, and comparable—are significant to users of financial statements.

The Board believes that, in general, (1) the facts and circumstances related to certain concentrations or certain constraints and events that are addressed in this proposed Statement already are known to governments and (2) the costs associated with the implementation of and continued compliance with this proposed Statement are limited to the subjective assessments of the disclosure criteria. Therefore, the Board believes that the expected benefits of this proposed Statement will justify its perceived costs.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 3 discusses the applicability of this proposed Statement.
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Proposed Statement of the Governmental Accounting Standards Board

Certain Risk Disclosures

June 20, 2022

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Proposed Statement of the Governmental Accounting Standards Board

Certain Risk Disclosures

June 20, 2022

INTRODUCTION

1. State and local governments face a variety of risks that could negatively affect the level of service they can provide or their ability to meet obligations as they come due. Although governments are required to disclose information about their exposure to some of those risks, essential information about certain other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required.
2. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's current vulnerabilities due to (a) certain concentrations and (b) certain constraints common in the governmental environment.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

3. This Statement establishes financial reporting requirements for governments exposed to risks resulting from current vulnerabilities due to (a) certain concentrations and (b) certain constraints common in the governmental environment. The requirements of this Statement apply to the financial statements of all state and local governments. If comparative financial statements are presented, the reporting requirements apply only to the financial statements of the current period.

Certain Concentrations

4. 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:
 - a. Principal employers
 - b. Principal industries
 - c. Principal resource providers
 - d. Composition of principal inflows of resources
 - e. Workforce covered by collective bargaining agreements
 - f. Suppliers of material, labor, or services.

Certain Constraints Common in the Governmental Environment

5. 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:

- a. Limitations on raising revenue
- b. Limitations on spending
- c. Limitations on the incurrence of debt
- d. Mandated spending.

Disclosure Criteria

6. A government should apply the disclosure requirements in paragraphs 7 and 8 if all of the following criteria are met:

- a. A concentration (paragraph 4) or constraint (paragraph 5) is known to the government prior to the issuance of the financial statements.
- b. An event associated with the concentration or constraint either has occurred or is more likely than not¹ to begin to occur within 12 months of the financial statement date or shortly thereafter (for example, 3 months).
- c. It is at least reasonably possible² that within three years of the financial statement date, the event will cause there to be a substantial effect on the government's ability to (1) continue to provide services at the level provided in the current reporting period or (2) meet its obligations as they come due.

Notes to Financial Statements

7. For each concentration or constraint that meets all of the criteria in paragraph 6, a government should disclose in notes to financial statements the information required by subparagraphs (a)–(c) below. A government should provide information in sufficient detail to enable users of financial statements to understand the general nature of the circumstances disclosed and their potential effect on the government's ability to provide services at the level provided in the current reporting period or to meet its obligations as they come due. The disclosures should include the following:

- a. A description of the concentration or constraint.
- b. A description of each event associated with the concentration or constraint, including the following:
 - (1) The event either has occurred or is more likely than not to begin to occur within 12 months of the financial statement date or shortly thereafter.

¹For purposes of this Statement, *more likely than not* means a likelihood of more than 50 percent.

²For purposes of this Statement, *at least reasonably possible* means more than remote.

- (2) It is at least reasonably possible that within three years of the financial statement date, the event will cause there to be a substantial effect on the government's ability to (a) continue to provide services at the level provided in the current reporting period or (b) meet its obligations as they come due.
- c. A description of actions taken by the government prior to the issuance of the financial statements to mitigate the substantial effect.

If mitigating actions taken cause any of the criteria in paragraph 6 to no longer be met, none of the disclosures described in subparagraphs (a)–(c) are required.

8. The disclosures required by paragraph 7 generally should be made for the primary government, including its blended component units. If a reporting unit has a concentration or constraint that is specific to that reporting unit relative to other reporting units and that has a substantial effect on that reporting unit but not on the primary government, the government should apply the criteria in paragraph 6 and provide the information required by paragraph 7 to that reporting unit.

EFFECTIVE DATE AND TRANSITION

9. The requirements of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

<p style="text-align: center;">The provisions of this Statement need not be applied to immaterial items.</p>

Appendix A

BACKGROUND

A1. Various types of stakeholders have expressed concerns about the risks and uncertainties that governments face that may imperil the ability of governments to provide services or meet their obligations, concerns that were amplified as a result of the COVID-19 pandemic. General disclosure guidance in *FASB Accounting Standards Codification*[®] Topic 275, Risks and Uncertainties, requires a nongovernmental entity to disclose risks and uncertainties relating to the nature of its operations, its use of estimates in the preparation of financial statements, and current vulnerability due to certain concentrations. The Board considered incorporating the original source of that guidance—American Institute of Certified Public Accountants (AICPA) Statement of Position (SOP) 94-6, *Disclosure of Certain Significant Risks and Uncertainties*—into the GASB’s standards during the development of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. However, though the three broad categories in FASB Codification Topic 275 are relevant to governments, the Board concluded that because of the differences between the public and private sectors, each category needed to be carefully considered in the context of the governmental environment. Therefore, the Board did not codify the guidance through Statement 62.

A2. The members of the Governmental Accounting Standards Advisory Council (GASAC) discussed the topic of risk disclosures at their June 2020 meeting. Those members that expressed a view were supportive of the addition of a project on the topic. In July 2020, the Board added a project on risks and uncertainties disclosures to its technical agenda.

A3. The project began with research to obtain information on the three broad categories from FASB Codification Topic 275 in the context of the governmental environment. That research consisted of (a) a review of the guidance of other standards setters and other relevant literature and (b) interviews with 38 users of government financial statements about what information related to the risks and uncertainties faced by governments they use at present or would use if it became available for making decisions or assessing accountability. Deliberations for the project began in September 2020.

A4. During its initial deliberations, the Board identified four potential categories of risk and possible parameters for their disclosure. In February 2021, the Board initiated an additional round of outreach, during which interviews were conducted with 51 users of government financial statements. The objective of those interviews was to gather feedback from users that would inform the Board’s deliberations regarding the essentiality of information that could be disclosed about those four categories.

A5. Members of the GASAC provided feedback on the project at several of their meetings throughout the Board's deliberations. The Board's consideration of the individual feedback from GASAC members is incorporated throughout Appendix B. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

Appendix B

BASIS FOR CONCLUSIONS AND ALTERNATIVE VIEW

Basis for Conclusions

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board’s reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Scope and Applicability of This Statement

B2. In establishing the scope of this Statement, the Board considered two potential approaches. The first approach would have defined the scope *broadly* by developing a general description or definition of certain risks subject to certain limitations. The key feature of that approach would have been the identification of appropriate limitations to apply so that a government could determine which risks should be disclosed in its notes. The Board believes that approach would not have confined the disclosures to a specified subset or category of risks and uncertainties. Additionally, the Board believes that approach could have provided insights into what management believes may be an impactful risk that is specific to their government. The Board concluded that this approach would have been challenging with respect to cost, reliability, and relevance and would have had the potential to be overly subjective.

