



GASB Update

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



Agenda

- **Opening Remarks**

- “Finding the Balance?”

- **Projects in the Works**

- **Project Being Implemented**

- Accounting Change and Error Corrections (Statement 100)
- Compensated Absences (Statement 101)
- Certain Risk Disclosures (Statement 102)



June 30 Effective Dates

June 30: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – Accounting Changes and Error Corrections
- IG 2021-1 – update (5.1)

June 30: Fiscal Year 2025

- Statement 101 – Compensated Absences
- Statement 102 – Certain Risk Disclosures

New GASB Statement Impact

Statement and FY Effective		Potential Level of Effort*						
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GASB 99 – Omnibus (multiple effective dates)	Various					Small		
GASB 100 – Accounting Changes and Error Corrections	2024					Small		
GASB 101 – Compensated Absences	2025					MEDIUM		
GASB 102 – Certain Risk Disclosures	2025					Small		

*Based on June 30 fiscal years

Government Accounting Research System (GARS)

■ New GARS

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

The screenshot shows the GARS website home page. At the top, there is a browser window with the URL 'gars.gasb.org/Home'. A cookie consent banner is visible, stating 'NOTICE: This website uses cookies to collect and process data.' Below the banner, the GARS logo is on the left, and the main content area features a 'Welcome to the Governmental Accounting Research System™' heading. A notification indicates the system was updated through December 31, 2022. The page is divided into sections for 'About GARS', 'What's New in This Update', and 'Help'. The 'What's New' section lists several GASB and Concepts Statements with links to their respective pages. The 'Help' section provides links to 'Help Topics' and 'User Guide'.

New GARS platform...

The screenshot shows a web browser window displaying the GARS (Governmental Accounting Research System) website. The browser's address bar shows the URL gars.gasb.org/search. A cookie consent banner is visible at the top, with an "Accept" button. The main content area shows search results for "SBITA".

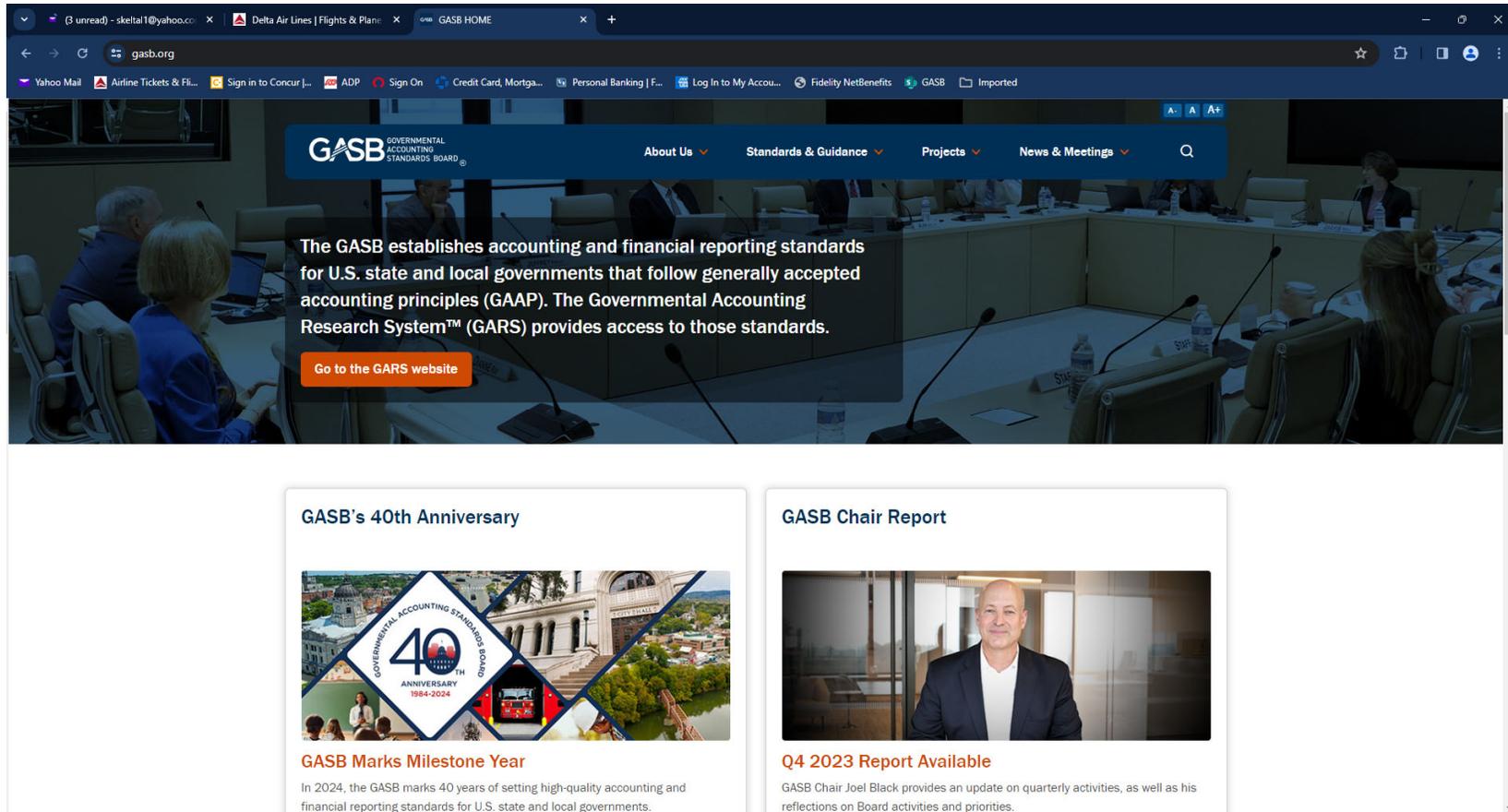
Left Sidebar: Contains the GARS logo (Governmental Accounting Standards Board) and a search bar. Below the search bar are navigation links: Codification, Original Pronouncements, Comprehensive Implementation Guide, Other Reference, Tools, and Logout. At the bottom of the sidebar, it states "Updated through December 31, 2022".

Main Content Area: Shows "Showing 168 results in 2 categories for SBITA". There are three tabs: "Codification (40)", "Original Pronouncements (128)", and "Comprehensive Implementation Guide (0)". The "Codification" tab is selected.

Search Results: The results are listed under the "Codification" tab. Each result includes a breadcrumb trail, a title, and a brief description. The first result is "S80.112" with the title "Short-Term SBITAs" and a description: "For a SBITA that has cancellable periods, such as a rolling month-to-month SBITA or a year-to-year SBITA, the maximum possible term of that SBITA is the noncancellable period, including any notice periods. A SBITA that previously had been determined to be short term and has been modified to extend the initial maximum possible term under the SBITA contract should be reassessed from the inception of the SBITA....". The second result is "S80.107" with the title "Subscription Term" and a description: "the SBITA term...". The third result is "S80.108" with the title "Subscription Term" and a description: "For example, a rolling month-to-month SBITA, or a SBITA that continues into a holdover period until a new SBITA contract is entered into, would not be enforceable if both the government and the SBITA vendor have an option to terminate and, therefore, either could cancel the SBITA at any time....". The fourth result is "S80.106" with the title "Subscription Term" and a description: "covered by a SBITA vendor's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will exercise that optionPeriods covered by a SBITA vendor's option to terminate the SBITA if it is reasonably certain,...". The fifth result is "S80.111" with the title "Subscription Term".

Right Sidebar: Contains a "Content Type" section with a checkbox for "Standards (40)". Below it is a "Narrow Results By Section" section with a dropdown menu labeled "Section" and an "Add" button. A note below the dropdown says "Click into the field to start filtering the results."

New GASB website.....



Current Technical Agenda Projects

Technical Plan Overview

▪ Conceptual Framework:

- Disclosure Framework
- ~~Recognition~~

▪ Comprehensive Projects:

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

▪ Major Projects:

- Going Concern / Severe Financial Stress
- Infrastructure Assets

* - Governmental Funds removed 06/2023

▪ Practice Issues:

- Accounting Changes and Error Corrections (100)
- Compensated Absences (101)
- Implementation Guide—Update
- Nonfinancial Assets
- Omnibus (99)
- Certain Risks Disclosures (102)
- Subsequent Events

▪ Pre-Agenda Research Activities:

- GAAP Structure
- GAAP Conformity
- Capital Assets
- Subsequent Events

Monitoring

Digital Assets

Electronic Financial Reporting

Environmental Credits

SBITA Implementation

Other

Pre-Agenda Research / Monitoring Post-Implementation Reviews (PIR)

PIR Topics

- **Currently, the GASB is reviewing the following:**
 - Statements 67 and 68 - Pensions
 - Statement 72 - Fair value measurement and application
 - Statements 74 and 75 - Other postemployment benefits
 - Statement 84 - Fiduciary activities
 - Statement 87 - Leases

PIR Status

Pronouncement	Completed			To be Completed			Current Quarter Activity
	Stage 1	Stage 2	Stage 3	Stage 1	Stage 2	Stage 3	
Pensions	1Q 2019	4Q 2022				4Q 2023	<ul style="list-style-type: none"> Report drafting continues.
Fair Value	3Q 2020				4Q 2023	4Q 2024	<ul style="list-style-type: none"> Continued development of protocol and roundtable material. Began scheduling of roundtables.
OPEB	4Q 2021				4Q 2025	4Q 2026	<ul style="list-style-type: none"> Virtual and in person roundtables have begun.
Fiduciary				4Q 2024	2Q 2028	2Q 2029	<ul style="list-style-type: none"> Continued archival analysis. Continued to administer costs surveys.
Leases				2Q2025	2Q 2029	2Q 2030	<ul style="list-style-type: none"> Continued archival analysis. Continued to administer costs surveys.

Statements Being Implemented

Right-to-Use Statements

Statement 87

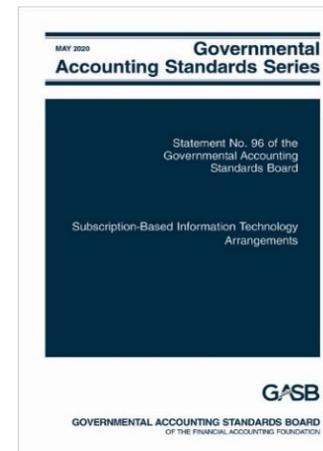
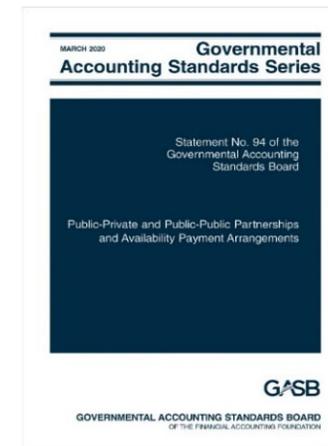
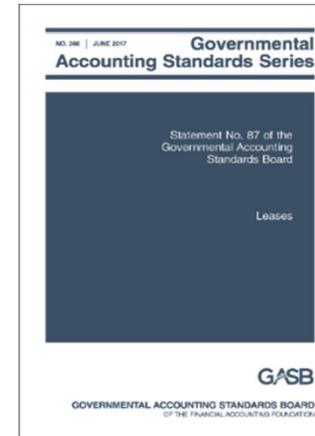
Leases

