Maryland GFOA

GASB UPDATE

Paulina Haro
Senior Project Manager

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

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Presentation Overview

Effective Dates after Statement 95

June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2020-1 – update (4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

June 30: Fiscal Year 2024

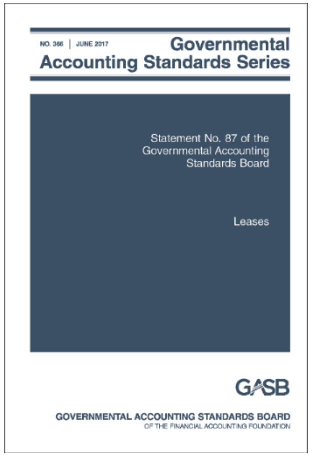
- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- IG 2021-1 – update (5.1)

June 30: Fiscal Year 2025

- Statement 101 – compensated absences

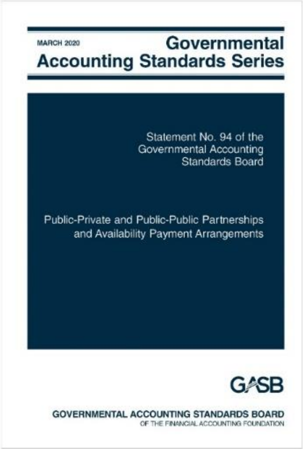
Leases

Statement 87



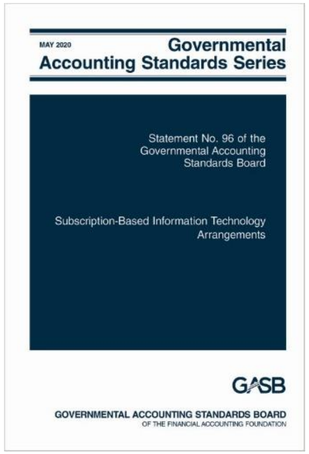
Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement 94



Subscription-Based Information Technology Arrangements

Statement 96



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Definitions

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.

PPP: arrangement in which a government (the transferor) contracts with an operator 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.

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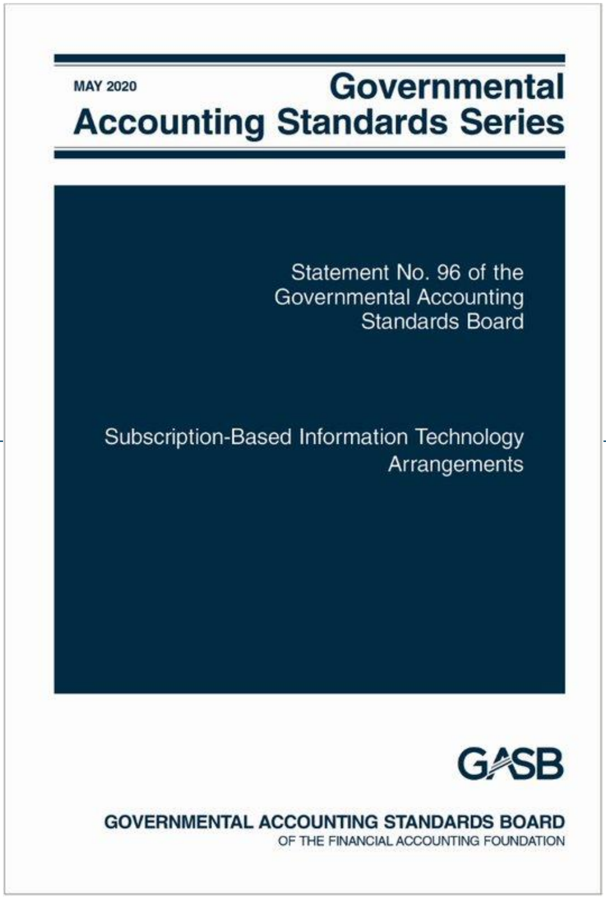
Subscription-Based Information Technology Arrangements

Statement No. 96


MAY 2020

Governmental Accounting Standards Series

Statement No. 96 of the Governmental Accounting Standards Board

Subscription-Based Information Technology Arrangements

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Statement 96 on SBITAs

What?

The Board issued standards related to reporting subscription-based information technology arrangements (SBITAs), such as cloud computing contracts

Why?

Stakeholders were concerned that those transactions were not covered by the guidance in Statements 51 or 87; diversity existed in practice

When?

Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter

Earlier application is encouraged

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Scope and Applicability

A subscription-based information technology arrangement (SBITA) “is 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.”

- Control of the right to use
  - IT software
  - Combination with a tangible capital asset
- Specified period of time
- Exchange or exchange-like transaction

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Scope and Applicability—Continued

Control of the right to use the underlying IT assets

- The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.

- The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.

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Scope and Applicability—Exceptions

Software and tangible capital asset combination	Revenue side	PPP	Perpetual license
• SBITAs meet the definition of a lease • Software is insignificant • Recognize under Statement 84—Leases	• Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs	• Contracts that meet the definition in Statement 94	• Transactions in the scope of Statement 51

Contracts that solely provide IT support services also are excluded from the scope

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Subscription Term

- The subscription term is the noncancellable period
  - Plus option periods to:
    - Extend the SBITA, if the option is *reasonably certain* of being exercised
    - Terminate the SBITA, if the option is *reasonably certain* of NOT being exercised
  - Excludes “cancellable” periods
    - Periods for which the government and the SBITA vendor both have the option to terminate or both parties have to agree to extend
      - For example, rolling month-to-month SBITAs
  - Fiscal funding/cancellation clauses ignored unless *reasonably certain* of being exercised

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Short-Term SBITA Exception

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

- No asset or liability to be recognized
- Recognize the subscription payments as an expense
- No required note disclosures

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Recognition

An SBITA should be reported under provisions that are the same as those for a lessee in Statement 87; that is, at the commencement of the SBITA

Recognize a subscription asset

Recognize a subscription liability

Commencement of subscription term occurs when the initial implementation stage is completed, at which time the subscription asset is placed into service

Subscription Liability (Initial Measurement)

Present Value of payments expected to be made	
	Fixed payments
	Variable payments based on an index or rate (such as CPI), using the rate as of the commencement of the subscription term
	Variable payments that are fixed in substance
	Payments for termination penalties, if subscription term reflects government exercising termination options or fiscal funding/cancellation clauses
	Contract incentives receivable from the SBITA vendor
	Any other *reasonably certain* payments