B3. The second approach considered by the Board focuses more *narrowly* on certain risks by identifying specific categories that also would be subject to the limitations established in the first approach. The Board believes that the second, narrower scope better promotes consistency and comparability in the information that governments disclose.

B4. As part of its initial deliberations, the Board considered whether the risk categories addressed in FASB Codification Topic 275—(a) nature of operations, (b) use of estimates in the preparation of financial statements, and (c) current vulnerability due to certain concentrations—were applicable to the state and local governmental environment. The Board also considered the initial user interviews described in paragraph A3 of Appendix A, the results of which suggested that certain categories of risk would be essential to those users in their decision making and assessments of accountability.

B5. The Board was concerned that a general category of “nature of operations” would result in boilerplate disclosures and would not provide new information. However, based on feedback from the initial user interviews, the Board noted that the environment within which governments operate presents certain conditions that expose governments to risk. Although not limited to governments, those conditions are inherent in a government’s operating environment and have particular effects on a government’s ability to acquire

resources and to control spending. The Board concluded that one of the four categories of risk included in the second round of user interviews (as described in paragraph A4 of Appendix A) should be certain conditions common in the governmental environment. The feedback that was received from interviewees in the second round of interviews indicated that the information that would be disclosed about that category would be essential in assessing a government's financial flexibility.

B6. As it deliberated that risk category in light of the feedback received during the second round of user interviews, the Board noted that all of the examples of common conditions—such as caps on raising taxes and spending and debt limitations—related to constraints on a government's ability to acquire resources or to control its spending. The Board therefore decided to clarify that the risk category relates to current vulnerabilities due to certain *constraints* common in the governmental environment and should be a required category in this Statement, as described later in this appendix.

B7. The Board also considered developing disclosure requirements regarding the use of estimates in the government's financial statements, the second of the three risk categories in FASB Codification Topic 275. The Board believes that a government disclosing that it uses estimates in the preparation of its financial statements does not align with the description of users of government financial statements because users are expected to be aware that the preparation of financial statements involves a certain amount of estimation. Furthermore, that information may be general and educational in nature and not specific to the reporting government and, therefore, not appropriate for disclosure.

B8. The Board considered two alternative categories of risk related to estimates: (a) risk to the government based on certain inputs for estimated amounts recognized in the financial statements or disclosed in the notes to financial statements and (b) uncertainty about certain inputs that affect estimated amounts recognized in the financial statements or disclosed in the notes to financial statements. Those two categories were the second and third presented to users in the second round of interviews. After considering the feedback from the second round of user interviews, the Board concluded that information that would be disclosed about those two categories would not be essential.

B9. With respect to the third risk category of FASB Codification Topic 275—current vulnerability due to certain concentrations—the Board concluded that governments also are exposed to risk from certain concentrations, some of which are similar to those of nongovernmental entities and others of which are specific to governments. The Board decided that current vulnerabilities from certain concentrations should be the fourth category presented to users in the second round of interviews. The feedback that was received from interviewees indicated that the information that would be disclosed about that category would be essential in assessing a government's financial health as well as its sensitivity to various resource and spending scenarios. Based on that feedback, the Board decided that risks related to certain concentrations should be a required category in this Statement, as described later in this appendix.

B10. The Board also considered whether this Statement should address certain other risk categories such as cyber security and climate change. The Board concluded that although those risk categories may warrant further investigation, they would be outside the scope of the project that led to this Statement. In addition, the Board considered whether the scope of this Statement should broadly exclude certain events—such as possible acts of God, war, or sudden catastrophes—as was done in FASB Codification Topic 275. Ultimately, the Board decided that the scope of this Statement is sufficiently limited by the two categories (certain concentrations and certain constraints) and that adding broad scope exclusions may result in unintentionally omitting the disclosure of certain risks that otherwise fall within the two required categories.

B11. When governments issue comparative financial statements, typically each period presented should meet the requirements of generally accepted accounting principles, which would result in all required disclosures being made for all periods presented (generally, the current year and prior year). The intent of the disclosures required by this Statement is to give users of financial statements an “early warning” regarding certain concentrations or certain constraints that, when combined with the likelihood of an associated event or events occurring, may result in a substantial effect on a government’s ability to provide services or meet its obligations. In light of that intent, the Board believes it is not necessary or useful for a government to repeat a prior-year disclosure if the criteria in paragraph 6 are no longer met.

Certain Concentrations

B12. The Board believes that the lack of sufficient diversity related to an aspect of a significant revenue source or expense may expose the government to risk because it may limit a government’s ability to acquire resources or to control spending. The Board noted that although information about certain concentrations could be obtained from certain statistical section schedules, most governments do not prepare an annual comprehensive financial report. The Board believes that the nature of a concentration often is associated with certain aspects that underlie those revenues and expenses. The examples in paragraph 4 were provided consistent with that belief.

B13. A concentration of principal employers exists when a small number of employers comprise a significant portion of the total employment in a government’s jurisdiction. In those situations, one such employer moving to another jurisdiction or going out of business could result in a substantial decrease in income, sales, or property tax revenue for the government. Furthermore, the employees that move with the business will no longer be living in the jurisdiction, contributing to its economy, or paying taxes of their own. Employees of a business that closes may be less able to contribute to the economy or pay taxes and may increase the government’s costs related to services to the unemployed. Other governments rely on a principal industry that dominates their tax base, such as tourism or retail trade. Tax revenues could be lost or otherwise substantially affected if there is a disruption in that industry.

B14. Some governments rely on one or a few principal resource providers. For example, a large portion of a government's sales tax revenue may come from a small number of large retailers, or a majority of a school district's revenue may come from state aid. Like businesses, some business-type activities, such as utilities, may receive a large portion of their revenues from user charges to a small number of customers. A government also may have a concentration in the *composition* of its revenue, for example, if most of its revenue consists of property taxes, as opposed to an array of taxes, fees, and grants.

B15. A government may be vulnerable to concentrations that limit its ability to control spending. For example, a sizable portion of a government's employees may be covered by collective bargaining agreements that limit the government's ability to control spending by locking in wage rates or benefit levels or stipulating staffing levels. Another example of a spending-related concentration might be a reliance on unique materials or services such that a government is dependent on a particular supplier to provide those critical materials or services.

Certain Constraints Common in the Governmental Environment

B16. Governments commonly are subject to constraints that limit their ability to acquire resources or control spending. Under certain circumstances, such constraints may affect a government's ability to continue to provide services at the level provided in the current reporting period or to meet its obligations as they come due. Constraints on a government's ability to obtain resources include, but are not limited to, those imposed by creditors, grantors, or contributors; enabling legislation; and statutory or constitutional limitations such as state-government-imposed caps on the assessment or levying of property taxes or on the total amount of debt a local government may have outstanding. A government's ability to control spending may be adversely affected by limitations on what costs can be incurred and in what amounts. For example, debt covenants typically stipulate the level of spending relative to pledged revenue. Mandates to expend resources on a particular program may diminish a government's spending flexibility by prohibiting the government from reducing spending on that program or requiring that the government contribute additional resources of its own.