Statement 94

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

Statement 96

*Subscription-Based Information Technology
Arrangements*



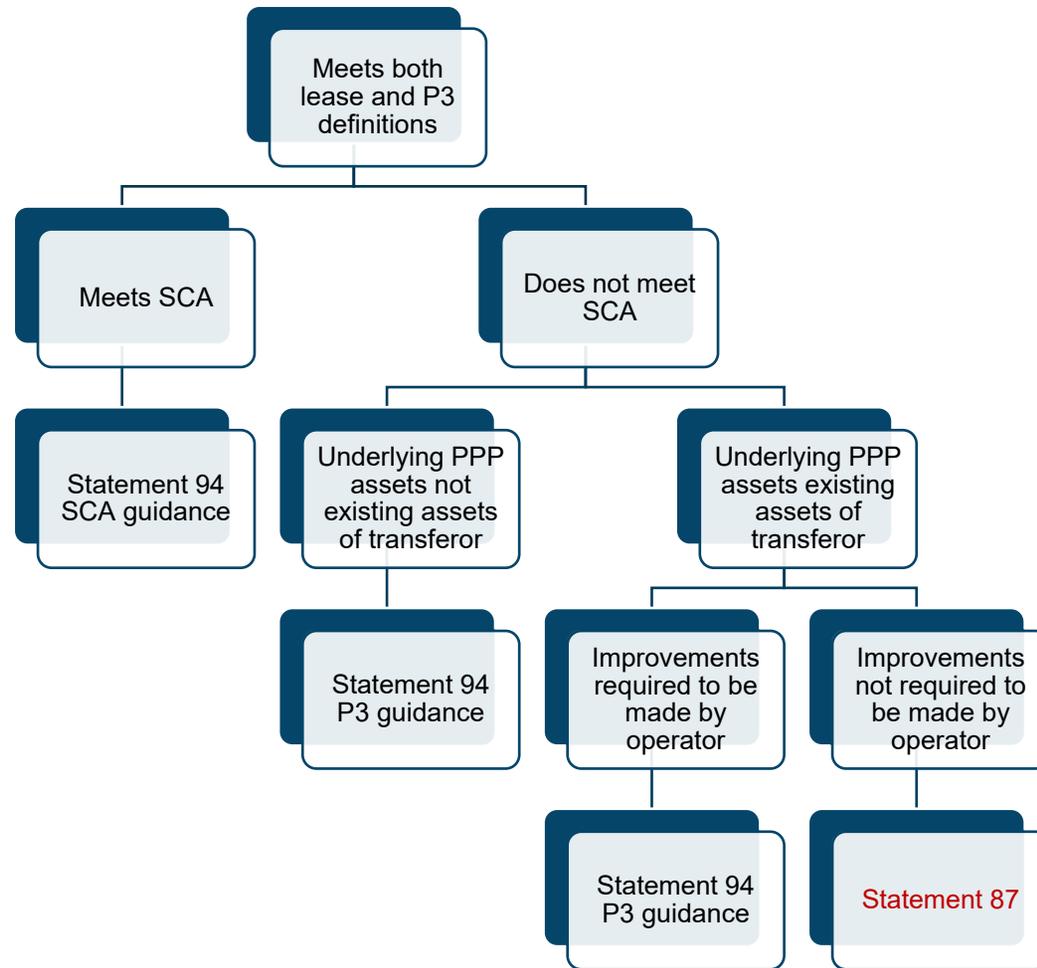
Definitions – Leases, PPP, and SBITA

Lease - a **contract** that **conveys control of the right** to use another entity's nonfinancial asset (the **underlying asset**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

P3 - arrangement in which a government (the transferor) **contracts** with an operator [governmental or nongovernmental] to provide public services by **conveying control of the right** to operate a nonfinancial asset, such as infrastructure or other capital asset (the **underlying PPP asset**), for a **period of time** in an **exchange or exchange-like transaction**.

SBITA - a **contract** that **conveys control of the right** to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the **underlying IT assets**) as specified in the contract for a **period of time** in an **exchange or exchange-like transaction**.

Relationship between Leases and P3



Relationship between Leases and SBITAs

- **All SBITAs meet definition of lease**
- **Depends on what the underlying asset is:**
 - Tangible capital assets alone – Statement 87
 - IT software alone – Statement 96
 - IT software in combination with tangible capital assets:
 - Software component is insignificant compared to cost of tangible capital asset – Statement 87
 - Otherwise – Statement 96
- **Also excluded from Statement 96:**
 - Governments acting as SBITA vendors
 - Contracts that meet the definition of a P3 in Statement 94
 - Perpetual software licenses

Implementation Guide Question

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

Topics That Are The Same

- Lease/PPP/Subscription Term
- Short-Term Lease/SBITA
- General recognition and measurement
- Contracts with multiple components
- Modifications and terminations



Lease and SBITA Topics

- **We can infer the following issues based on conversations with stakeholders.**

- What is the lease population?
- Do I have access to all the contracts?
- Does the government have all the amendments to the lease?
- What is the right level of materiality for leases/SBITA? \$5,000?

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

Lease and SBITA Topics

▪ Technical Inquiries most often fielded by the team

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

Topics Unique to Statements 94 & 96

▪ Unique to 94

- Service Concession Arrangements
- New or Improved Underlying PPP Assets
- Availability Payment Arrangements

▪ Unique to 96

- Implementation Costs
- Subscription Term
- Multiple Modules

Accounting Changes and Error Corrections

Statement No. 100

June 2022

Governmental Accounting Standards Series

Statement No. 100 of the
Governmental Accounting
Standards Board

Accounting Changes and
Error Corrections

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB GOVERNMENTAL
ACCOUNTING
STANDARDS BOARD

Reexamination of Statement 62

What?

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

Why?

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

When?

Exposure Draft approved May 2021

More about Why...

- **Research showed issues related to:**

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

- **Common questions regarding:**

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



Type of Accounting Changes / Corrections

Change in Accounting Principle

Change in Accounting Estimate

Change to or Within the Financial Reporting Entity

Corrections of an Error (not an Accounting Change)

Statement Proposals

- **For each type of Accounting Change and Error Correction**

- **Definitions**

- What is included in each type

- **Accounting & Reporting**

- Restatement (and if so which period) or accounted for in current period
- Includes discussion of impact on RSI and SI

- **Disclosures**

Change in Accounting Principle

▪ Definition

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

▪ Accounting

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

Change in Accounting Estimate

▪ Definition

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

▪ Accounting

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

Change to or Within the Financial Reporting Entity

▪ Definition

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

▪ Accounting

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

Correction of Error

▪ Definition

- An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of **facts that existed at the time the financial statements were issued** about conditions that existed as of the financial statement date.
 - Facts could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date.

▪ Accounting

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



Display

- **Shown separately**

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

Disclosure

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

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

RSI and SI

- **Change in accounting principle**

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

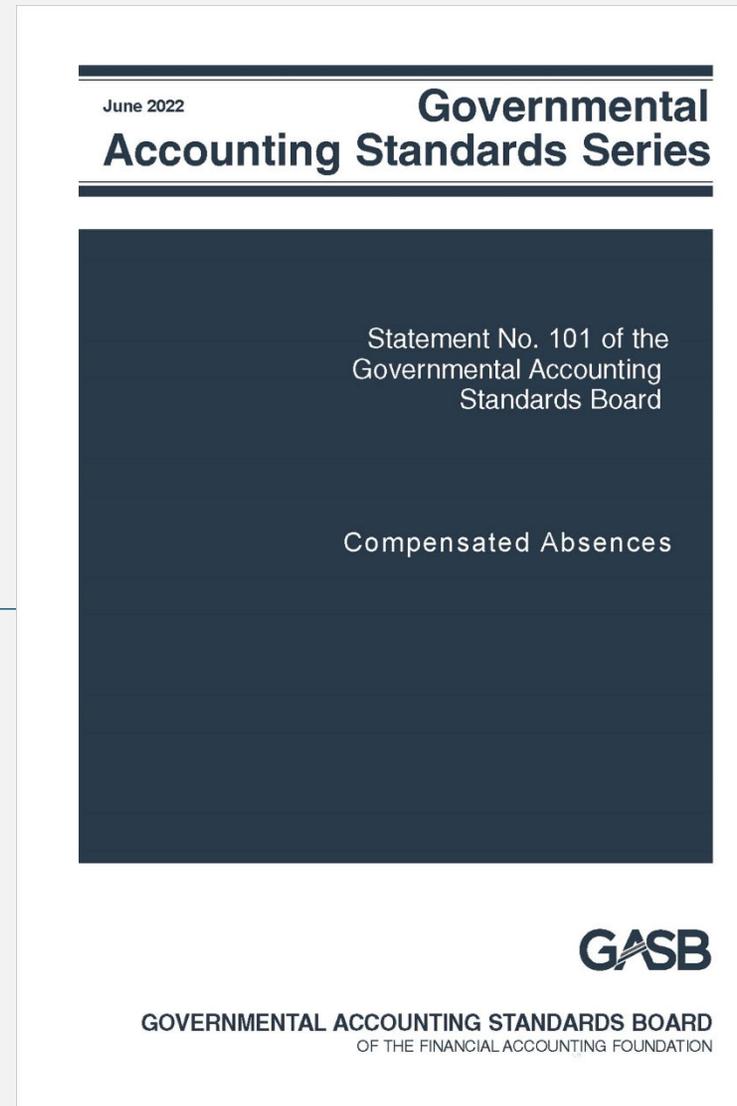
- **Error correction**

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



Compensated Absences

Statement No. 101



Compensated Absences

What?

The Board has amended existing guidance for compensated absences

Why?

A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave

When?

Effective for fiscal years beginning after December 15, 2023.

Earlier application is encouraged

Scope and Applicability

A compensated absence is

- Leave for which employees may receive one or more:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlement, such as conversion to postemployment benefits

Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

Recognition Criteria – Leave that has not been used

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

Exceptions to the General Recognition Approach

Leave more likely than not to be settled through conversion to defined benefit postemployment benefits

- Excluded from liability

Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commences
- Not sick leave or sabbatical leave

Unlimited leave and holiday leave taken on specific date

- Recognize liability when used

Measurement

Pay rate

Generally the employee's pay rate at financial reporting date

Exception: more likely than not to be paid at a different rate

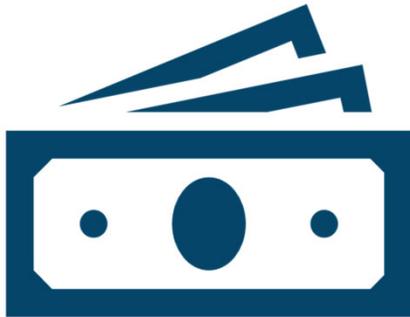
Salary-related payments

Directly and incrementally related

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

DB pension or OPEB excluded

Leave Used But Not Paid



Liability for amount
of cash payment or
noncash settlement

Include applicable
salary-related
payments



Note Disclosures and Effective Date

- **Note disclosures**

- No new note disclosures
- Exceptions to existing long-term liability disclosures for compensated absences:
 - Option to present net increase or decrease with indication that it is a net amount
 - Not required to disclose governmental fund used to liquidate

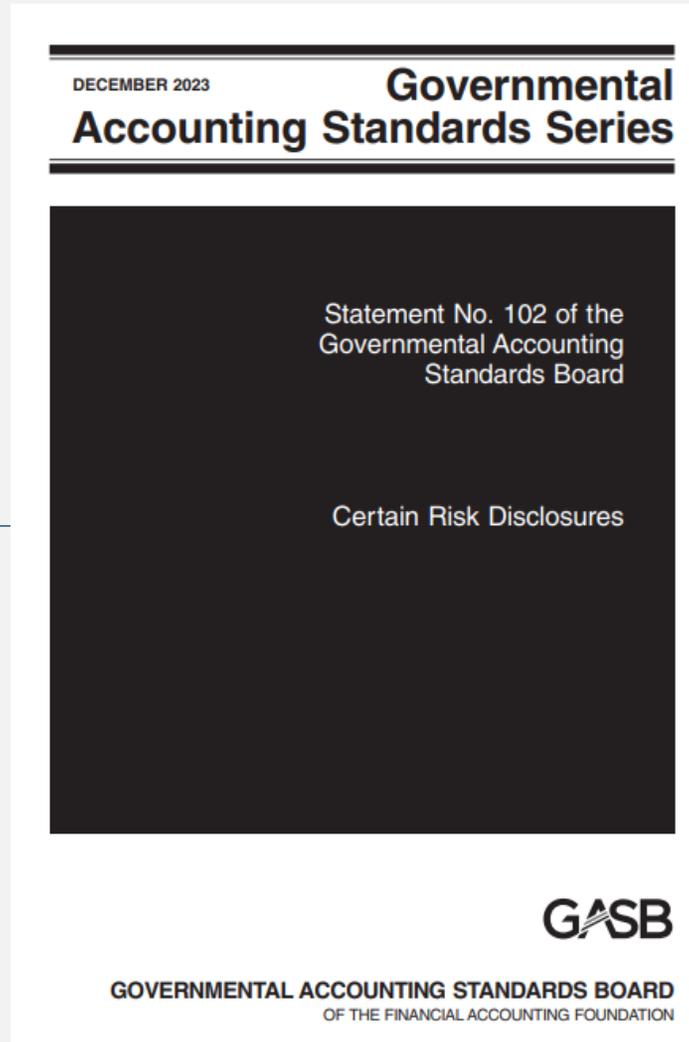
- **Effective date**

- Fiscal years beginning after December 15, 2023



Certain Risk Disclosures

Statement No. 102



Overall Framework

- **Two Conditions**

- Conditions which a government might face
 - Concentrations
 - Constraints

- **Events**

- Events which relate to the conditions

- **Impact**

- Substantial disruption to the normal functioning of the government



Concentrations

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

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

Constraints

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

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

Disclosure Criteria

- **Disclosures should be required when the government determines that:**

- A concentration or constraint is **known to the government** prior to the issuance of financial statement.
- The concentration or constraint makes the reporting unit **vulnerable to the risk of a substantial impact**
 - Impact is the disruption of the normal functioning of the government
 - Substantial is more than significant.
- An **event associated with a concentration or constraint** either has occurred or is more likely than not to begin to occur within 12 months of the date the financial statements are issued