Discount rate charged by vendor, implicit rate in the SBITA contract, or incremental borrowing rate

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Subscription Asset

Initial measurement of the Subscription Asset includes:

- Initial measurement of subscription liability
- Payments made to the SBITA vendor at the commencement of the subscription term
- Capitalizable initial implementation costs (necessary ancillary charges to place the subscription asset into service)

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Activities in Implementation Stages

Preliminary Project Stage

- Includes activities such as evaluating alternatives and selecting a SBITA vendor

Initial Implementation State

- Includes all ancillary charges necessary to place the subscription asset into service

Operation and Additional Implementation Stage

- Includes activities such as maintenance and other activities for a government’s ongoing operations related to a SBITA, and if applicable, subsequent implementation activities

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Accounting for Activities Associated with a SBITA (implementation cost)

Preliminary project stage	Initial implementation stage	Operation & additional implementation stage
• Outlays should be expensed as incurred	• In general, outlays should be capitalized • However, if no subscription asset is recognized (such as for a short-term SBITA), outlays should be expensed as incurred	• Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria

Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

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Notes to Financial Statements Includes:

- General description
- Total subscription assets and related accumulated amortization
- Principal and interest requirements to maturity
- Commitments under SBITAs before commencement of the term

Subscription liabilities are not in the scope of Statement 88

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Other provisions

Vendor incentives

Contracts with multiple components

Contract combinations

Contract modifications

Asset Impairment

Contract modifications and terminations

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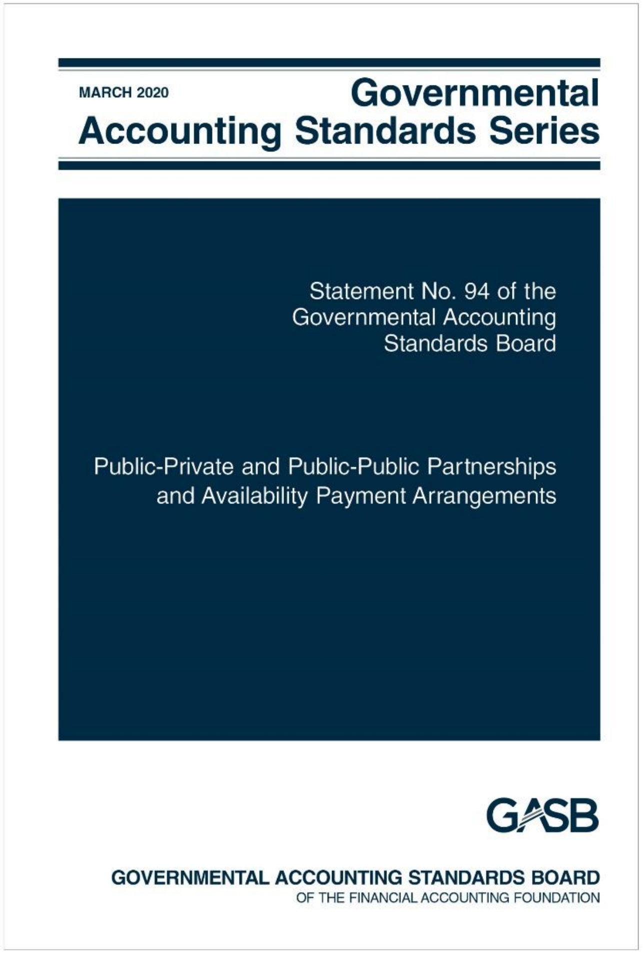
Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement No. 94


MARCH 2020
Governmental Accounting Standards Series

Statement No. 94 of the Governmental Accounting Standards Board

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

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PPPs, APAs, and SCAs

What?

The Board issued guidance for public-private and public-public partnerships (PPPs) that are not subject to Statements 60 or 87, and improvements to Statement 60

Why?

GASB research found that some P3 transactions are outside the scope of Statement 60 and identified opportunities to improve Statement 60's guidance for service concession arrangements (SCAs)

When?

Effective for reporting periods beginning after June 15, 2022

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Definitions: PPPs and APAs

Public-private partnerships and **public-public partnerships (PPPs)** are arrangements "in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction."

Availability payment arrangements (APA):

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components

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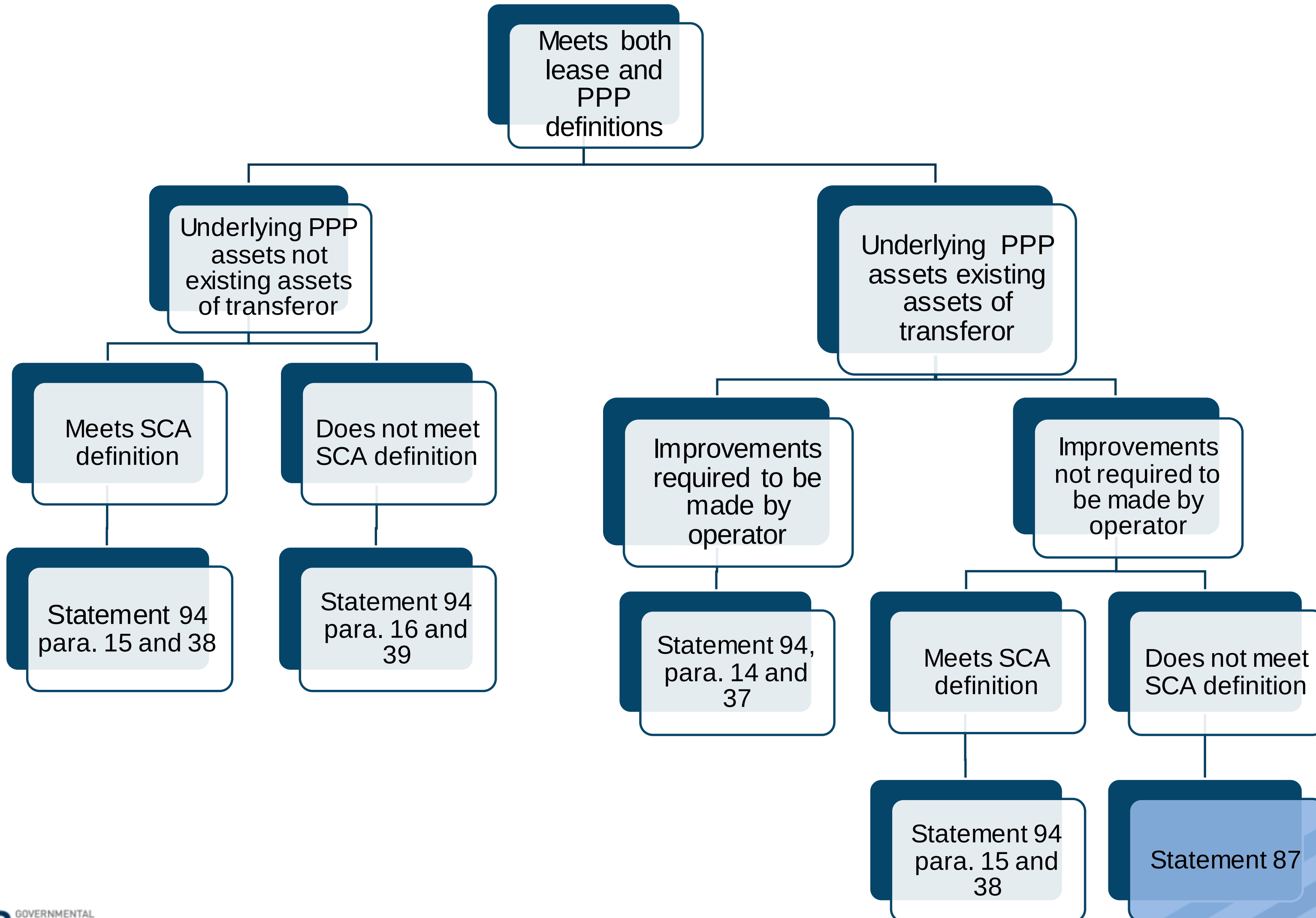
Recognition and Measurement by Type of Transaction