B17. As described in Appendix A, the initial round of interviews with users primarily focused on feedback related to the three categories of risks and uncertainties that are addressed in FASB Codification Topic 275. Interviewees also were asked what *other* information about the risks and uncertainties faced by governments they would use in their analyses for making decisions or assessing accountability if it were available. The responses from interviewees centered on certain constraints that were common in the governmental environment. The Board decided to develop a category for purposes of the second round of interviews that included those types of risks, which were described as risks that are based on a current condition common in the governmental environment (though not necessarily limited to governments) that create a limitation on a government's ability to acquire resources or control spending. Many of the users participating in the second round of interviews provided feedback that they would use information described by this category in both their qualitative and quantitative analyses related to a government's financial health and creditworthiness.

B18. Although all of the aforementioned constraints are externally imposed constraints, the Board considered whether a government could place constraints as defined in this Statement on itself. Paragraph 10 of Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, defines *committed fund balance* as, “amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority.” A commitment of resources is not legally enforceable in the same manner as enabling legislation; in other words, an external party may not be able to compel the government to use the resources as specified when the government committed the resources. However, as stated in paragraph 10 of Statement 54, “Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.” Based on those descriptions, the Board believes that a constraint that is self-imposed through a government’s highest level of decision-making authority can expose a government to risk, comparable to the risk posed by externally imposed constraints, though perhaps not as difficult to mitigate.

Disclosure Criteria

B19. To meet this Statement’s objective of providing users of government financial statements with essential information about risks, the Board considered establishing parameters that would result in disclosure of information about risks that would be most useful to financial statement users. The Board believes that the disclosures required by this Statement meet the criteria of essentiality if they provide an early warning that a government is exposed to a risk that could affect its ability to provide services at the level provided in the current reporting period or meet its obligations as they come due. However, in the absence of criteria that assist a government in determining when disclosure of that risk is warranted, the disclosure may be made too early (potentially resulting in disclosures of risks that never come to fruition) or too late (thereby failing to disclose the warning before the damage has occurred). In both cases, the Board believes that the resulting disclosures would not be sufficiently beneficial to justify the perceived cost of preparing them, in part because it may be difficult for users to identify which risks are most important to examine when a government is exposed to many potential risks. Therefore, the Board sought to develop criteria that would result in disclosure of information about the risks that are most likely to affect a government’s ability to provide services at the level provided in the current reporting period or meet its obligations as they come due. The Board believes a balance can be achieved by specifying criteria related to (a) the likelihood that an event associated with a concentration or constraint will occur, (b) the likelihood that the event will affect the ability to provide services or meet obligations, (c) the magnitude of that effect, (d) the time frame during which the event will begin to occur, and (e) the time frame during which the effect will manifest itself.

B20. When the Board developed Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, it did not require a government to search for pollution that it was obligated to remediate; rather, the provisions of that Statement apply only when a government becomes aware of an obligating event. Similarly, the Board believes that governments should not be required to search for a wide range of potential

events that might result from each of the concentrations or constraints that it faces. Additionally, the Board believes that a government should not be required to disclose risks unless it becomes aware that an event or potential event related to an existing concentration or constraint may lead to a potentially substantial effect.

B21. For the second round of user interviews, the Board developed the following categories of risk: current vulnerabilities due to certain concentrations, the government environment, risks related to significant estimates, and uncertainties related to significant estimates. For those categories, the interviewees were asked for feedback in the context of the following criteria:

- a. Information about the condition or inputs to the estimate is known by the management of the government before the financial statements are issued.
- b. It is reasonably possible that an event associated with the condition or a change in the estimate will occur within 12 months of the financial statement date or shortly thereafter (for example, within an additional 3 months), except for uncertainties related to significant estimates, to which a likelihood of *more likely than not* was applied.
- c. It is reasonably possible that the event or the change in the estimate would have a substantial effect on the government's ability to continue to provide services at the level of the current reporting period or meet its obligations as they come due, except for uncertainties related to significant estimates, to which a likelihood of *more likely than not* that the change in the estimate would be significant was applied.
- d. The substantial effect would occur within two to three years of the financial statement date.
- e. Disclosure would be made at the level of the primary government, unless the effect of the risk or uncertainty is substantially different for a reporting unit and, therefore, would be reported at the reporting unit level.

B22. At the time of the second round of user interviews, the Board believed that those criteria achieved the proper balance, as discussed in paragraph B19, and would be suitable to elicit disclosures at the appropriate point in time and with sufficient benefits to justify the costs of preparing them. The criteria were described in the materials provided to users participating in the second round of interviews, in addition to descriptions of the risk categories, the objectives of disclosing them, and potential examples.

B23. Feedback received from the second round of interviews informed the Board's conclusions about the essentiality of the disclosures related to the categories of risk that had been developed. Users who participated in the outreach also provided feedback about the criteria that had been developed with respect to each category. Interviewees who responded that a category would not be useful to their analyses for making decisions or assessing accountability (for example, uncertainties related to significant estimates), generally believe that the category or risk itself was not relevant to them, rather than that the proposed criteria were not appropriate.

Likelihood of an Event and Effect

B24. The Board believes that the criteria necessary to ensure that the disclosures required by this Statement are limited to essential information about risks faced by a governmental entity should include (a) that the likelihood that an event associated with a concentration or constraint may occur meets or exceeds a certain threshold and (b) that the likelihood that the effect on a government's ability to provide services at the level provided in the current reporting period or meet its obligations as they come due meets or exceeds a certain threshold. Those criteria are intended to assist governments in identifying the risks that are most timely and relevant to disclose in order to be essential to a user's decision making or assessments of accountability.

B25. The GASB's authoritative literature includes several terms that denote degrees of likelihood that governments are required to evaluate in various circumstances, including *remote*, *reasonably possible*, *more likely than not*, *probable*, and *reasonably certain*. The Board considered those existing probability thresholds for the purpose of circumscribing the concentrations and constraints that would be disclosed.

B26. The Board considered, but rejected, certain of those thresholds. The Board concluded that a degree of likelihood of *remote* would not adequately confine disclosures to those essential to users. Remote is defined in Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, as "the chance of the future event or events occurring is slight." If events associated with all concentrations and constraints faced by governments that had at least a slight chance of occurring were subject to disclosure, the volume of disclosure could be excessive, potentially obscuring information that would be essential for users' analyses. The Board also concluded that, at the other end of the spectrum, a threshold of *probable* (defined in Statement 10 as likely to occur) or *reasonably certain* would produce disclosures that could be well past the early warning stage.