Disclosure Requirements

- **The following disclosures are required:**

- Sufficient detail to enable users to understand the general nature of the risks and their potential effect on the government's ability to provide services or meet its obligation.
- Including:
 - Description of concentration or constraint
 - Description of each event associated with the concentration/constraint, including the criteria met
 - Description of actions taken to mitigation the substantial effect.
- **Disclosure if not required *mitigating actions taken* cause any of the disclosure criteria to no longer be met.**
- **Disclosures should be *made at the primary government level as* well as for any reporting units that recognize revenue bonds.**

General Disclosure Principles

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

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

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

Disclosure for discretely presented component units subject to paragraph 63 of Statement 14, *The Financial Reporting Entity*

Example: Concentration—Financial Resource Provider and Major Enterprise Fund with Revenue Debt

Fact Pattern:

- City with an Airport Fund—a major enterprise fund with revenue debt
- Charges for services (landing fees, terminal rentals) are a significant revenue
- Charges for services are identified as the sole source of repayment for the revenue debt
- Model Airways accounts for XX% of the Airport Fund's charges for services revenues
- During the fiscal year ended June 30, 20X0 (the year for which the City is preparing its financial statements, which were issued on October 15, 20X0), Model Airways notified the City that, due to falling demand from the airline's customers, it will terminate its lease and discontinue service to the City's airport by December 31, 20X0.
- The City is developing plans to attract new airline customers

Disclosure Criteria Conclusions:

- *Assessment of disclosure criteria:* In addition to assessing the disclosure criteria for the primary government reporting unit, the City assessed the disclosure criteria for the Airport Fund because it reports a liability for revenue debt.
- *Concentration:* XX% of the Airport Fund's charges for services are associated with a single airline customer. Charges for services are a significant revenue of the Airport Fund
- *Vulnerability to the risk of a substantial impact:* Management of the City has determined that the concentration of resources provided by a single airline (Model Airways) makes the Airport Fund vulnerable to the risk of a substantial impact.
- *Occurrence of an event or events and their timing:* An event associated with the concentration occurred when Model Airways notified the City that it will not renew its lease. That event is the beginning of the airline's discontinuation of services to the Airport, which the management of the City has determined could cause a substantial impact to the Airport fund.

Illustrative Disclosure:

The Airport Fund accounts for the City's airport operations and reports \$XX of revenue bonds outstanding on June 30, 20X0. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. XX% of the Airport Fund's revenues are associated with a single airline customer who has notified the City that it plans to terminate its lease and discontinue service to the City's airport by December 31, 20X0. A loss of revenue from that airline could adversely affect the Airport Fund.



Financial Reporting Model Reexamination

Financial Reporting Model Improvements

What?

The Board proposed improvements to the financial reporting model—
Statements 34, 35, 37, 41, and 46, and Interpretation 6

Why?

A review of those standards found that they generally were effective, but that there were aspects that could be significantly improved

When?

A final Statement is scheduled to be considered for issuance in Q1 2024

Overview of the Proposals

Measurement focus and basis of accounting for the governmental funds

Format of governmental funds financial statements

Clarification of operating and nonoperating in proprietary funds

Presentation of proprietary funds statement of revenues, expenses, and changes in fund net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

Concerns with Governmental Fund Financial Statements

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



Proposals: Management's discussion and analysis

PREPARERS:
**Remember Users
are Different**

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



Proposals: Management's discussion and analysis (continued)

Telling Your Story

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



Proposals: Management's discussion and analysis (continued)

Do Some House-Keeping

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

Proposals: Management's discussion and analysis (continued)

EXAMPLES

Currently known
facts, decisions,
or conditions

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

Proposals: Management's discussion and analysis (continued)

Board Tentative Decisions

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

Other Proposals

Major component unit presentations

- If it is not feasible to present major component unit financial statements in separate columns in the reporting entity's financial statements, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements

Other Proposals (continued)

Unusual or Infrequent Items

- Separately present inflows and outflows of resources that are unusual in nature and/or infrequent in occurrence (replacing extraordinary and special items)
- Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management



Proposals: Proprietary Funds

- **Statement of Revenues, Expenses, and Changes in Fund Net Position**
 - Continue separate presentation of operating and nonoperating revenues and expenses
 - AND
 - New definition/description proposed for operating and nonoperating revenues and expenses to increase comparability in reporting



Proposals: Proprietary Funds

Separate presentation of operating and nonoperating revenues and expenses

Operating

- Activities other than nonoperating activities

Nonoperating

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

Proposals: Proprietary Funds (cont.)

Subsidies

- Resources received from another party or fund to keep rates lower than otherwise would be necessary to support the level of goods and services to be provided
- Resources provided to another party or fund that results in higher rates than otherwise would be established for the level of goods and services to be provided

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

Proposals: Budgetary Comparison Information

Budgetary Comparisons

- Would be presented as required supplementary information (no option for basic statements)
- Required variances would be final-budget-to-actual and original-budget-to-final-budget

Classification of Nonfinancial Assets

Classification of Nonfinancial Assets

What?

The Board will review the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets)

Why?

A review of existing standards found that they generally were effective, but that there were aspects that could be significantly improved

When?

Deliberations scheduled to begin July 2022

Exposure Draft issued
September 2023

Topics to Be Considered

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

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

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

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

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

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

Separate Disclosure of Certain Capital Assets

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

Capital Assets Held for Sale

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

Going Concern and Severe Financial Stress: Reexamination of Statement 56

Going Concern and Severe Financial Stress

What?

The Board will review existing standards related to going concern and address issues related to disclosures regarding going concern uncertainties and severe financial stress

Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever cease to exist; users need information about governments' severe financial stress, but that information is not readily available

When?

The Board added the project to its current technical agenda in December 2021

Topics to Be Considered

How should the existing guidance on going concern uncertainties (including the definition of a going concern) be clarified or improved to reduce diversity in practice in applying the guidance?

How should severe financial stress be defined? How should that definition differ from going concern uncertainties?

If a government is determined to be exposed to severe financial stress, what relevant information should a government disclose in notes to financial statements?

Major Tentative Board Decisions

The proposed GCU guidance should be focused on uncertainty about a government's existence, regardless of its financial condition. The proposed SFS guidance should be focused on a government's financial stress, regardless of whether there is uncertainty about its continued existence.

Going concern is the assumption that a governmental entity will continue to exist as the same legally separate entity, regardless of its financial condition.

Cease to be a going concern is the situation in which a governmental entity ceases to exist as the same legally separate entity, whether through a merger, acquisition, or dissolution without replacement.

Major Tentative Board Decisions

Going concern uncertainty is the **substantial doubt** about whether a governmental **entity will continue to exist** as the same legally separate entity, regardless of its financial condition. Substantial doubt means the likelihood is **probable**.

To identify whether there is GCU disclosure, a government should evaluate all relevant factors that indicate a likelihood of a potential government dissolution and determine whether all relevant factors, considered in the aggregate, indicate that GCU exists.

Major Tentative Board Decisions - SFS

The term *financial stress* should continue to be used as part of the description of the condition a government is experiencing. The modifier used to describe the degree of the financial stress in this project should be *severe*.

A government should make severe financial stress disclosures when it is experiencing **financial difficulties** at such a degree that it is **near or at the point of insolvency**.

Insolvency should be described as a circumstance in which a government generally is **not paying** its liabilities as they come due or is **unable to pay** its liabilities as they come due

Project Timeline

Pre-Agenda Research Started	April 2015
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Preliminary Views Scheduled to Be Considered for Issuance	December 2024
Exposure Draft Scheduled to Be Considered for Issuance	June 2026



Infrastructure Assets

Infrastructure Assets

What?

The GASB is evaluating existing guidance related to capital assets and the usefulness of information reported by governments

Why?

Stakeholders have asked the GASB to review various aspects of capital asset reporting; the most relevant standards have been in effect 15-20 years

When?

The Board added the pre-agenda research in August 2019

Infrastructure was added as a project in April 2023

Topics to Be Considered

How should infrastructure assets be recognized and measured in financial statements? Should the optional use of the modified approach continue to be allowed to report infrastructure assets?

Should additional information related to maintenance and preservation of infrastructure assets be presented in financial statements and, if so, what information and what method of communication should be used to provide that information?

Major Tentative Decisions

Infrastructure assets should continue to be recognized and measured in financial statements using historical cost depreciation, except those governments that elect to use the modified approach

Requirements for use of the modified approach as described in Statement 34 generally should continue to apply

Maintenance and preservation costs that have been pushed to future periods (“deferred maintenance”) should not be recognized as a liability in financial statement

Project Timeline

Pre-Agenda Research Started	August 2019
Added to Current Technical Agenda	April 2023
Deliberations Begin	May 2023
Preliminary Views Scheduled to Be Considered for Issuance	July 2024
Exposure Draft Scheduled to Be Considered for Issuance	January 2026



Subsequent Events

Subsequent Events

What?

The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments

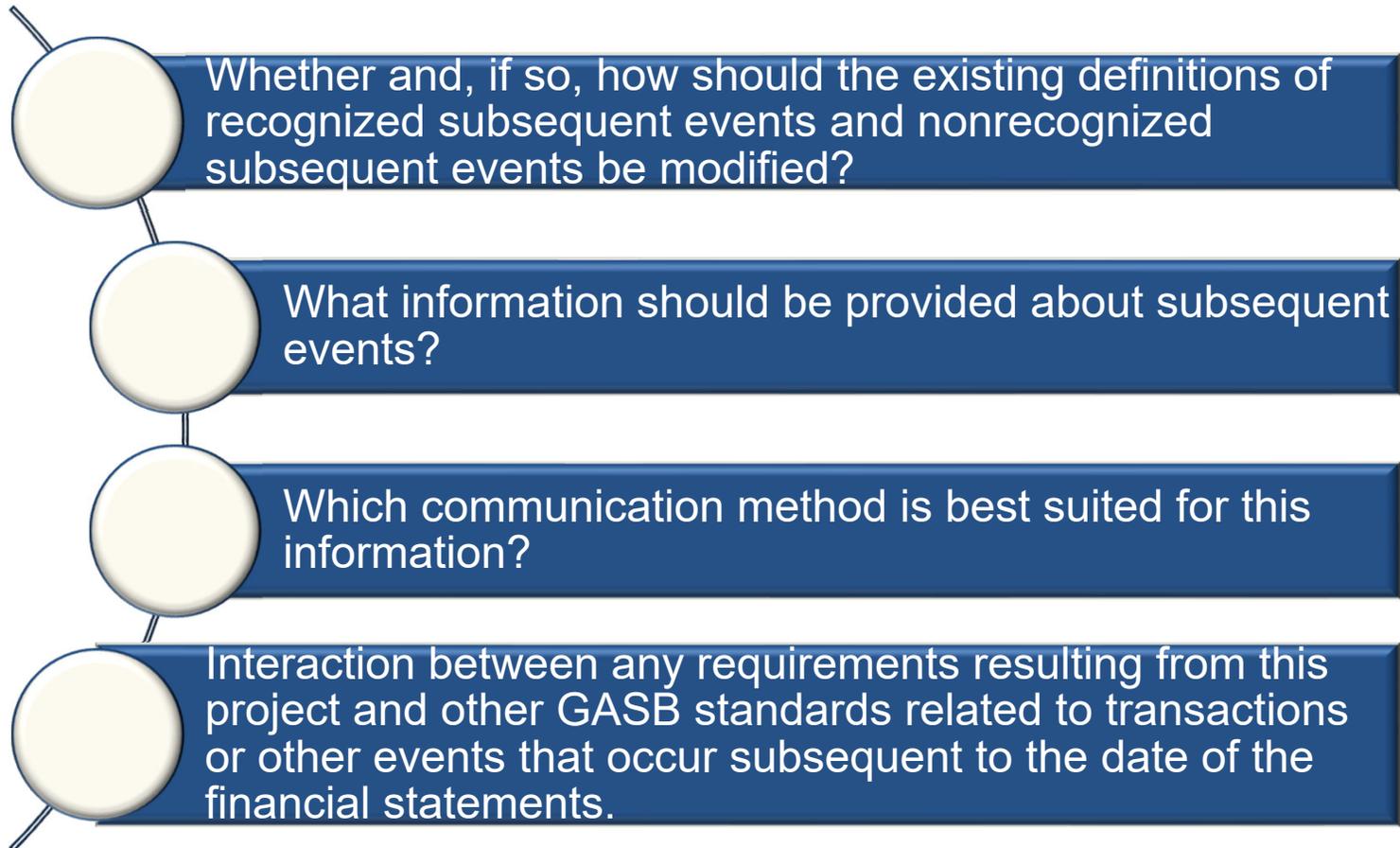
Why?