Recognition and Measurement Basics

PPP Term

- Noncancellable period plus “options”

Payments Included

- All but variable payments are included

Discounting

- Interest rate charged, it can be implicit

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Transferor Reporting

For all PPPs, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the PPP term

If underlying PPP asset is a new asset or an existing asset that has been improved…

- …and the PPP is an SCA: also recognize the capital asset at acquisition value when placed into operation
- …and the PPP is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership

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Operator Reporting

For all PPPs, recognize:	If underlying PPP asset is (a) existing asset or improvement or (b) new asset and the PPP is an SCA…	If underlying PPP asset is a new asset and the PPP is not an SCA…
• Liability for installment payments to be made, if any	• …also recognize an intangible right-to-use asset	• Also recognize the underlying PPP asset until ownership is transferred • And a liability for the underlying PPP asset, measured at the estimated carrying value as of the future date of the transfer

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Availability Payment Arrangements

An APA that is related to the design, finance, or construction of an infrastructure or other nonfinancial asset in which ownership of the asset transfers by the end of the contract would be reported as a financed purchase of the asset.

An APA that is related to operations would be accounted for as flows of resources (for example, expense) in the period to which the payments relate.

Other provisions

Contracts with multiple components

Contract combinations and modification

Asset Impairment

Contract terminations

Transferor Notes to Financial Statements Includes:

- General description
- Nature and amounts of assets and deferred inflows of resources recognized
- Discount rate
- Nature and extent of rights retained by the transferor
- Guarantees and commitments, if any

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Conduit Debt Obligations

Statement No. 91

MAY 2019 Governmental Accounting Standards Series

Statement No. 91 of the Governmental Accounting Standards Board

Conduit Debt Obligations

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Conduit Debt

What?

The Board improved the standards related to conduit debt obligations by providing a single reporting method for government issuers

Why?

Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, improvements were needed to eliminate diversity in practice

When?

Effective for periods beginning after December 15, 2021

Earlier application is encouraged

Conduit Debt Definition

There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.

The issuer and the third-party obligor are *not* within the same financial reporting entity.

The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation

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Limited, Additional & Voluntary Commitments Extended by Issuers

Generally, issuers' commitments are **limited** to the resources provided by the third-party obligor.

Occasionally, an issuer may extend an **additional commitment** to support debt service in the event of the third-party obligor's default.

For example:
- Extending a moral obligation pledge
- Extending an appropriation pledge
- Extending a financial guarantee
- Pledging its own property, revenue, or other assets as security

Under a **voluntary commitment**, issuer voluntarily decides to make a debt service payment or request an appropriation for a payment in the event that the third-party is, or will be, unable to pay.

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Recognition by the Issuer

- Do *not* recognize a conduit debt obligation as a liability
- May have a related liability arising out of an additional or voluntary commitment
- **Additional commitment**: report a liability when qualitative factors indicate it is *more likely than not* that the issuer will support debt service payments for a conduit debt obligation
- **Voluntary commitment**: if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is *more likely than not* that the issuer will support debt service payments
- Voluntary commitments for which a liability is recognized and all additional commitments: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding

Arrangements and Capital Assets

Some conduit debt obligations include arrangements* that involve capital assets to be used by the third-party obligor but owned by the issuer.

- Capital asset is built or acquired with proceeds of the conduit debt obligation.
- Issuer retains title to the capital asset from the beginning of the arrangement.
- Payments from the third-party obligor are to cover debt service payments.
- Payment schedule of the arrangement coincides with the debt service repayment schedule.

*Often characterized as "leases"

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Arrangements and Capital Assets (continued)

Accounting by the issuer:

- Do *not* report those arrangements as leases
- Do *not* recognize a liability for the related conduit debt obligations
- Do *not* recognize a receivable for the payments related to those arrangements
- If the arrangement meets the definition of a service concession arrangement, follow Statement 60

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Arrangements and Capital Assets (continued)

Does title pass to third-party obligor at end of arrangement?	Does the issuer recognize a capital asset?	Does the issuer recognize a deferred inflow of resources?
Yes	No	No
No, and third party has exclusive use of entire capital asset	Yes, when the arrangement ends	No
No, and third party has exclusive use of only portions of the capital asset	Yes, at the inception of the arrangement	Yes, at the inception of the arrangement; deferred inflow recognized as revenue over the term of the arrangement

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Disclosures by Type of Commitment