B27. The remaining thresholds considered by the Board were *reasonably possible* and *more likely than not*. The Board believes that there are advantages and disadvantages to both thresholds. The term *reasonably possible* is defined in paragraph 55 of Statement 10 as "more than remote but less than likely." The Board believes that the *reasonably possible* threshold may result in disclosure early enough to effectively provide an early warning. However, the Board was concerned that reasonably possible may be too low a threshold to adequately limit the number of events disclosed that ultimately would not occur. Another perceived disadvantage of that threshold is its imprecise definition, which may invite different interpretations from governments applying their professional judgment.

B28. The term *more likely than not* is defined in footnote 2 of Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, as "a likelihood of more than 50 percent," which is a more precise definition than the other thresholds considered. The Board believes that threshold would be effective at distinguishing risks that have a greater likelihood of occurring because it would be a higher bar to clear than a reasonably possible threshold. However, the Board was concerned that it might reduce the early warning effectiveness of the disclosure.

B29. The Board concluded that for purposes of determining the likelihood of an event occurring associated with a concentration or constraint, a criterion of *more likely than not* produces the best balance between screening out nonessential information and providing an early warning to financial statement users. With regard to the likelihood of the effect, the Board decided *reasonably possible* was the more appropriate threshold because when combined with the threshold for the magnitude of the effect (as discussed in paragraphs B31 and B32), it provides a way to communicate essential information when the effects could be substantial. The Board was concerned that the existing definition of *reasonably possible* has an upward boundary of *likely*, which falls short of being 100 percent certain. Therefore, the Board decided to describe the criterion for the likelihood of the effect as *at least reasonably possible*, for which the upward boundary is 100 percent.

B30. The Board acknowledges that assessing whether the criteria have been met for the likelihood of an event occurring and the likelihood of the effect being substantial will involve professional judgment by the government except in cases in which the event has already occurred. However, the Board noted that governments already exercise their professional judgment with respect to *reasonably possible* and *more likely than not* as part of applying existing standards. Therefore, the Board believes that governments should be able to assess the thresholds described in this Statement.

Magnitude of the Effect

B31. In addition to the preceding criteria, the Board believes establishing a threshold for the *magnitude* of the effect of an event that is associated with the concentration or constraint is needed. The Board believes that a more stringent disclosure criterion than the general requirements of materiality is necessary. Some standards convey the notion of a magnitude beyond material with the term *substantial*. For example, with respect to special revenue funds, paragraph 31 of Statement 54 requires that “the restricted or committed proceeds of specific revenue sources should be expected to continue to comprise a substantial portion of the inflows reported in the fund. . . . Governments should discontinue reporting a special revenue fund, and instead report the fund’s remaining resources in the general fund, if the government no longer expects that a substantial portion of the inflows will derive from restricted or committed revenue sources.” Therefore, the Board concluded that governments have sufficient experience with applying the notion of *substantial* to be able to evaluate it as a criterion in this Statement.

B32. The Board acknowledges that because there are varying levels of service that a government may provide, it may be necessary to specify a level of service upon which to assess the effect of a risk. The Board initially considered whether the effects on the ability to provide services should be gauged against a level of service that a government had provided in the current reporting period or some other benchmark. The Board was concerned that a comparison with the current period could be skewed in circumstances in which the level of service provided was noticeably higher or lower than in a typical year, a concern highlighted by the effects of the COVID-19 pandemic on governments’ service levels and priorities. The Board also considered assessing the level of service in the context of a government’s *historical levels of service*. However, the Board was concerned that historical levels would be difficult to uniformly define and could give rise to manipulation

in applying the disclosure criteria. The Board, therefore, decided that the effect on the level of service should be assessed in the context of a government's *ability to continue to provide services at the level provided in the current reporting period*. The Board also noted that a government's level of service is both quantitative and qualitative. In other words, a government's level of service reflects not only the volume of service it provides and the number of constituents that it serves, but also the quality and extent of its services.

Time Frames

B33. The Board considered additional criteria for the note disclosures required by this Statement related to the time frames for (a) when an event associated with a concentration or constraint is more likely than not to begin to occur and (b) when the substantial effect on the ability of the government to provide services at the level provided in the current reporting period or to meet its obligations as they come due is at least reasonably possible to be experienced. With regard to the occurrence of an event, the Board considered the period between the date of the financial statements and the date the financial statements are issued. However, the Board believes that time frame would be too limiting because it would exclude events that a government believes are going to begin to occur before the end of the following fiscal year, thereby diminishing the early warning effectiveness of the disclosure.

B34. The Board believes that the relevant time frame for which the occurrence of an event should be considered for purposes of the disclosures required by this Statement should be the same as that for going concern considerations in Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. That period is described as 12 months beyond the financial statement date; however, paragraph 16 of Statement 56 requires that "if there is information that is currently known to the government that may raise substantial doubt shortly thereafter (for example, within an additional three months), it also should be considered." The Board believes that going concern issues resemble those related to risks in the scope of this Statement and may be viewed as points along the same spectrum of exposure to financial difficulty. In developing Statement 56, the Board concluded that there should not be a bright-line time horizon—such as 12 months—in order to ensure that any known facts that may affect the going concern assumption, even if slightly beyond the 12-month period, are taken into consideration. The Board believes similar considerations are relevant to the disclosures in this Statement and, therefore, concluded that the criterion related to when an event is more likely than not to begin to occur also should be within 12 months of the financial statement date or shortly thereafter (for example, 3 months).

B35. The Board views the time frame criterion as establishing the conclusion of the period during which an event's occurrence would lead to timely and relevant disclosure. Although phrased as "within 12 months of the financial statement date or shortly thereafter," the criterion does not establish a starting point for the period. The Board believes that an event that already has occurred as of the financial statement date may have a substantial effect that has not yet been observed. Furthermore, the Board noted that some events may unfold

over time rather than at a point in time and, consequently, may begin in one period and conclude in the next. Therefore, the Board concluded that an event that had not occurred prior to the financial statement date should at least begin within the time frame of 12 months after the financial statement date or shortly thereafter, even if the event does not conclude until after that period.

B36. With respect to the criterion for the timing of the substantial effect on the government's ability to provide services at the level provided in the current reporting period or meet its obligations as they come due, the Board believes that it should extend beyond the time frame within which the event is more likely than not to begin to occur. The Board noted that the substantial effect of some events may not manifest immediately. For example, the loss of a major property taxpayer may not result in a loss of revenue until the property is next assessed and a levy based on that assessment is imposed by the government. Additionally, to be an effective early warning, disclosure should occur before the ramifications of the event are experienced. For instance, the effect of a state-imposed debt limit (a constraint) and whether the limit has been or soon will be reached, coupled with an event that may require additional debt within three years, would be timely and relevant information to a financial statement user. Therefore, the Board concluded that the time frame of *within three years of the financial statement date* would be long enough to allow the full extent of the substantial effect to be revealed but not so long that a government's assessment of the magnitude and timing of the effect would be speculative.