Existing guidance is based on other literature dating back to 1972 and generally has not been reevaluated

When?

The Board added the project to its technical agenda in August 2023

Topics to Be Considered



Project Timeline

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



Revenue and Expense Recognition

Revenue and Expense Recognition

What?

The Board has proposed a comprehensive model for recognition of revenues and expenses

Why?

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

When?

Exposure Draft scheduled for Month, Year

Final standard scheduled for Month, Year

Agenda

- Project Objective and Scope
- Foundational Model Principles
- Categorization
- Recognition Principles
- Category B Recognition
- Contractual Binding Arrangement Transa
- Category A Recognition



Objective and Scope of the Project

Broad Project Objective

Develop a comprehensive model that establishes guidance applicable to a wide range of revenue and expense transactions

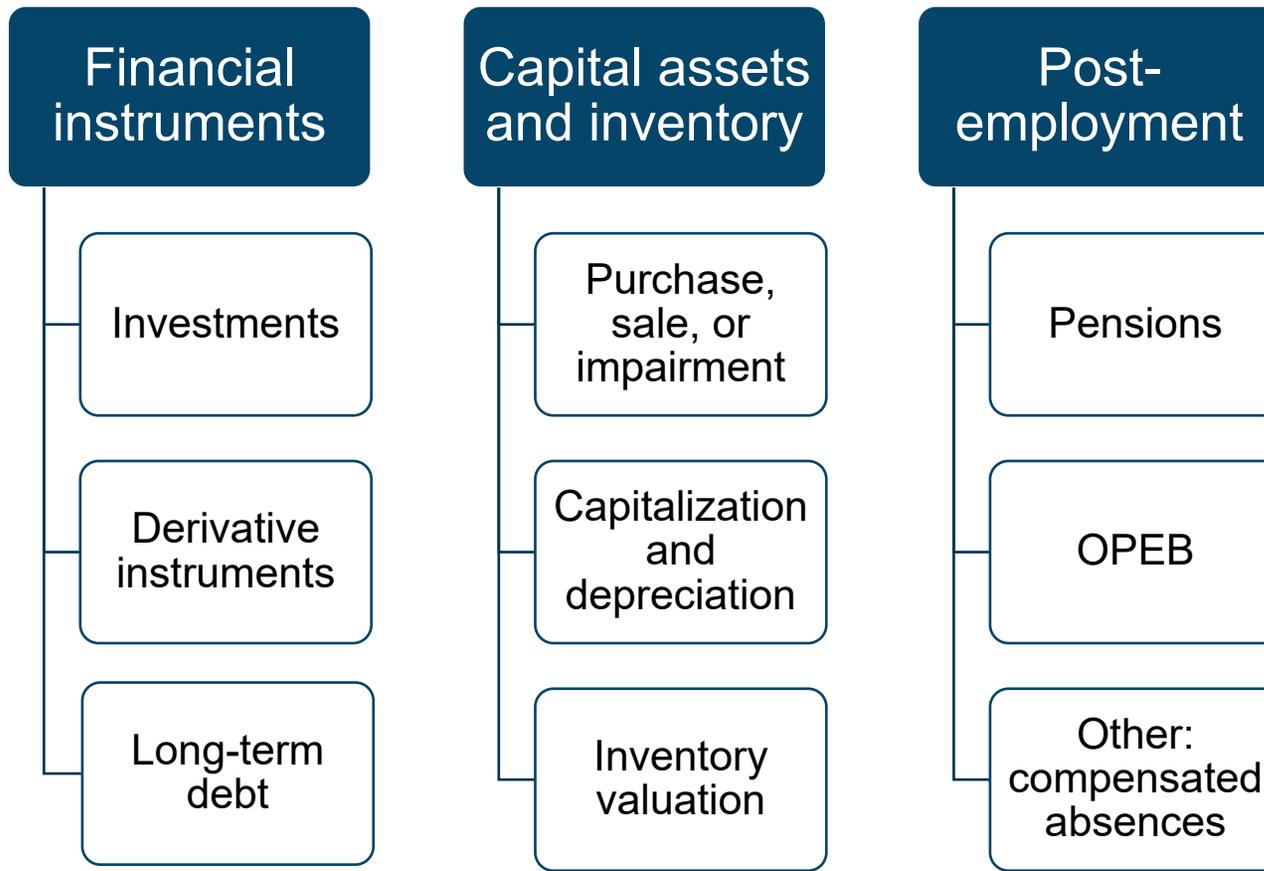
- Expand on areas where there is limited or no guidance
- Consider identified practice issues
- Consider performance obligations

The intent is to enhance the quality of information that users rely upon when assessing accountability and decision making.



Scope of the Project

- The scope is defined broadly to include revenues and expenses that are not ***explicitly excluded***



Scope in the Context of Standards

In Scope:

- Revenue and expense recognition from nonexchange transactions
 - Statements 6, 24, 33, 36
- Revenue and expense recognition from exchange transactions
 - Statements 34 and 62

Out of Scope:

- Statements issued since Statement 63
- Statements that result from projects added to the technical agenda after April 2016

Proposed Recognition Model Components

Categorization

Identify the *type* of transaction

Recognition

Determine *what* element should be reported and *when*

Measurement

Determine the *amount* to report

Categorization

Redeliberations

Proposed Categorization in the Preliminary Views

Category A Transactions

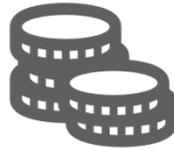
- transactions are composed of acquisitions coupled with sacrifices or sacrifices coupled with acquisitions that are *interdependent*.

Category B Transactions

- Revenue and expense transactions are acquisitions without sacrifices, sacrifices without acquisitions, or acquisitions and sacrifices that are not interdependent

Categorization in Current Literature

Value: equal,
unequal,
essentially equal

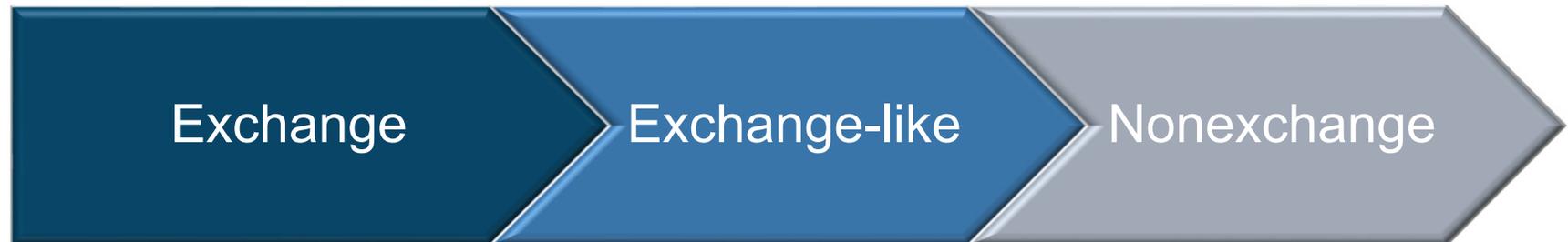


Cost recovery:
how much?



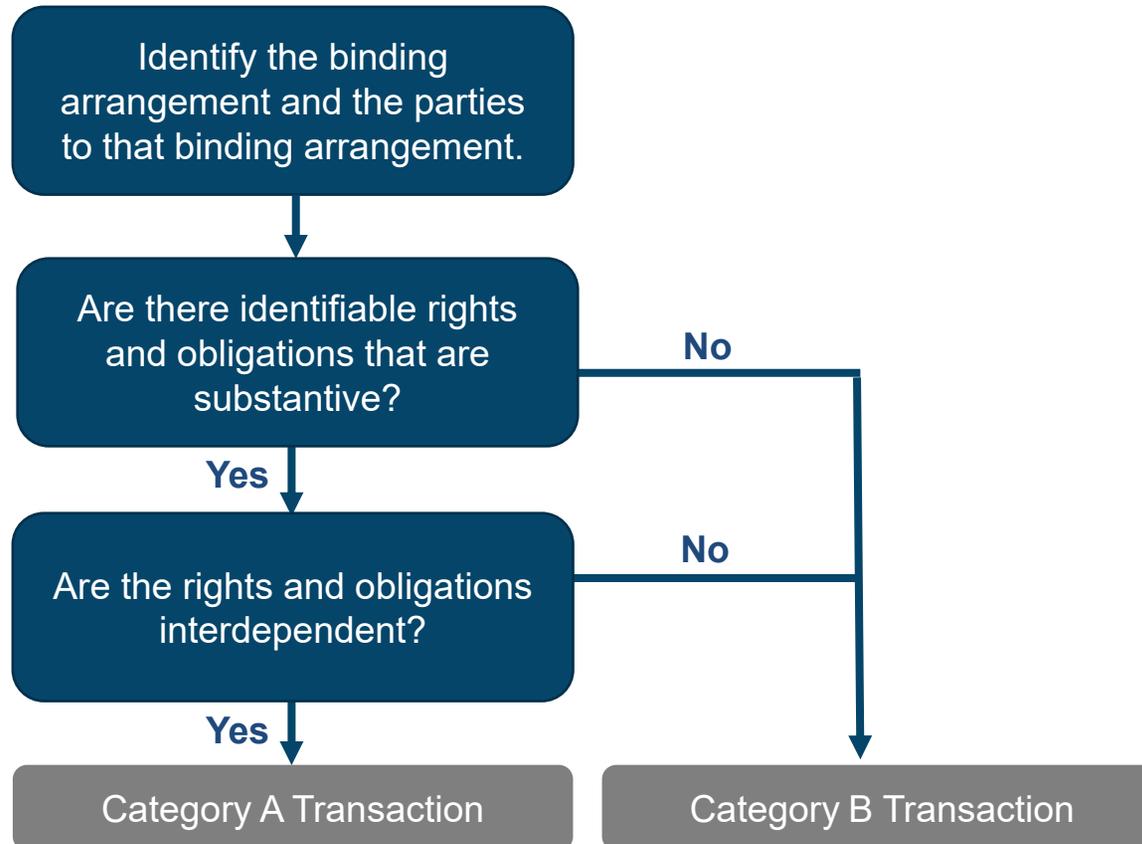
Benefit: direct,
indirect, exclusive

Market price:
what
proportion?