A general description of the issuer's conduit debt obligations

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

If the issuer recognizes a related liability

- Description of timing of recognition and measurement of the liability
- Beginning balances, increases, decreases, ending balances
- Cumulative payments that have been made
- Amounts expected to be recovered, if any, for those payments

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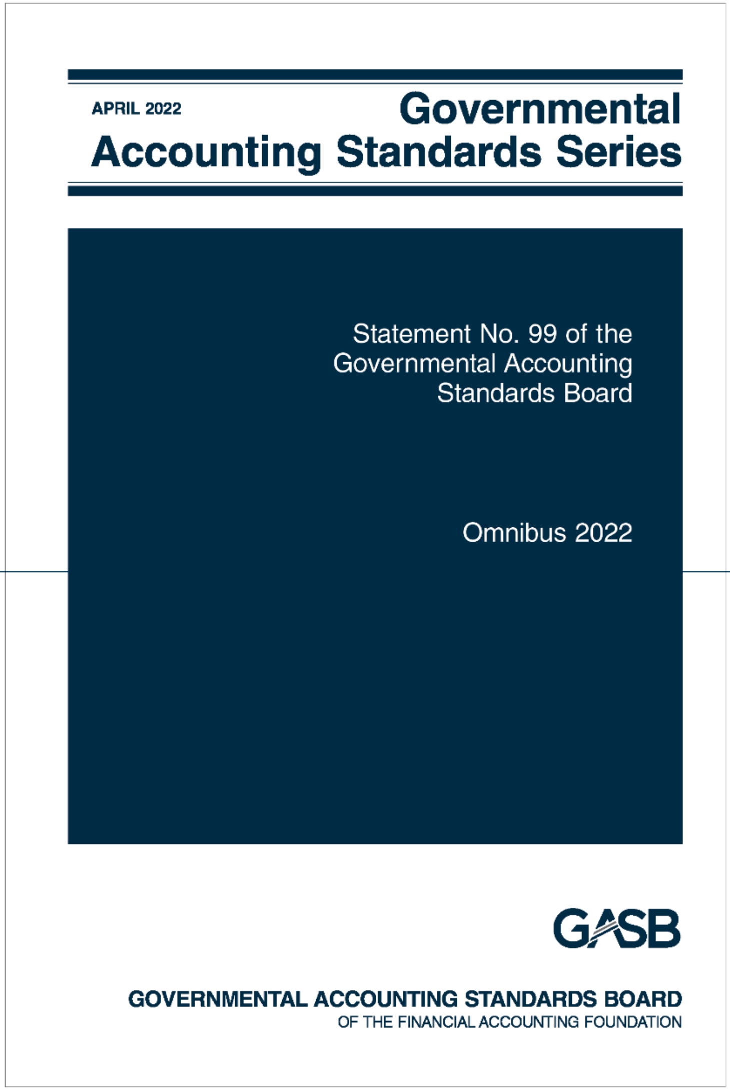
Omnibus 2022

Statement No. 99


APRIL 2022

Governmental Accounting Standards Series

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

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Omnibus 2022

What?

Practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees

Why?

Omnibus Statements are issued to address issues in multiple pronouncements that, individually, would not justify a separate pronouncement

When?

Various effective dates:

1) Upon issuance

2) Fiscal years beginning after June 15, 2022

3) Fiscal years beginning after June 15, 2023

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General Omnibus Topics

- Financial Guarantees
- Other Derivative Instruments
- Leases, PPPs, and SBITAs
- Extended Use of LIBOR
- Technical Updates/Corrections

Financial Guarantees

Statement 99 DOES

- Apply the liability recognition, liability measurement, and disclosure requirements in Statement 70 to governments that extend exchange or exchange-like financial guarantees.

Statement 99 DOES NOT

- Prescribe expense classification.
- Prescribe recognition guidance for the consideration received in an exchange or exchange-like financial guarantee transaction.

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Other Derivative Instruments

Other Derivative Instruments

- Change in fair value should be reported on flow statement separately from investment revenues
- Disclosures should be distinguished from hedging derivative instruments and investment derivative instruments
- Disclose fair value of derivative instruments that were reclassified from hedging derivative instruments

Termination of hedge accounting

- If hedging derivative instruments cease to be effective, the balance of the deferrals should be reported on the flows statement separately from investment revenues.

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Leases, PPPs, and SBITAs

Remeasurement of certain assets and liabilities

- Should not be remeasured solely for a change in an index or rate used to determine variable payments

Option to Terminate

- Unconditional right that exists within the contract - the right to terminate due to the action or inaction of the other party is not an option to terminate
- For leases only - the option to purchase the underlying asset would be considered an option to terminate for purposes of measuring the lease term

Short-term Leases and SBITAs

- Modified short-term leases or SBITAs should be remeasured from the inception of the lease or SBITA

Leases, PPPs, and SBITAs (cont.)

Variable Lease Payments

- Variable lease payments, other than those that depend on an index or rate or those that are fixed in substance, should not be included in the measurement of the lease liability.

Lease Incentives

- Includes the assumption of or *an agreement to pay* a lessee's preexisting lease obligation to a third party

PPP Remeasurement

- The receivable for the underlying PPP asset should be remeasured if there is a change in the PPP term
- Deferred outflow of resources should be adjusted by the same amount as any remeasurement change to the liability for the underlying PPP asset

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Replacement of Interbank Offered Rates

London Interbank Offered Rate (LIBOR)

- Date at which it is not an appropriate benchmark interest rate changes to when it is no longer determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021.

Technical Updates/Corrections

SNAP/ Food Stamps

- States no longer use paper food stamp coupons. Specialized guidance in Statement 24 is no longer relevant. Should apply Statement 33 instead.

Nonmonetary Transactions

- Should disclose measurement attribute(s), rather than basis of accounting for assets transferred.

Pledges of Future Revenue

- Blending guidance provided

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Technical Updates/Corrections (cont.)