Notes to Financial Statements

B37. The Board initially contemplated whether disclosures resulting from this Statement would provide essential information if only the criteria for disclosure were prescribed and the contents of the disclosures were left to the professional judgment of governments. That approach was considered due to the variety of types of risk faced by governments, the specific facts and circumstances associated with each of those types of risk, and the Board's desire to reduce the possibility of boilerplate disclosures that may not be essential to users in their analyses for making decisions or assessing accountability. However, the Board believes that the disclosures related to a government's risks should include information that is sufficient to enable users of financial statements to understand the general nature and potential effect of risks to a government's ability to provide services at the level provided in the current reporting period or to meet its obligations as they come due. For that reason, the Board concluded that this Statement should specify the information that governments should disclose about those risks.

B38. The Board believes that the possibility that the disclosures resulting from the requirements of this Statement will be boilerplate and, therefore, less beneficial to users, is counterbalanced by (a) describing the disclosure requirements in terms of how the resulting information should assist users in making decisions or assessing accountability and (b) requiring governments to use their professional judgment to disclose information that is at a sufficient level of detail. The Board believes that framing the disclosure requirements in this manner provides sufficient latitude for governments to use professional judgment to

determine the specific details that may be appropriate for disclosure about their particular circumstances. The Board believes that descriptions of (a) the concentration or constraint and (b) the event associated with the concentration or constraint are a necessary starting point for providing users with essential information about the risks faced by a government.

B39. The Board concluded that the disclosure criteria should be included in the disclosures required by this Statement. The Board believes that knowledge of all the thresholds (likelihood, degree of effect, and time frames) within the disclosure criteria goes beyond the responsibility for obtaining a reasonable understanding by users of notes to financial statements described in Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*. Therefore, the Board believes that disclosing the specific thresholds required by the criteria will help users gauge their level of concern about a disclosed risk and determine how to incorporate that information into their analyses for making decisions or assessing accountability. Additionally, the Board believes this requirement will result in more consistent, comparable, and understandable information.

B40. The Board considered requiring the disclosure of a government's specific determination of likelihood. For example, if a government determines that it is probable or reasonably certain that an event will begin to occur, it would disclose that it is probable or reasonably certain that the event will begin to occur, rather than that it is more likely than not to begin to occur. Similarly, if a government determined that it was at least reasonably possible that the substantial effect would be felt within 18 months, it would specify that period rather than *within 3 years*. The Board acknowledges that such disclosures may provide more relevant information to users of financial statements and more insight into the facts and circumstances of the government than simply stating the minimum thresholds that were met. However, the Board believes that a requirement to disclose a specific determination of likelihood or timing would increase the burden on preparers of financial statements because they would be required to evaluate all degrees of likelihood in GASB literature to determine which to disclose, rather than only assessing whether the criteria thresholds have been met. Furthermore, if governments were to disclose a variety of thresholds, the Board is concerned that it would lead to diversity in practice, diminished comparability of the disclosures between governments, and auditability concerns.

B41. The Board considered disclosures related to a government's *planned* efforts to mitigate the risk associated with a disclosed event. However, the Board believes that disclosing mitigation actions that a government had not yet taken as of the issuance of its financial statements may constitute a prediction about future events or their impact on the government's future financial position. Such information is identified in paragraph 10 of Concepts Statement 7 as being inappropriate for inclusion in notes. Therefore, the Board concluded that this Statement should not require or explicitly allow disclosure of planned mitigation efforts.

B42. The Board did conclude, however, that mitigation efforts that *actually* commenced prior to the issuance of financial statements would be essential to financial statement users and would not constitute a prediction about the effects of a future event on a government's future financial position. Disclosure of actual mitigation efforts was identified by some

users in the second round of interviews as valuable information. The Board considered whether disclosure should be required for a risk that was mitigated so that the criteria for disclosure are no longer met and concluded that disclosure of a risk that no longer meets the criteria should neither be required nor encouraged.

B43. The Board considered whether current-period disclosures should include information about risks disclosed in the prior period. The Board believes current-period disclosures should include information about risks that continue to meet the criteria for disclosure. Similarly, disclosure of the reasons that the prior year's risk no longer meets the criteria is not required.

B44. Regarding the required level of detail of the information in risk disclosures, the Board noted that paragraph 15 of Concepts Statement 7 states, "Notes to financial statements should provide information that corresponds to the reporting units presented in the financial statements," consistent with the overall focus of the financial reporting model. The Board considered whether a characteristic or feature of the disclosures required by this Statement justifies a level of detail different from the reporting units presented in the financial statements. The Board believes that the objective of the note disclosures required by this Statement, combined with the disclosure criteria, emphasizes a focus on the primary government. For example, the Board believes that the risk of a substantial effect on a government's ability to provide services at the level provided in the current reporting period or meet obligations as they come due naturally is relevant at the primary government level; that is, for the government as a whole. However, certain risks may pose a threat to an individual reporting unit. For example, a major enterprise fund that reports a city's transit activities may be vulnerable to a workforce concentration if its bus drivers are covered by collective bargaining agreements. Although the potential effect of that risk may not be substantial at the primary government level, the effect could be substantial for the major enterprise fund. The Board believes that disclosure related to the major enterprise fund may provide essential information to users of financial statements, especially those interested in the services or obligations of that fund. Therefore, the Board concluded that the disclosures required by this Statement should be made for the primary government, including its blended component units, unless the risk to a separate reporting unit is substantially different from the risk to the primary government.

Considerations Related to Benefits and Costs

B45. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards address a significant user need and that the perceived costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B46. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B47. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes this assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B48. Users who participated in the second round of interviews indicated that they would benefit from the new information that would result from this Statement. Such information would be incorporated into their assessments of a government's financial health and flexibility. After considering that input, the Board concluded that disclosure of information about risks within the scope of this Statement will benefit users because (a) a variety of types of users would utilize the information in their analyses for making decisions or assessing accountability and (b) that information is expected to have a meaningful effect on those analyses.

B49. The Board also considered costs specific to preparers and auditors. The Board concluded that although there are costs associated with providing the information, those costs would not be overly burdensome. A concentration or constraint within the scope of this Statement already would be known to a government's management. Additionally, some governments already report similar information for other purposes. The Board believes the most significant aspect of providing the information would involve making professional judgments about the thresholds included in the disclosure criteria. Although those judgments may not be easy, the Board does not believe they would be costly to make. For those reasons, the Board believes the expected benefits of the information resulting from this Statement justify its perceived costs.

Effective Date and Transition

B50. The provisions of this Statement are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. In considering the changes introduced in this Statement, the Board concluded that the effective date allows adequate time for financial statement preparers to plan for the transition and implementation of this Statement. Some governments may wish to implement the guidance earlier than the effective date, which this Statement encourages.

B51. With respect to transition, the Board concluded that it is appropriate to require prospective application of the provisions of this Statement. The reasons for that decision are the same as those discussed in paragraph B11 regarding the requirement that the disclosures be made only for the current year in comparative financial statements.

Alternative View

B52. Two Board members believe that the disclosures resulting from this Statement will be too infrequent or too late as a result of the likelihood threshold for the disclosure criterion of *more likely than not* that an event associated with the concentration or constraint will begin to occur within 12 months of the financial statement date or shortly thereafter.