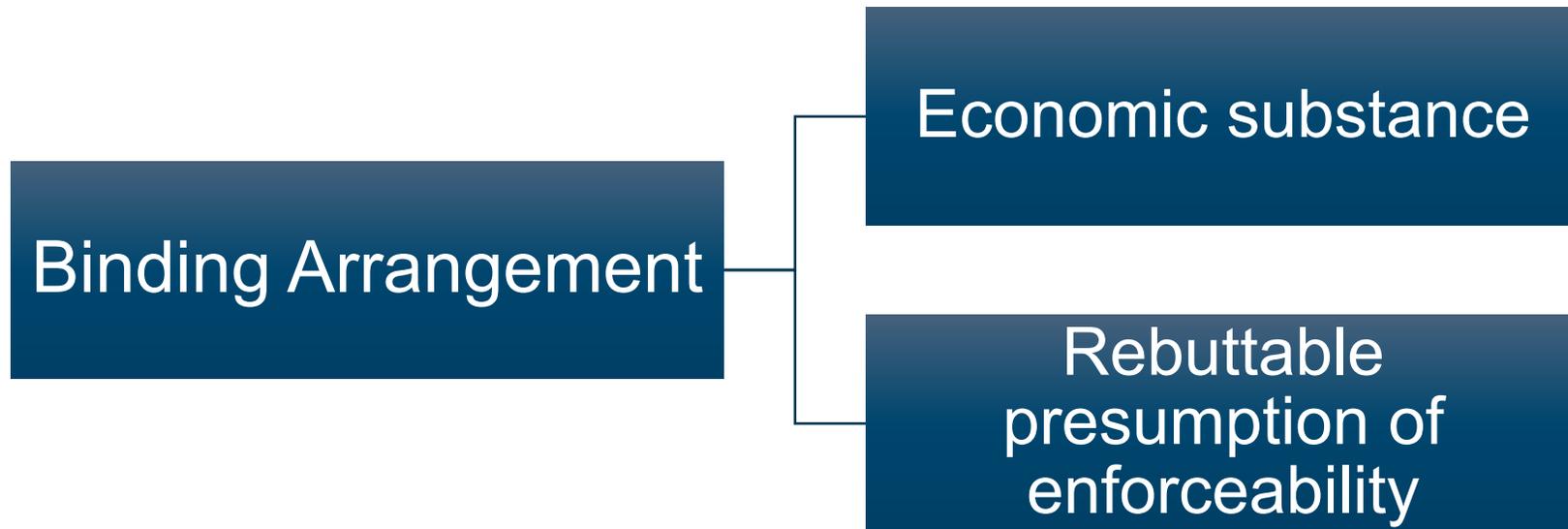
- Produces inconsistent results
- Subjective assessment
- Influenced by public policy

Proposed Categorization Methodology



*The criteria is not required to be assessed in sequential order.

Binding Arrangement



- Absent a binding arrangement, the transaction is outside the scope of the project

- Examples of binding arrangements: contracts, grant agreements, purchase orders, legislation

Substantive Rights and Obligations

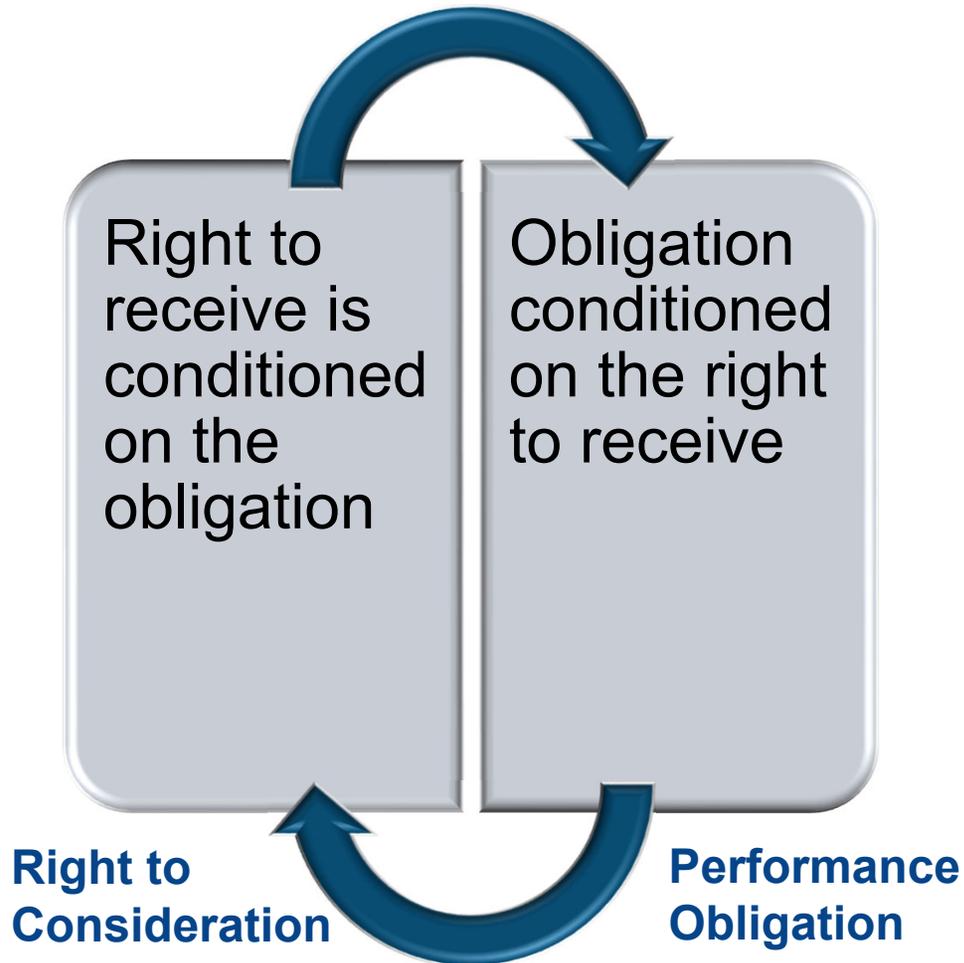
- Substantive rights and obligations are assessed in relationship to each other; for example, a bus fare is considered to have substantive rights and obligations

Substantive
Rights

Substantive
Obligations

- Example of lack of substantive rights and obligations is donations

Interdependent Rights and Obligations



- Example of lack of interdependence
Category B transaction is purpose-restricted grant
- Examples of Category A transactions the purchase of goods and services

Outcomes of the Proposed Model *

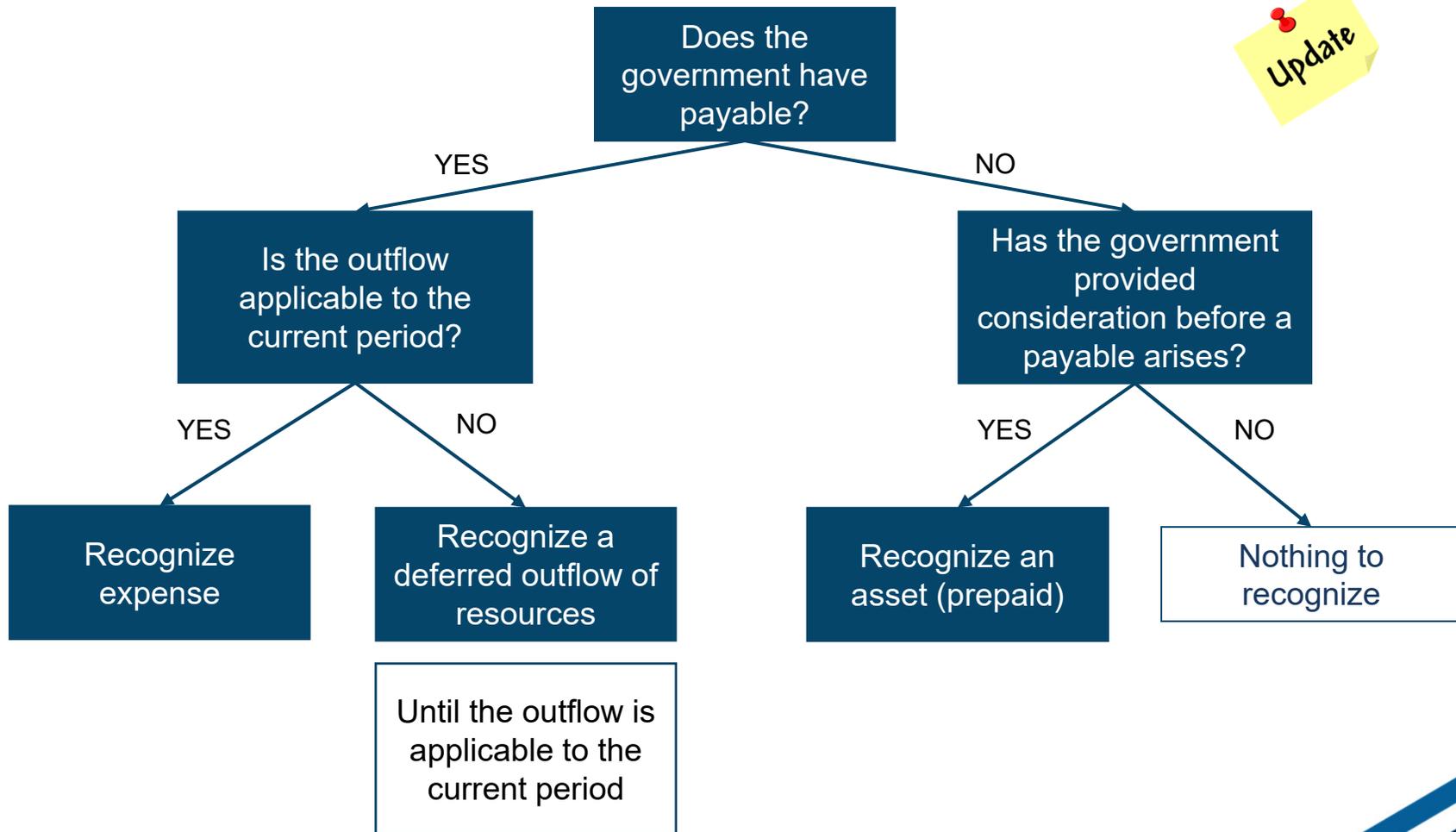
Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Research grants and revolving loans	Punitive fees
Medicaid fees for services	Special assessments
Tuition fees	Donations
Most expenses	Regulatory fees (drivers licenses, building permits, marriage licenses, professional licenses)
	Eligibility-based grants and purpose-restricted grants
	Capital fees (developer fees, PFCs)
	Medicaid supplementary payments

* Transactions highlighted in blue would have different outcomes than under current literature