Government-Wide Statements

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

Terminology Updates

- Balance sheet – Statement of net position
- Balance sheet date – Date of financial statements or Statement of net position date
- Equity Funds – Other assets used
- Fund Equity – Equity interest
- Flow of resources statement – Resource flows statement

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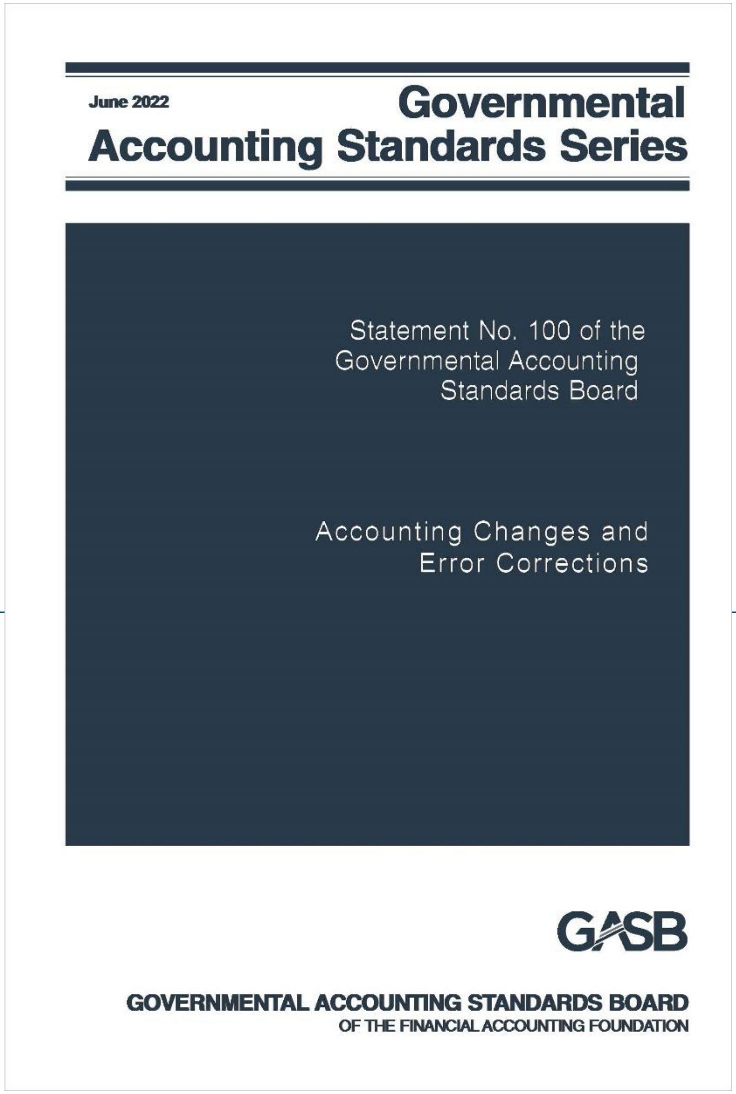
Accounting Changes and Error Corrections

Statement No. 100


June 2022

Governmental Accounting Standards Series

Statement No. 100 of the Governmental Accounting Standards Board

Accounting Changes and Error Corrections

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Accounting Changes and Error Corrections

What?

Based on a reexamination of the requirements in Statement 62, the Board has replaced the guidance that previously existed in Statement 62 with new standards for accounting changes and error corrections.

Why?

The previous guidance was based on several sources of accounting standards, some of which had been superseded, and much of which has been in effect without review by the GASB for decades.

When?

Effective for changes made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

Earlier application is encouraged.

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Classification

Accounting changes

- Change in accounting principle
- Change in accounting estimate
- Change to or within the financial reporting entity

Correction of an error in previously issued financial statements

Change in Accounting Principle

A change in accounting principle results from either:

A **change** from one generally accepted accounting principle to another that is justified on the basis that *the newly adopted accounting principle is preferable,* based on the qualitative characteristics of financial reporting

Implementation of new pronouncements

Accounting Estimates

Accounting estimates are:

Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements

Outputs determined based on inputs such as data, assumptions, and measurement methodologies

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Change in Accounting Estimate

A change in accounting estimate occurs when inputs change

Changes to inputs result from a change in circumstance, new information, or more experience

A change in measurement methodology should be justified on the basis that the new methodology is preferable, based on the qualitative characteristics of financial reporting.

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Change to or within the Financial Reporting Entity

A change to or within the financial reporting entity results from:

- Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units
- A change in the fund presentation as major or nonmajor
- Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units)
- Change in presentation (blended or discrete) of a component unit

Correction of an Error

An error results from mathematical mistakes, 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 that existed at the time the financial statements were issued are those that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date

A change from (a) applying an accounting principle that is **not** generally accepted to transactions or other events to (b) applying a generally accepted accounting principle is an error correction

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Accounting for Accounting Changes and Error Corrections

Change in accounting principle	• Reported retroactively by restating prior periods presented, if practicable • If not practicable, restate beginning balances of current period
Change in accounting estimate	• Reported prospectively • Recognized in current-period flows
Change to/within the reporting entity	• Reported by adjusting current period beginning balances
Error correction	• Reported retroactively by restating prior periods presented

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Display

Shown separately

- Aggregate amount of adjustments to and restatements of beginning balances should be displayed for each reporting unit

Note Disclosures

Disclosures vary depending on the type of item, but common disclosures include:

The nature of the change or error and its correction

Reason for the change

The effects on beginning net position, fund balance, or fund net position, as applicable, presented in a tabular format

RSI and SI

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

Periods earlier than those presented in basic financial statements should ***not*** be restated for changes in accounting principles

Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable

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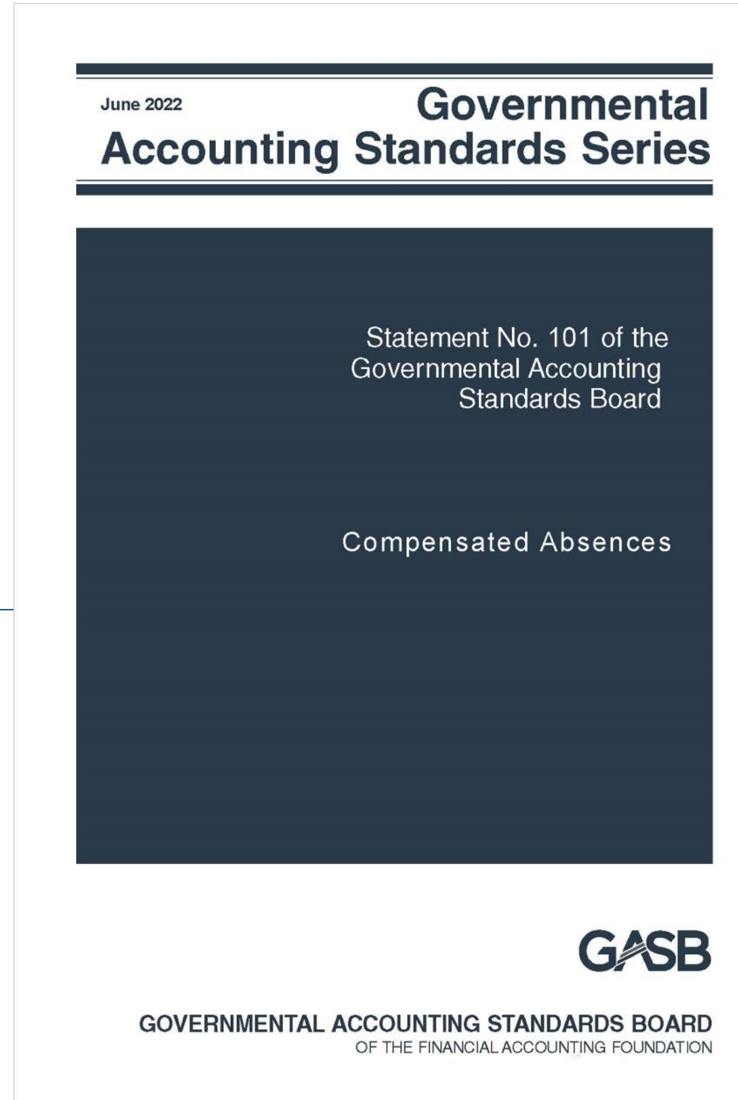
Compensated Absences

Statement No. 101


June 2022

Governmental Accounting Standards Series

Statement No. 101 of the Governmental Accounting Standards Board

Compensated Absences

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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

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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

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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

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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

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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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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 Q4 2023

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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 net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

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Recognition in Governmental Funds

Short-Term Transactions	Long-Term Transactions
Period from inception to conclusion is one year or less	Period from inception to conclusion is more than one year

Inception generally is when a party to the transaction takes an action that results in the initial recognition of an asset or liability

Conclusion generally is when the final payment of cash or other financial assets is due according to the terms of the binding arrangement (or estimated payments)

Tentative Decisions: Recognition in Governmental Funds

Short-term financial resources measurement focus and modified accrual basis of accounting

Elements from *short-term* transactions or other events recognized *as the underlying transaction or other event occurs*

Elements from *long-term* transactions and other events recognized *when payments are due*

Financial assets: cash, assets that are available to be converted to cash, and assets that are consumable in lieu of cash

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Tentative Decisions: Presentation of Governmental Funds

Financial statements presented in ***current and noncurrent activity*** format

Current activity— all other

Noncurrent activity— related to purchase and disposition of capital assets and issuance and repayment of long-term debt

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Proposed Statement of Short-Term Financial Resource Flows

Current and Noncurrent Activity Format

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
Taxes:				
Property tax	$ 20,322,167	$ 5,311,156	$ 2,015,047	$ 27,648,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Special assessments	-	-	41,500	41,500
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,192,493	20,787,512
Investment earnings	5,829	11,384	119,043	136,256
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	654,482	771,287	5,642,709
Total inflows of short-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
General government	14,053,444	6,961,201	2,213,691	23,228,336
Public health and safety	70,880,913	-	590,383	71,471,296
Highway and streets	12,137,714	-	4,715,808	16,853,522
Culture and recreation	3,581,583	335,659	1,808,065	5,725,307
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,304,999	7,296,860	13,201,992	121,803,851
Net flows of short-term financial resources for current activities	5,455,280	(1,319,838)	6,314,185	10,449,627
NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES				
Transfers in	-	-	10,651,605	10,651,605
Debt service	(2,434,544)	(366,412)	(9,198,505)	(11,999,461)
Capital outlay	(111,987)	(1,515)	(1,346,497)	(1,459,999)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short-term financial resources for noncurrent activities	(10,227,406)	(374,372)	(2,314,297)	(12,916,075)
Net change in short-term financial resources fund balances	(4,772,126)	(1,694,210)	3,999,888	(2,466,448)
Short-term financial resources fund balances at beginning of year	9,319,621	9,776,474	27,892,592	46,988,687
Short-term financial resources fund balances at end of year	$ 4,547,495	$ 8,082,264	$ 31,892,480	$ 44,522,239

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

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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

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		2016		2015
Operating revenues:				
Tuition and fees (net of discounts)	$	574,168	$	525,791
Grants and contracts		292,962		278,481
Sales and services		271,345		272,244
Other operating revenues		7,868		14,861
Total operating revenues		1,146,343		1,091,377
Operating expenses:				
[Natural or functional expenses]				
Total operating expenses		1,681,544		1,596,059
Income (loss) generated by operations		(535,201)		(504,682)
Noncapital subsidies:				
Appropriations		407,702		394,767
Taxes		8,026		7,660
Grants		42,978		37,567
Gifts		99,395		90,063
Total noncapital subsidies		558,101		530,057
Operating income (loss) and noncapital subsidies		22,900		25,375
Financing and investing activities:				
Investment income		235,820		138,649
Interest expense		(12,412)		(12,853)
Loss from the disposition of capital assets		(2,385)		518
Total financing and investing activities		221,023		126,314
Income before other items		243,923		151,689
Other items:				
Capital contributions		23,231		74,830
Increase (decrease) in net position		267,154		226,519
Net position—beginning		3,061,111		2,834,592
Net position—ending	$	3,328,265	$	3,061,111

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Proposals: Management's discussion and analysis

Users of MD&A "have different levels of knowledge and sophistication about governmental accounting and finance," "may not have a detailed knowledge of accounting principles" (as in Concepts Statement 1, paragraph 63)

Add clarification and structure to the requirement for brief discussion of the basic financial statements, including their relationships and significant differences

Emphasize the level of thoroughness required for the analysis of year-to-year changes and the need to avoid unnecessary duplication

Amend the requirements for currently known facts, decisions, or conditions with examples, such as economic trends; subsequent year's budget; actions government has taken on postemployment benefits, capital improvement plans, and long-term debt; actions other parties have taken that affect the government

Move budgetary analysis and discussion of infrastructure assets (if applicable) to the relevant parts of RSI

Other Proposals

Budgetary comparisons

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

Major component unit presentations

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

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

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Proposed Effective Dates

Based on total annual revenues in fiscal year beginning after June 15, 2022

$75 million or more	Less than $75 million
Apply in fiscal years beginning after June 15, 2024	Apply in fiscal years beginning after June 15, 2025