B53. In December 2021, the GASB added a project to its current technical agenda with an objective of (a) defining going concern and severe financial stress within the governmental environment and (b) identifying the characteristics a government might exhibit indicating it is in severe financial stress or there is substantial doubt about its ability to continue as a going concern. For the categories of risk contemplated in this Statement, the disclosures that will result are intended to provide financial statement users with information about potential events and circumstances *before* a government experiences severe financial stress, in order to be an early warning sign that informs their decision making and assessments of accountability.

B54. In order to be essential for users of financial statements, disclosures related to the risks addressed by this Statement should be made in periods prior to a potential going concern uncertainty or indications of severe financial stress. The Board members that express the alternative view are concerned that with a degree of likelihood of more likely than not, disclosures related to those risks will not be reported until a similar point in time that disclosures related to severe financial stress or going concern uncertainty will be reported. Statement 56 provides indicators of when there may be substantial doubt about a governmental entity's ability to continue as a going concern, and those indicators include proximity to debt and tax limitations; work stoppages or other labor difficulties; legal proceedings, legislation, or similar matters that might jeopardize intergovernmental revenues; and loss of a principal customer, taxpayer, or supplier. Those indicators all are related to the risk categories included in this Statement.

More Likely Than Not versus At Least Reasonably Possible

B55. Disclosure related to a concentration or constraint is required by this Statement if the concentration or constraint is known to the government as of the issuance of the financial statements and two determinations are made: (a) it is more likely than not that an event associated with the concentration or constraint will begin to occur within 12 months of the financial statement date or shortly thereafter (for example, 3 months) and (b) it is at least reasonably possible that within 3 years of the financial statement date, the event would cause there to be a substantial effect on the government's ability to continue to provide services at the level provided in the current reporting period or to meet its obligations as they come due. The two determinations are of equal importance. One is the threshold for the likelihood that an event associated with the concentration or constraint will begin to

occur. The other contains two thresholds—one for how impactful the event will be on the government’s ability to continue to provide services at the level provided in the current reporting period or meet its obligations as they come due and the other for the likelihood that there will be an impact.

B56. The Board members that express the alternative view agree with the Board that a central feature of the disclosures required by this Statement is their selectivity. The specified degree of likelihood and the magnitude of the effect serve to screen the population of potential disclosures related to the two risk categories such that the host of risks that potentially affect every government and might be disclosed are limited to only specific matters of importance to a particular government. However, if the criteria make the disclosure requirements so selective that the resulting disclosures no longer are an early warning sign but, rather, a companion disclosure with severe financial stress or going concern uncertainty, the disclosure has lost much of its value and this Statement will not achieve optimal results related to its objective.

B57. The FASB has existing guidance for vulnerabilities due to certain concentrations (one of the two risk categories in this Statement), which has been in place for many years and is based on SOP 94-6. The FASB guidance utilizes *reasonably possible* as the likelihood of occurrence of an event related to a vulnerability due to a concentration. The Board members that express the alternative view are not aware of any evidence that the resulting FASB disclosures are so commonplace that they have become ineffective or boilerplate. Notwithstanding that the environment for financial reporting within the FASB’s jurisdiction is different than the state and local governmental environment, that lack of evidence indicates that disclosures resulting from a lower likelihood of occurrence threshold have not resulted in disclosures that are not considered sufficiently selective.

B58. The GASB has previously utilized the threshold of more likely than not for recognition in financial statements. For example, in Statements 70 and No. 99, *Omnibus 2022*, the Board requires the recognition of a liability and expense for financial guarantees a government extended for liabilities of other entities or individuals when it is more likely than not that the government will be required to make a payment related to the guarantee. That contrasts with the utilization of reasonably possible as a threshold for determining when certain disclosures should be required in notes to financial statements. For example, Statement 62 requires disclosure of a contingency when there is at least a reasonable possibility that a loss may have been incurred. This Statement instead utilizes the same degree of likelihood of occurrence for the disclosure of a risk that existing standards require for the recognition of a liability for financial guarantees.

Interaction with the Magnitude of the Effect

B59. The criterion for the magnitude of the effect of an event in this Statement is that the event would have a substantial effect on a government’s ability to continue to provide services at the level provided in the current reporting period or to meet its obligations as they come due. The Board members that express the alternative view believe that using

substantial as the threshold for the magnitude of the effect in combination with the requirement that the effect be at least reasonably possible to occur within 3 years of the financial statement date sufficiently limits the volume of disclosure, avoiding a situation in which so many disclosures are provided that they lose their selectivity and effectiveness.

B60. In summary, the Board members that express the alternative view believe the disclosures required by this Statement are an improvement over existing standards because some important risks will be disclosed that were not specifically required to be disclosed in the past. However, by so stringently limiting the disclosures with the event threshold of more likely than not, the members that express the alternative view believe that the Board will not achieve the objective of this Statement. If an event that could have a substantial effect on a government's ability to continue to provide services at the level provided in the current reporting period or to meet its obligations as they come due is more likely than not to begin to occur, the Board members that express the alternative view believe the government already will be displaying characteristics of going concern uncertainty or severe financial stress, and the warning will arrive too late to be essential information for financial statement users. A degree of likelihood that an event's occurrence is at least reasonably possible would provide the early warning sign, which is the Board's objective, and when combined with the substantial effect criterion, would result in the appropriate amount of disclosure at the most opportune time.

Appendix C

ILLUSTRATIONS

C1. This appendix illustrates certain disclosure requirements of this Statement. The facts assumed are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. Application of the provisions of this Statement may require assessment of facts and circumstances other than those illustrated here. No inference about determining materiality should be drawn from these illustrations.

Illustration 1—Concentration: Principal Resource Provider

Facts and Assumptions

Sample City created a tax increment financing district to fund construction of a commercial complex with offices and retail. The City financed the project by issuing bonds payable solely from the incremental taxes collected from the properties in that district. The project is expected to take several years to complete, during which time a private developer is the primary property taxpayer. The City is responsible for supplementing the debt service payments should the incremental taxes be insufficient.

During the City's fiscal year ended June 30, 20X1 (the year for which it is preparing its financial statements), the City became aware that the private developer was experiencing significant financial difficulties. In May 20X1, the developer filed for Chapter 7 bankruptcy. Management of the City has determined that it is at least reasonably possible that the loss of the property tax revenue from the developer will have a substantial effect on the City's ability to pay the debt service on the bonds as they come due. Management believes that the effect will begin to occur as soon as 20X2.

- Concentration: A private developer is the primary property tax payer in a tax increment financing district that is sizable to the City.
- Event: The City became aware that the private developer was experiencing significant financial difficulties. In May 20X1, the developer filed for Chapter 7 bankruptcy.
- Likelihood of the event occurring and its timing: The event already has occurred and therefore meets the threshold of more likely than not.
- Likelihood of a substantial effect and its timing: Management of the City has determined that it is at least reasonably possible that the loss of the property tax revenue from the developer will have a substantial effect on the City's ability to pay the debt service on the bonds as they come due. Management believes that the effect will begin to occur as soon as the fiscal year ending June 30, 20X2, which is within three years of the financial statement date.
- Mitigant: None.