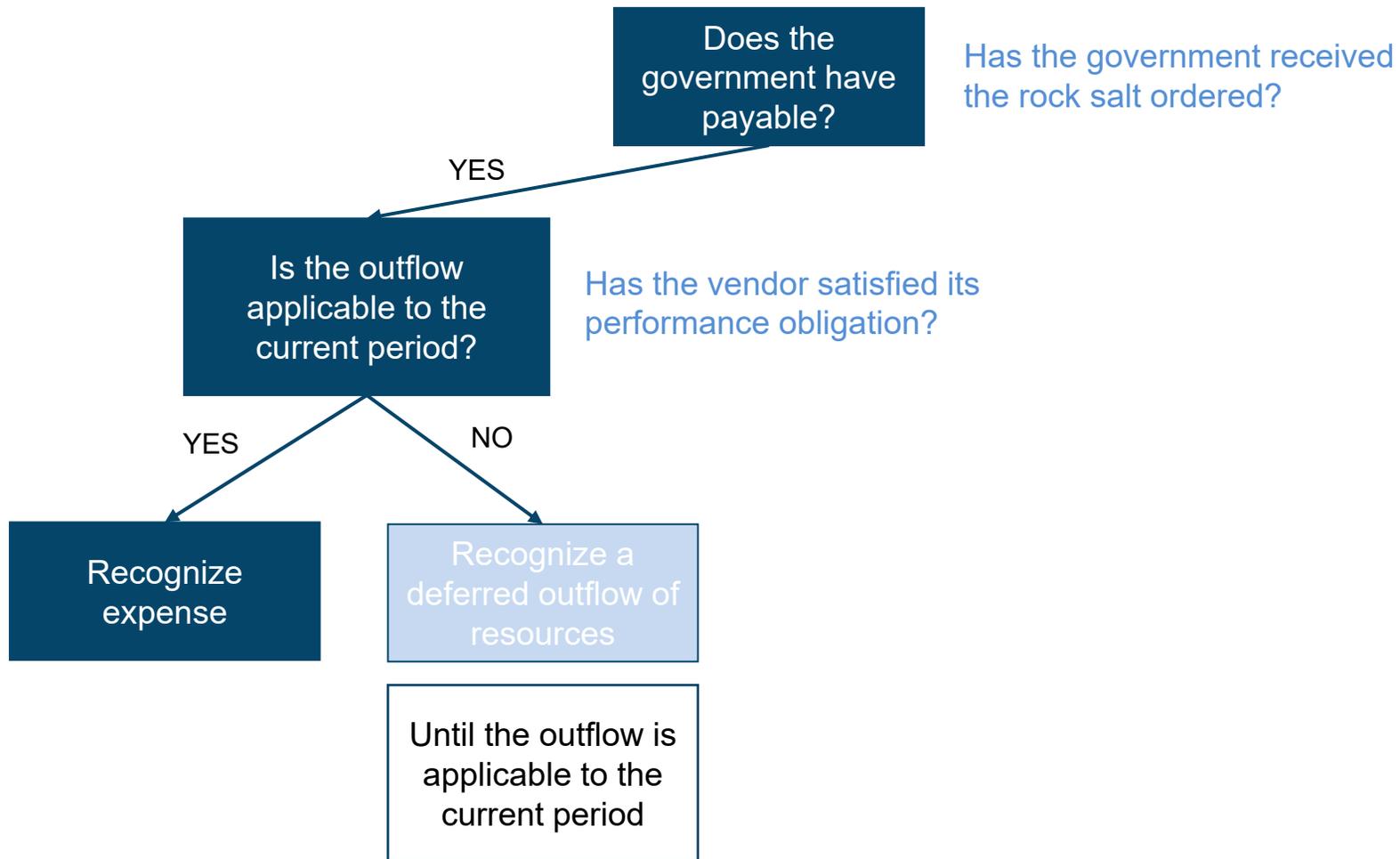
Recognition Methodology

Revenues and Expenses

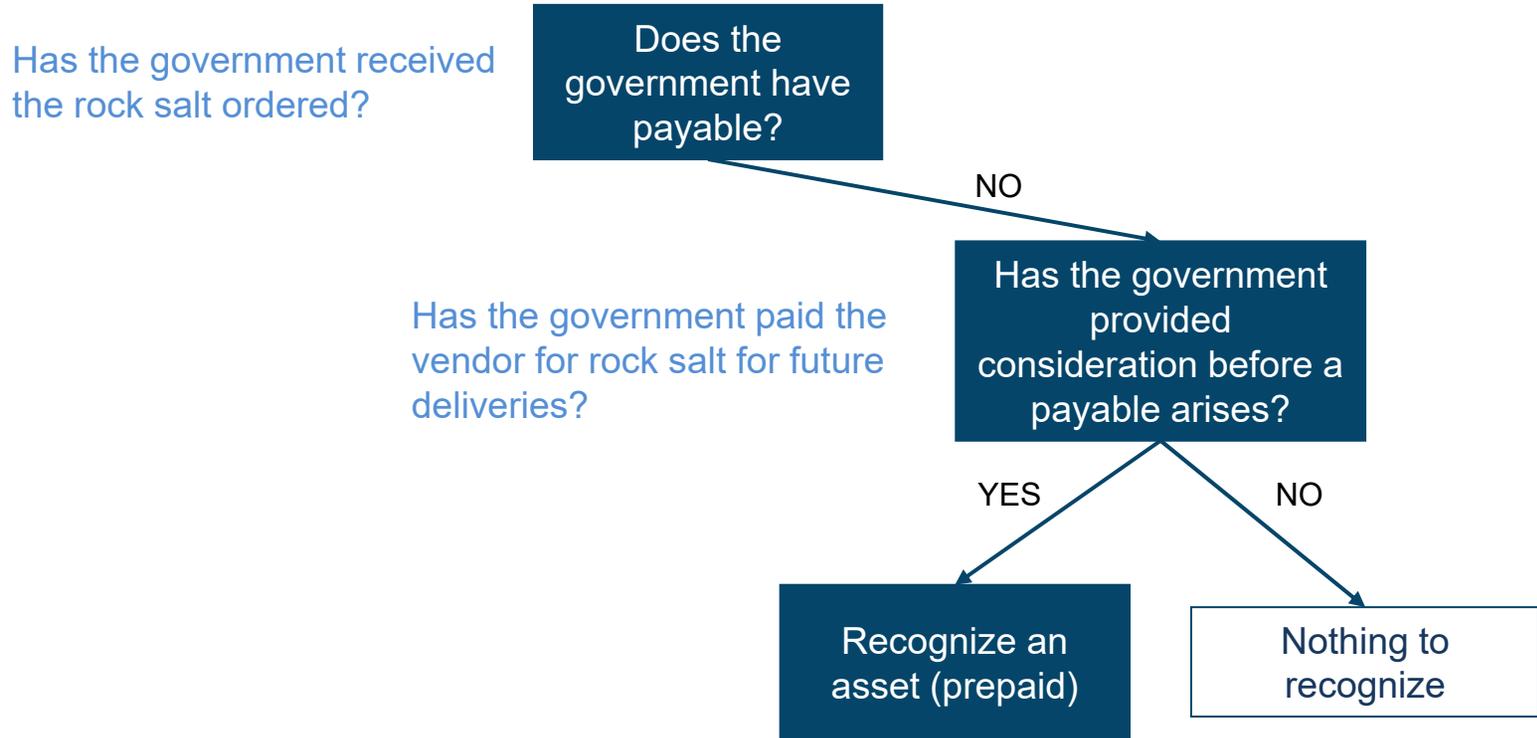
Proposed Expense Recognition Principles



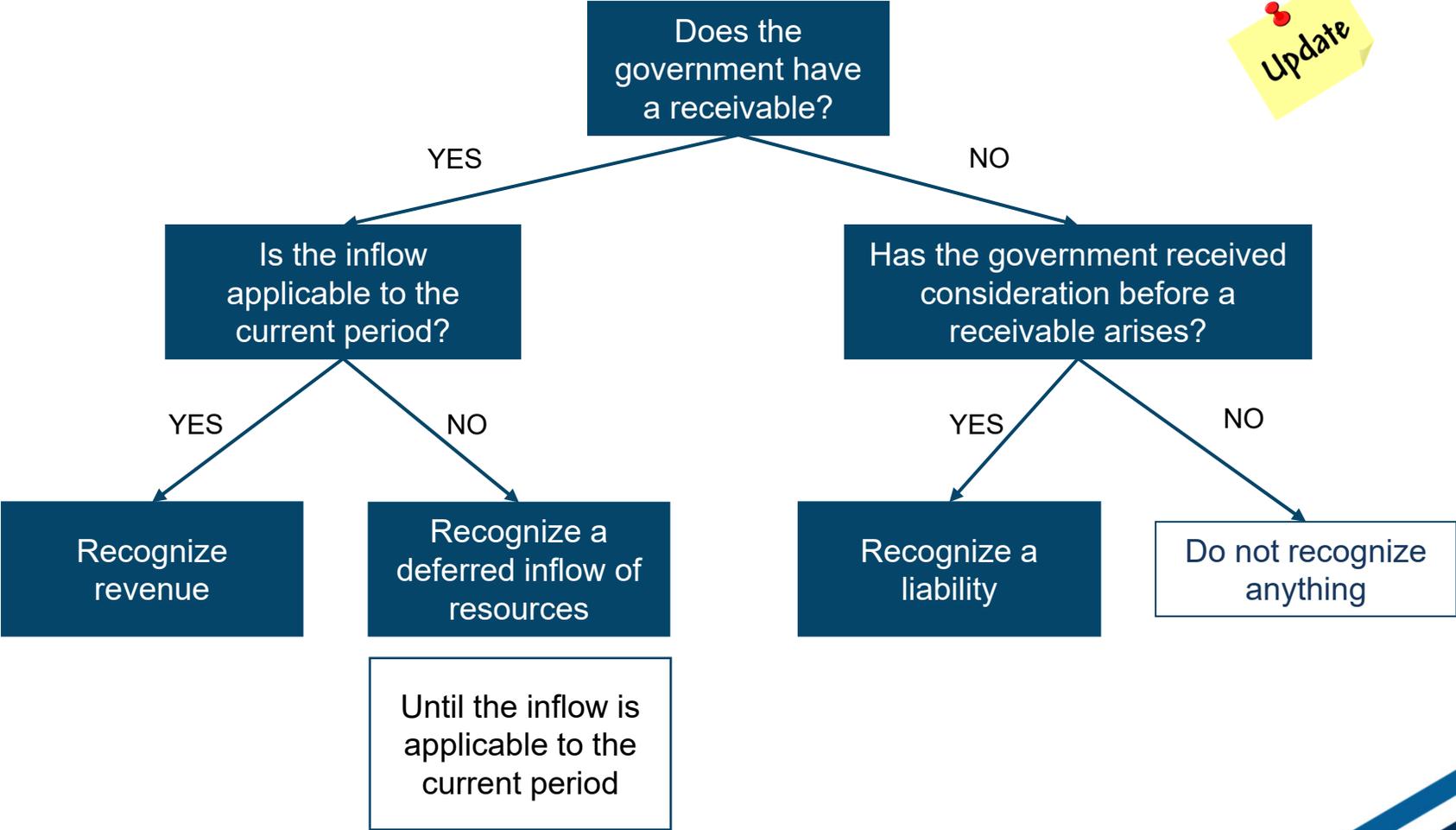
Supplies Purchase Example—Part I



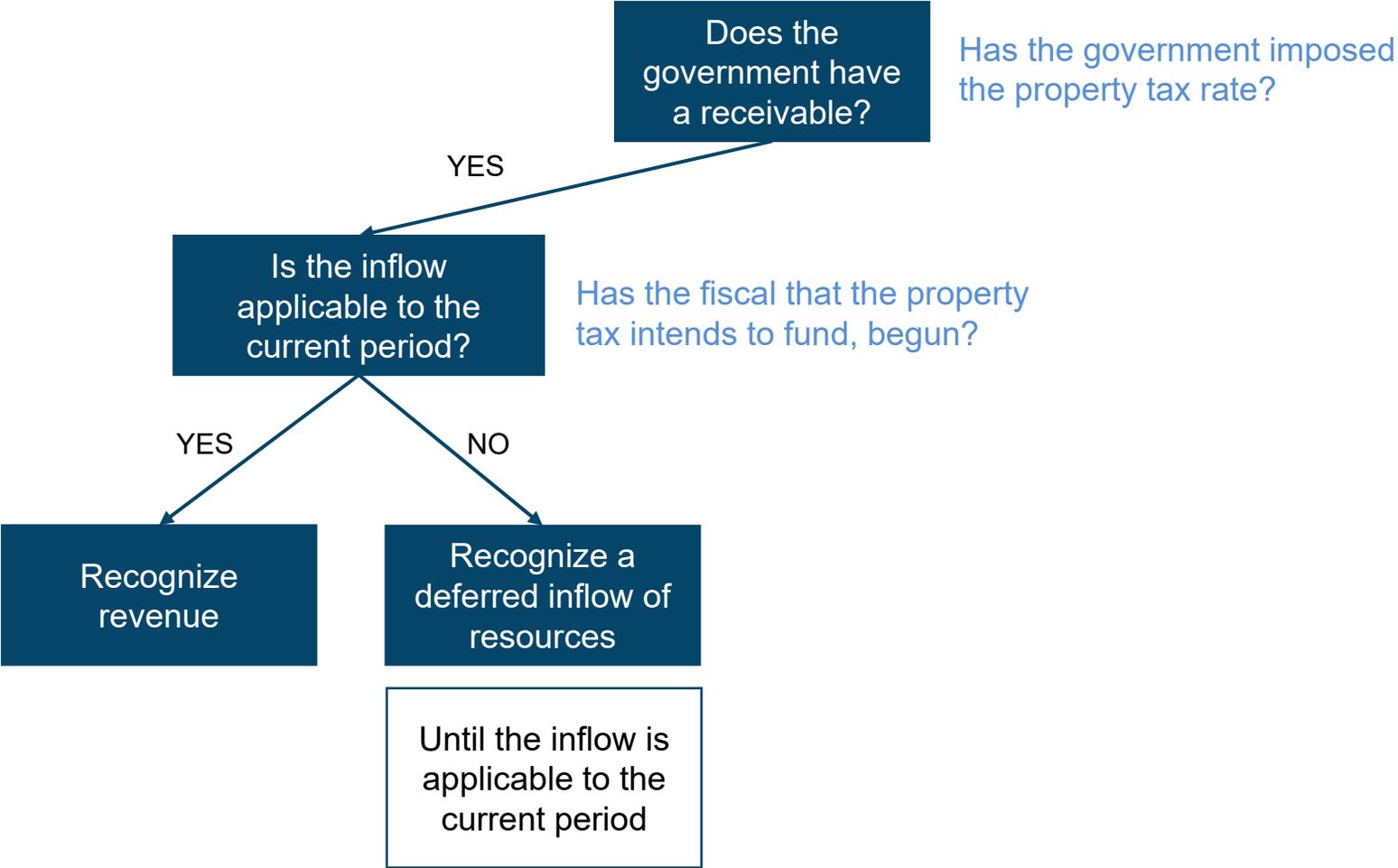
Supplies Purchase Example—Part II



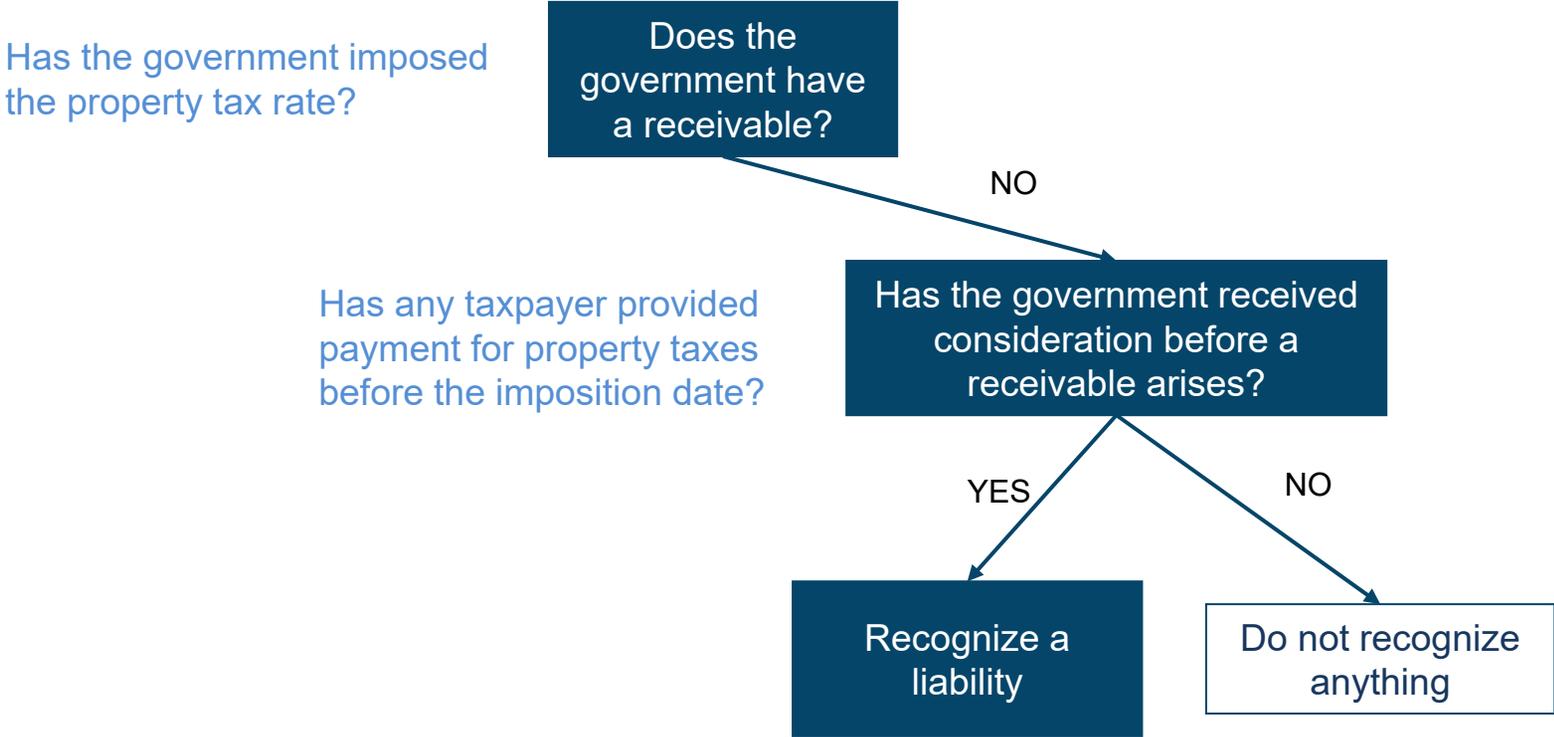
Proposed Revenue Recognition Principles



Property Taxes Revenue Example—Part I



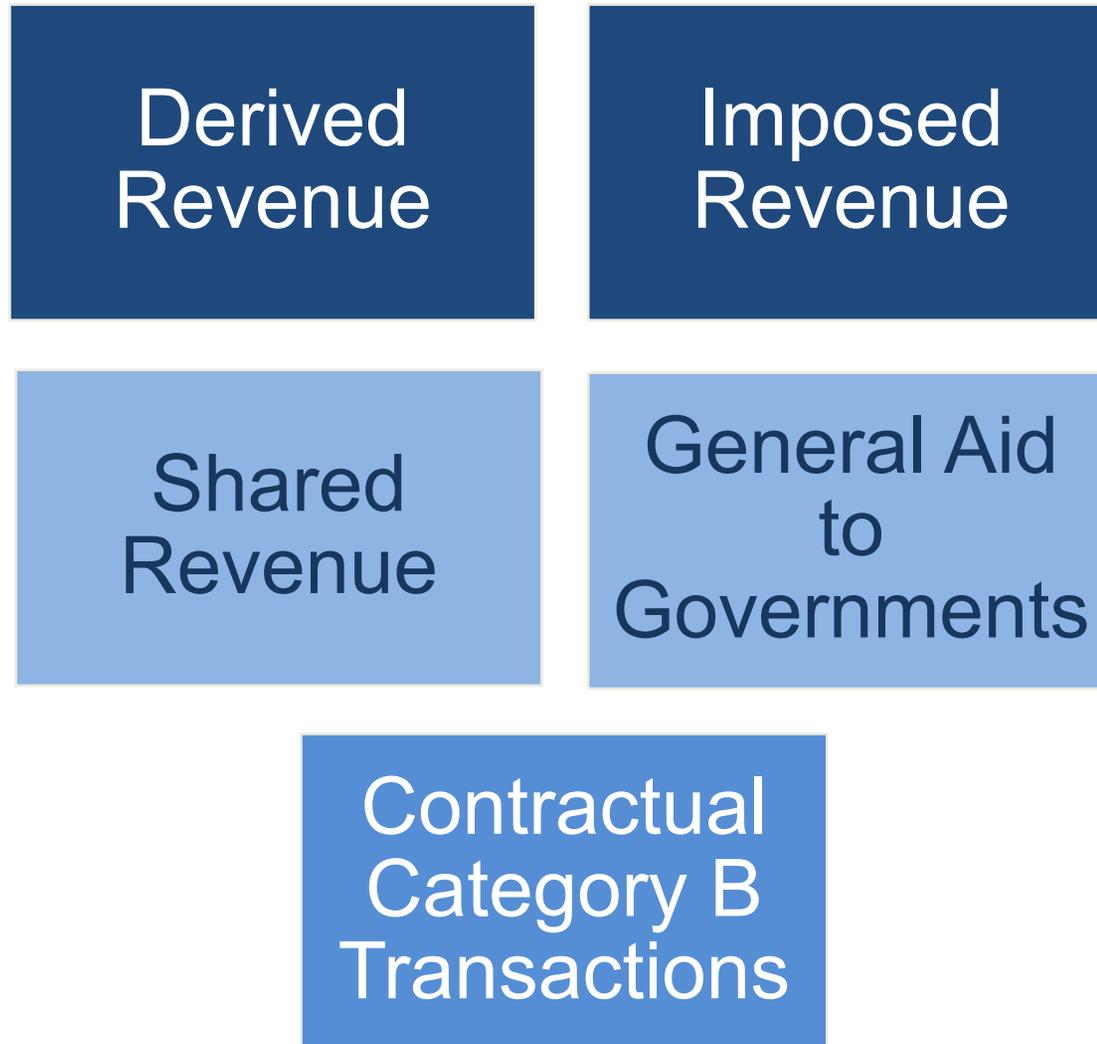
Proposed Revenue Recognition Principles



Recognition—Category B Transactions

Redeliberations

Proposed Category B Subcategories



Proposals for Derived Category B Revenue

Characteristics

- A government **imposes** a requirements to provide resources