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Project Timeline

Pre-Agenda Research Started	April 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Issued	September 2018
Exposure Draft Approved	June 2020
Redeliberations Began	May 2021
Final Statement Scheduled to Be Considered for Issuance	March 2024

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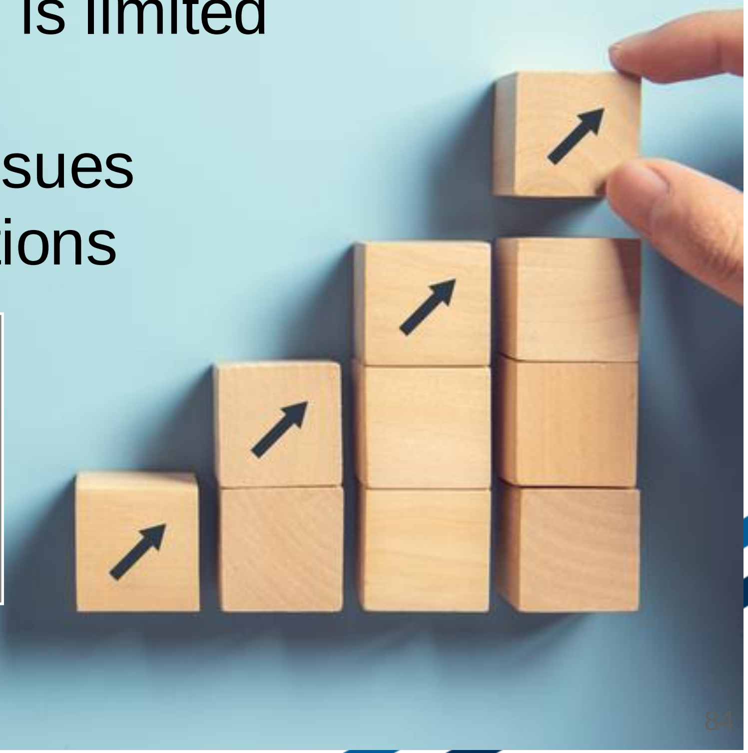
Revenue and Expense Recognition

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.



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Project Drivers

Technical Accounting Drivers

- Limited guidance for certain transactions
- Post Implementation Review of Statement 33

Environmental Drivers

- Revenue recognition from contracts with customers (FASB, IASB, IPSASB)

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Scope of the Project

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

- **Financial instruments**
  - Investments
  - Derivative instruments
  - Long-term debt
- **Capital assets and inventory**
  - Purchase, sale, or impairment
  - Capitalization and depreciation
  - Inventory valuation
- **Post-employment**
  - Pensions
  - OPEB
  - Other: compensated absences

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Scope of the Project Continued

EXCHANGE REVENUE

Paragraph 23 of Statement 62

EXCHANGE EXPENSE

One sentence in Statement 34

NONEXCHANGE REVENUE

NONEXCHANGE EXPENSE

Statements 33 and 36
(NGCA 1 and Statement 65)

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

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Proposed Categorization Methodology

Identify the Binding Arrangement and the Parties

Are there identifiable rights and obligations that are substantive?

No

Yes

Are the rights and obligations interdependent?

No

Yes

Category A Transaction

Category B Transaction

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Outcomes of the Proposed Model *

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

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

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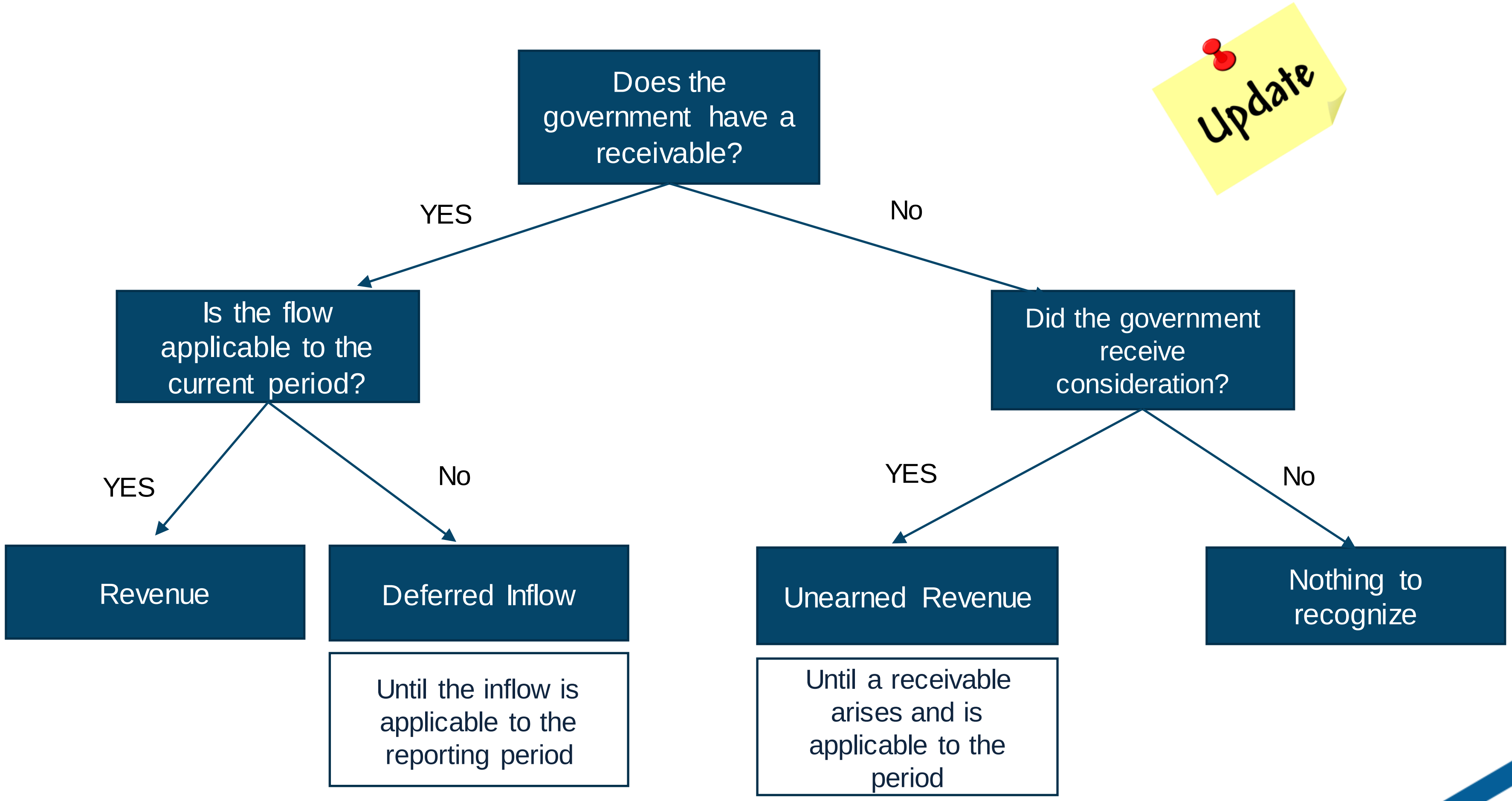
Proposed Revenue Recognition Principles