Illustrative Disclosure

Note X. Concentration of a Principal Resource Provider

During the fiscal year ended June 30, 20X1, the private developer and principal taxpayer in the City's tax increment financing (TIF) district filed for Chapter 7 bankruptcy. Because the incremental property taxes generated from the TIF district are pledged to pay the debt service payments of the TIF bonds, and the City is responsible for supplementing the debt service payments if the incremental taxes are insufficient, the City believes that it is at least reasonably possible that the loss of incremental property tax revenue will have a substantial effect on its ability to make the debt service payments as they come due within the next three years.

Illustration 2—Concentration: Composition of Principal Inflows of Resources

Facts and Assumptions

Model School District is a legally separate entity that is not a component unit of any other government. The School District annually receives general state formula aid for elementary and secondary education purposes. In the fiscal year ended June 30, 20X1 (the year for which the School District is preparing financial statements), the state aid accounted for XX percent of the total revenues of the School District. The School District's financial statements were issued on January 10, 20X2.

The state establishes a general formula aid appropriation each year to fund the provision of resources to each of the school districts in the state. In early January 20X2, prior to the issuance of the School District's financial statements, the state announced its proposed budget for fiscal year July 1, 20X2, through June 30, 20X3, which would reduce the state aid appropriation for the School District by YY percent. The legislative session in which the budget typically is approved concludes at the end of February.

Management of the School District has determined that it is more likely than not that the State Legislature will approve the proposed reduction in funding to the School District. Management also has determined that it is at least reasonably possible that such a reduction will have a substantial effect within three years of the fiscal year ended June 30, 20X1 (in other words, before June 30, 20X4) on the School District's ability to provide services at the same level as were provided in the fiscal year ended June 30, 20X1, or to meet its obligations as they come due.

- Concentration: The School District receives XX percent of its total revenue from state aid.
- Event: The state aid appropriation to the School District will be reduced by YY percent.
- Likelihood of the event occurring and its timing: Management of the School District has determined that it is more likely than not that the State Legislature will approve the reduction in funding in February 20X2.

- Likelihood of a substantial effect and its timing: Management of the School District has determined that it is at least reasonably possible that the reduction in state aid will have a substantial effect on the School District's ability to provide services at the same level as the current year or to meet its obligations as they come due. Management believes that the effect will begin to occur within three years of the financial statement date.
- Mitigant: None.

Illustrative Disclosure

Note X. Concentration of Inflows of Resources

During the fiscal year ended June 30, 20X1, XX percent of the District's revenue came from general state formula aid. The District has determined that it is more likely than not that the State Legislature will, prior to June 30, 20X2, adopt a state budget that includes a reduction in general state formula aid to school districts of YY percent. The District has determined that it is at least reasonably possible that this reduction in the District's state aid will have a substantial effect on the District's ability to continue to provide services at the level provided in the fiscal year ended June 30, 20X1, or to meet its obligations as they come due. The District has determined that the substantial effect will occur by the fiscal year ended June 30, 20X4.

Illustration 3—Concentration: Labor

Facts and Assumptions

As of December 31, 20X1, all uniformed firefighters employed by Template Fire District, excluding the chief and two captains, are members of the State Association of Firefighters, a public employee union that collectively bargains with the District on behalf of those District employees. The existing five-year labor contract expires on June 30, 20X2, and negotiations on a new contract have been contentious and ongoing since September 20X1. The District's financial statements for the fiscal year ended December 31, 20X1, were issued on March 22, 20X2.

District management has determined that it is more likely than not that the new contract negotiations may not be completed before the existing contract expires, resulting in a labor disruption. District management has determined that it is at least reasonably possible that such a disruption will have a substantial effect on the District's ability to provide services to its residents and businesses. That disruption could begin as early as July 1, 20X2.

- Concentration: Nearly all uniformed firefighters employed by the District are subject to a collective bargaining agreement.
- Event: The existing labor agreement will lapse without completion of a new labor agreement, resulting in a labor disruption.
- Likelihood of the event occurring and its timing: Management of the District has determined that it is more likely than not that the existing labor agreement will expire without a replacement having been ratified, and a labor disruption will commence as early as July 1, 20X2.

- Likelihood of a substantial effect and its timing: Management of the District has determined that it is at least reasonably possible that the labor disruption will result in a substantial effect on the District’s ability to provide services to its residents and businesses at the level of the current fiscal year beginning as early as July 1, 20X2.
- Mitigant: None.

Illustrative Disclosure

Note X. Concentration of Workforce Covered by Collective Bargaining Agreement

All of the District’s uniformed firefighters, except for its chief and captains, are covered by a collective bargaining agreement with the State Association of Firefighters that expires on June 30, 20X2. The District has determined that it is more likely than not that the negotiations for a new agreement will not be completed before that date. The District has determined that it is at least reasonably possible that there will be a substantial effect on its ability to continue to provide services at the level provided in the current reporting period beginning as early as July 1, 20X2, until an agreement is reached.

Illustration 4—Constraint: Limitations on Raising Revenue

Facts and Assumptions

As a result of an initiative passed in 20X4 by voters in Sample County, property tax increases are capped at 1 percent per year. Any increases above the limit require majority approval in a voter referendum. Property taxes accounted for a substantial amount of the County’s revenues in the fiscal year ended September 30, 20Y1 (the year for which it is preparing financial statements) and are the primary funding source for the County’s infrastructure projects. The County’s financial statements were issued on January 27, 20Y2.

In February 20Y2, the County will conduct its biennial road and bridge assessment, and the County’s management has determined that it is more likely than not that extensive structural restoration work will be necessary for certain primary roads and bridges in the County due to severe weather events that occurred during the current fiscal year.

At the time the County was preparing its financial statements, construction costs were rising sharply, most notably related to steel, concrete, and asphalt products. Management of the County has determined that it is at least reasonably possible that the combination of the impending need for infrastructure spending, the rising cost of construction materials, and the property tax cap will have a substantial effect on the County’s ability to continue to provide adequate infrastructure to the citizens and businesses of the County within the next three years.

On November 1, 20Y1, the County Commission approved the addition of a ballot measure for the next election date of May 1, 20Y2, to increase the property tax cap to help mitigate the effect of the additional expenditures.

- Constraint: The County is subject to a 1 percent cap on property tax increases.
- Event: The County’s biennial road and bridge assessment requires additional infrastructure improvements and a sharp rise in construction costs.
- Likelihood of the event occurring and its timing: The sharp rise in construction costs already has occurred. Management of the County has determined that it is more likely than not that the biennial road and bridge assessment will indicate by the end of February 20Y2 that extensive structural and restoration work will be necessary.
- Likelihood of a substantial effect and its timing: Management of the County has determined that it is at least reasonably possible that it will not be able to continue to provide the level of service of the current fiscal year to its residents and businesses. Management believes that the effect will begin to occur within three years of the financial statement date.
- Mitigant: The County Commission approved the addition of a ballot measure to increase the property tax cap.