- Upon the occurrence of an exchange transaction

Recognition

- Receivable is recognized when the underlying exchange transaction occurred
 - Revenue is generally recognized along with the receivable

Examples

- Sales Tax
- Income Taxes
- Passenger Facility Charges

Proposals for Imposed Revenues

Characteristics

- A government ***imposes*** a requirements to provide resources
- Upon an action, property ownership, or an omission

Recognition

- **Receivable is recognized when**

Examples

- Property taxes and special assessments
- Regulatory and punitive fees
- Escheats and seizures

Proposals for Property Taxes

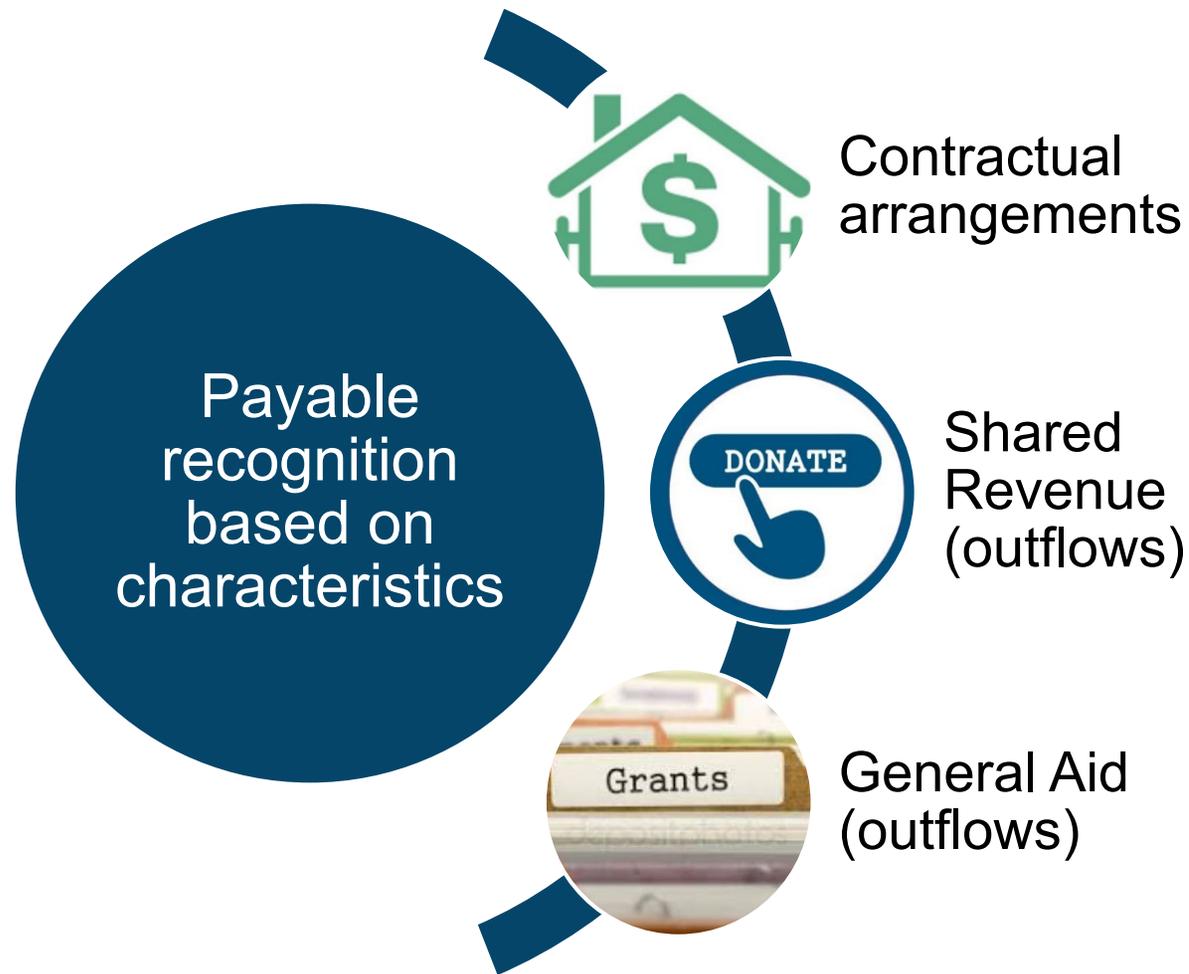
Characteristics

- A government ***imposes*** a requirements to provide resources
- On property ownership

Recognition

- Receivable is recognized when government imposes the tax amount or rate
- A deferred inflow of resources is recognized if the imposition occurs before the fiscal year the tax is intended to fund
 - Revenue is recognized on fiscal period the tax is intended to fund

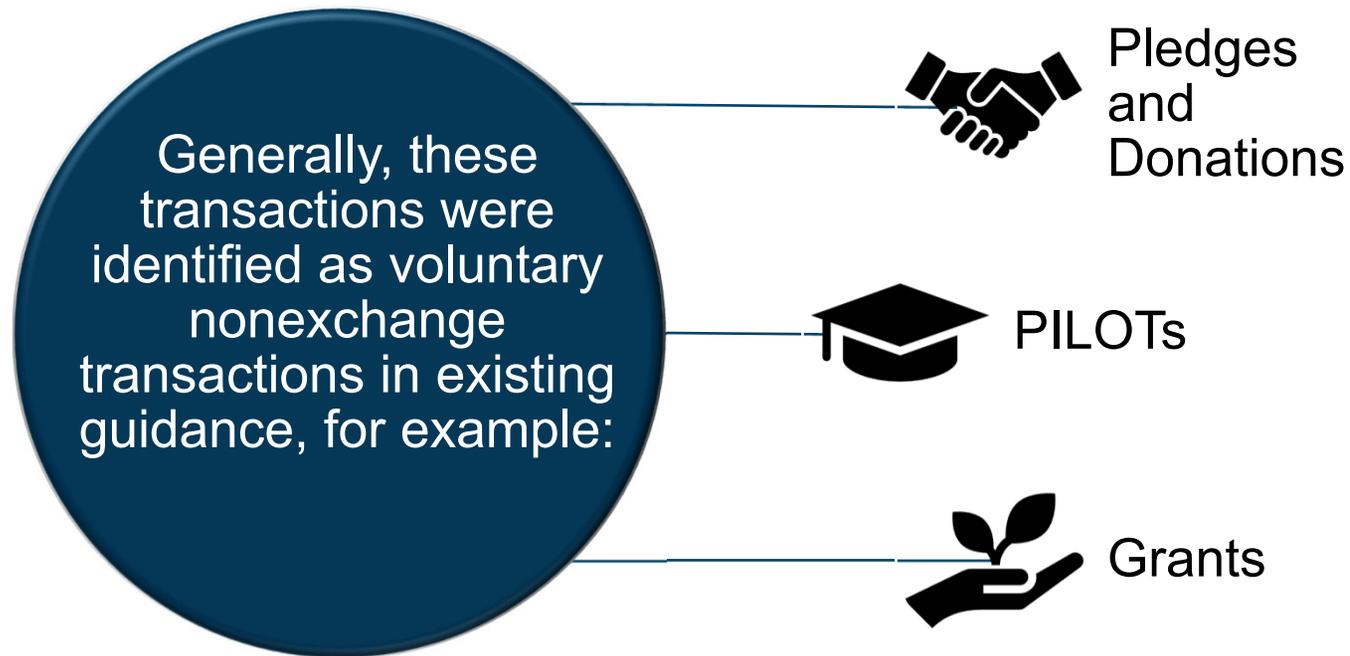
Category B Expense Recognition



Contractual Category B Transactions

Purpose Restrictions, Time Requirements, and Qualifying Requirements

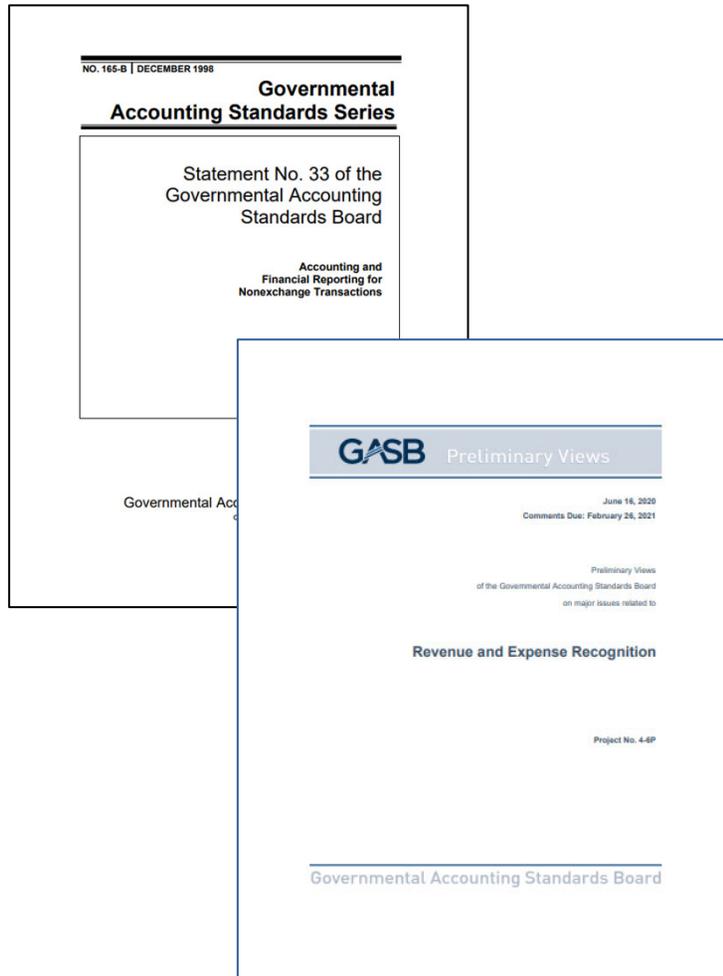
Contractual Binding Arrangement—Category B Revenues and Expenses



Transactions are subject to:

- Purpose restrictions, or
- Time requirements, or
- “Eligibility requirements”

Purpose Restrictions and Eligibility Requirements— Background



- Purpose Restrictions—do not affect recognition
- Eligibility Requirements
 - Required Characteristics of the Recipient
 - Time Requirements
 - Reimbursements
 - Contingencies
- Recognition occurs “when all eligibility requirements, including time requirements, are met.”
- Eligibility Requirements (other than time requirements) were identified as performance obligations

Tentative Recognition Attributes

Purpose Restrictions

- Only affect classification of net position, fund balance, or fund net position
- Limitations in how to deploy the service capacity of a resource

Qualifying Requirements

- Recognition attribute to establish a receivable and a payable can be recognized

Time Requirements

- Recognition attribute to establish the applicability to a reporting period

Tentative Decisions about Qualifying Requirements

Administrative Requirements	<ul style="list-style-type: none">• Filing reports or reimbursement requests	
Qualifying Costs	<ul style="list-style-type: none">• Incurrence of cost in compliance with all other applicable requirements	<input checked="" type="checkbox"/>
Other Qualifying Requirements	<ul style="list-style-type: none">• Actions of the government not associated with costs, for example, outputs or outcomes	<input checked="" type="checkbox"/>
Post Grant Compliance Requirements	<ul style="list-style-type: none">• Capital maintenance, purpose of the capital asset, prevailing wages	

A receivable (for the recipient) is recognized when the government has complied with either qualifying costs requirements or other qualifying requirements.

Tentative Clarifications for Time Requirements

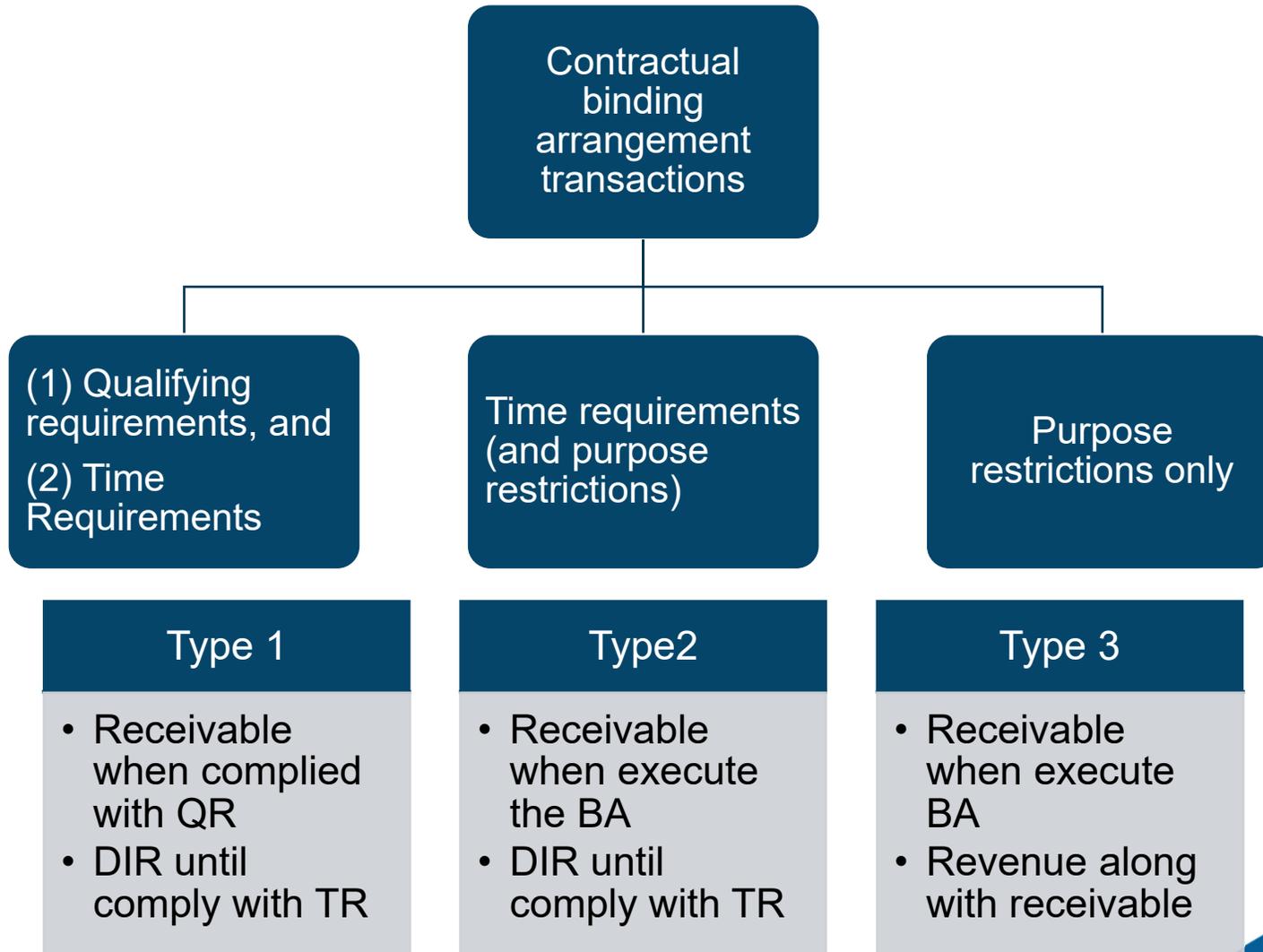
Time requirements are:

- Temporary limitations to use resources.
- Imposed by the government's counterparty or enabling legislation
- Use conveys the ability to sell, disburse, or consume a resource

Time requirements are not:

- *Permanent* limitations to use resources.
- Appropriations of the resource provider
- Contract terms or grant performance periods

Tentative Recognition Approach



Example 1—Grant subject to qualifying requirements

- County is awarded grant for the repair of highway sections.

- \$10 million for qualifying repair costs to resurface 20 miles.

- County is entitled to the proportionate amount of resources for qualifying costs upon meeting 4 milestones (five-mile increments of highway)

- Contains both qualifying costs and other qualifying requirements.

- Recognition of receivable occurs when the county has incurred the allowable costs *and* reached each milestone (\$2.5 million at milestone #1, \$2.5 million at milestone #2, . . .).



Example 2—Pledges for endowments with time requirements

- On 7/1/20X1, University receives a \$500,000 promise to give from Donor for the purpose of funding the study abroad program.

- Donor stipulates that resources must be allocated equally over the next five years to fund the program. (Assume University's fiscal year is 7/1 – 6/30.)



- On 7/1/20X1, University will recognize:
 - A receivable of \$500,000 which occurs when University becomes aware of the verifiable and executed binding arrangement
 - Revenue of \$100,000 which represents the resources applicable to the current period.
 - Deferred inflow of resources of \$400,000 which represents the resources applicable for future periods.

Questions?

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