Illustrative Disclosure

Note X. Risk Due to Property Tax Cap

Under the Voter Initiative Act of 20X4, the County is subject to a cap on property tax increases of 1 percent per year. For the fiscal year ended September 30, 20Y1, property taxes accounted for a substantial amount of the County’s revenues and are the primary funding source for infrastructure projects.

The County has determined that it is more likely than not that its next condition assessment of the County’s roads and bridges, scheduled for February 20Y2, will reveal a need for extensive structural restoration work. Due to the need for that restoration work and recent increases in construction material costs, the County has determined that it is at least reasonably possible that the limitation on raising revenue will have a substantial effect on the County’s ability to continue to provide services at the level provided in the current period within the next three years.

The County Commission has approved a measure for the May 1, 20Y2 ballot asking voters to approve an increase in the property tax cap to help mitigate that risk.

Illustration 5—Constraint: Mandated Spending

Facts and Assumptions

Example Wastewater Authority provides sewer services to its citizens and businesses. The Authority is subject to certain state environmental regulations, including those mandated by the State Department of Ecology, in order to maintain the permit to operate its wastewater treatment plant. The Authority’s financial statements were issued on October 13, 20X1.

In 20X0, the Department of Ecology proposed new regulations that, if finalized as is, the Authority would have to comply with by September 1, 20X6. Those regulations would reduce the allowable level of certain pollutants in effluent by one-third. Management has

determined that it is more likely than not that the regulations will be adopted on November 1, 20X1, the date on which the Department will announce the results of its review of public input.

As of June 30, 20X1, the effluent from the Authority's wastewater treatment plant contains close to the current allowable level. Management has determined that complying with the new regulations by the deadline would substantially increase costs beginning in 20X3, including both operating costs and debt service on the borrowing that would be necessary to upgrade the pollutant reduction capability of the treatment plant. As such, the Authority has determined that it is at least reasonably possible that those costs will substantially affect the Authority's ability to meet its other obligations as they come due within three years of the date of the financial statements.

Prior to the issuance of the financial statements, the Authority's Water Board began to plan for rate increases to provide at least some of the necessary resources.

- **Constraint:** The Authority is subject to environmental regulations mandated by the State Department of Ecology and is required to incur costs to conform.
- **Event:** The Department of Ecology's adoption of new regulations will require the Authority to reduce the level of certain pollutants.
- **Likelihood of the event occurring and its timing:** Management has determined that it is more likely than not that the regulations will be adopted on November 1, 20X1.
- **Likelihood of a substantial effect and its timing:** Management of the Authority has determined that complying with the new regulations will substantially increase costs and that it is at least reasonably possible that those costs will substantially affect the Authority's ability to meet its other obligations as they come due. Management believes that the effect will begin to occur in 20X3, which is within three years of the financial statement date.
- **Mitigant:** The mitigation is planned but not yet put into action; therefore, it should not be disclosed.

Illustrative Disclosure

Note X. Risk Due to Unfunded Mandate

The Authority's wastewater treatment operations are subject to environmental regulations established by the State Department of Ecology. The Department of Ecology has proposed new regulations that would require reducing the allowable level of certain pollutants in effluent by one-third. If adopted, the Authority would be required to comply with the new regulations by September 20X6. The Authority has determined that it is more likely than not that the new regulations will be adopted by June 30, 20X2.

The Authority has determined that in order to meet the September 20X6 deadline, it is at least reasonably possible that the additional operating costs and debt service on the borrowing that would be necessary to increase the pollution reduction capabilities of the treatment plant will have a substantial effect within the next three years on the Authority's ability to meet its obligations as they come due.

Appendix D

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2023 Update

D1. The instructions that follow update the December 31, 2021 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statement No. 100, *Accounting Changes and Error Corrections*, for the provisions of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

ADDITIONAL FINANCIAL REPORTING CONSIDERATIONS SECTION 2250

Sources: [Add GASBS XX.]

.101 [In the third sentence, add paragraphs .160–.165 to the list; revise the first sentence as follows:] This section establishes accounting and financial reporting standards for related party transactions, subsequent events, going concern considerations, accounting changes and error corrections, and risks related to certain concentrations or constraints. [GASBS 56, ¶2; GASBS 62, ¶3 and ¶54–¶89; GASBS XX, ¶3–¶8]

[Under the heading “Subsequent Events,” insert new paragraph .117 as follows; renumber subsequent paragraphs.]

.117 Paragraphs .160–.165 of this section address risks related to certain concentrations or constraints, including those that occur subsequent to the statement of net position date but before the financial statements are issued. [GASBS XX, ¶3–¶8]

[Under the heading “Going Concern Considerations,” insert new paragraph .122 as follows; renumber subsequent paragraphs.]

.122 Paragraphs .160–.165 of this section address risks related to certain concentrations or constraints, the effects of which may be considered when evaluating whether there is substantial doubt about a government’s ability to continue as a going concern. [GASBS XX, ¶3–¶8]

[Insert new paragraphs .160–.165, including heading, as follows:]

Risks Related to Certain Concentrations or Constraints

.160 [GASBS XX, ¶3; replace *This Statement establishes* with *Paragraphs .160–.165 establish.*]

.161–.163 [GASBS XX, ¶4–¶6, including headings and footnotes; in the footnotes, replace *of this Statement* with *paragraphs .160–.165.*]

.164 [GASBS XX, ¶7, including heading]

.165 [GASBS XX, ¶8]

[Insert new heading .728 and associated text as follows; renumber the subsequent heading and paragraphs:]

.728 Risks Related to Certain Concentrations or Constraints

No questions assigned.

* * *

NOTES TO FINANCIAL STATEMENTS

SECTION 2300

Sources: [Add GASBS XX.]

.107 [Insert new subparagraph III as follows and add GASBS XX, ¶3–¶8 to the sources of the paragraph:]

III. Risks related to certain concentrations or constraints. (See Section 2250, paragraphs .160–.165.)

* * *

CLAIMS AND JUDGMENTS

SECTION C50

Sources: [Add GASBS XX.]

[Under the heading “Other Disclosures,” insert new paragraph .169 as follows; renumber the subsequent paragraph.]

.169 Paragraphs .160–.165 of Section 2250 address risks related to certain concentrations or constraints, including some that have the characteristics of a contingency. [GASBS XX, ¶3–¶8]

* * *

INVESTMENTS

SECTION 150

Sources: [Add GASBS XX.]

[Under the heading “Concentration of credit risk,” insert new paragraph .155 as follows; renumber subsequent paragraphs.]

.155 Paragraphs .160–.165 of Section 2250 address risks related to certain concentrations or constraints, including some that have the characteristics of a concentration of credit risk. [GASBS XX, ¶3–¶8]