Proposed Revenue Recognition Principles

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

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

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Category A Proposed Revenue Recognition Principles

Categorization

Contain the following characteristics:

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

Recognition

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

Category A Expense Recognition Examples

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

City orders supplies	Expense is recognized as the city receives the supplies
School district hires CPA	Expense is recognized as the CPA firm carries out the expected work, such as an audit
Public utility employees	Expenses for wages are recognized as the employees perform services over time

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Category B Proposed Revenue Recognition Principles

Categorization

Fails one of the following:

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

Recognition

Revenues and expenses are recognized based on **<u>five subcategories</u>**

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Category B Proposed Revenue Recognition Principles Continued

Receivable	• Recognized when a legally enforceable claim arises
Revenue	• Recognized at the same time as the receivable, unless there are time requirements
Liability	• Resources received prior to the establishment of a legally enforceable claim
Deferred Inflow of Resources	• If the transaction includes a time requirement, assess the recognition of a deferred inflow of resources

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Category B Expense Recognition Examples

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

Contractual arrangements

Shared revenue (outflows)

General aid (outflows)

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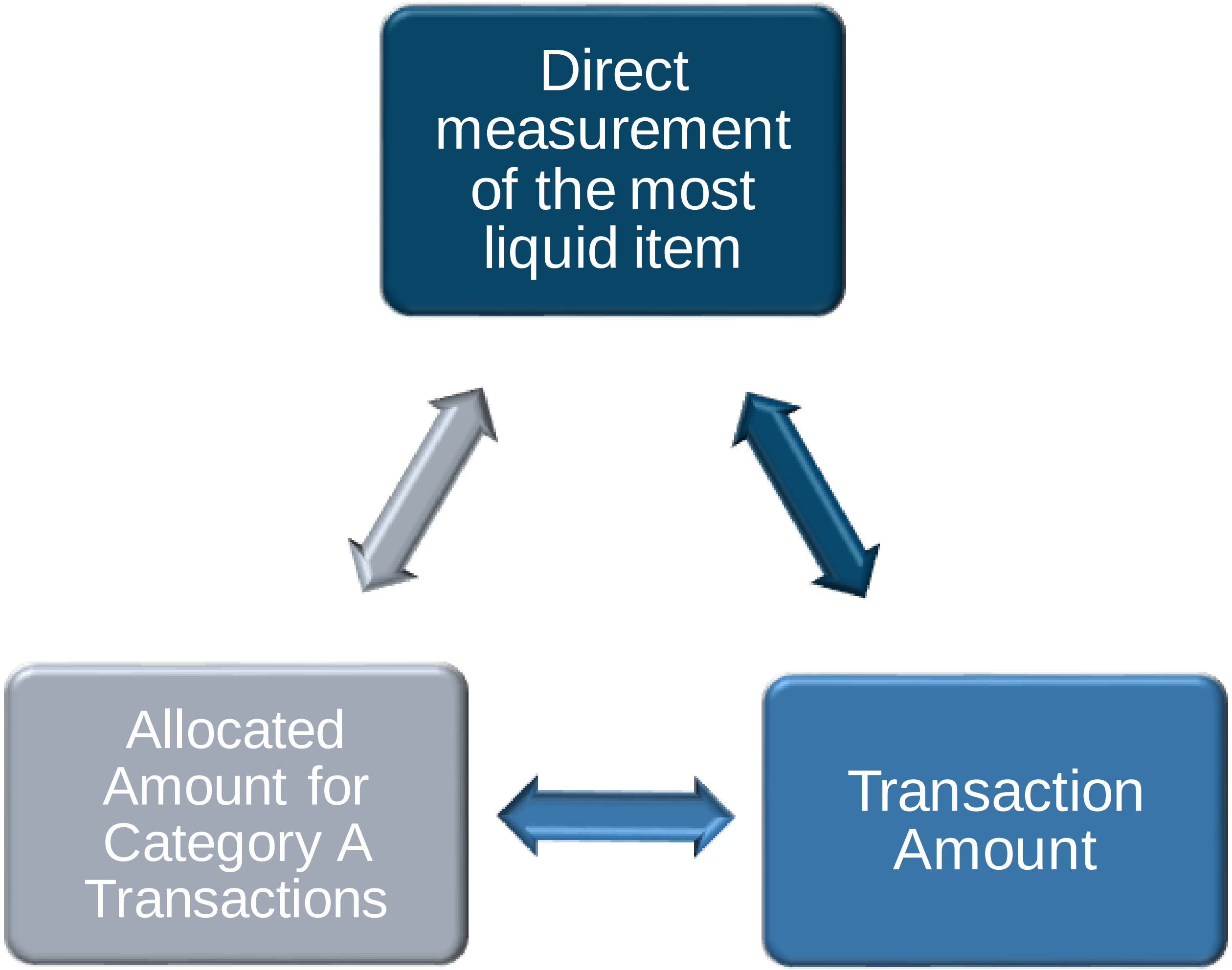
Proposed Measurement Principles



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Project Timeline

- **Added to current technical agenda**
  - April 2016
- **Invitation to Comment issued**
  - January 2018
- **Preliminary Views Approved**
  - June 2020
- **Resume Deliberations**
  - Spring of 2021
- **Exposure Draft**
  - Expected in March 2025
- **Final Standard**
  - Expected in June 2027

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Questions?

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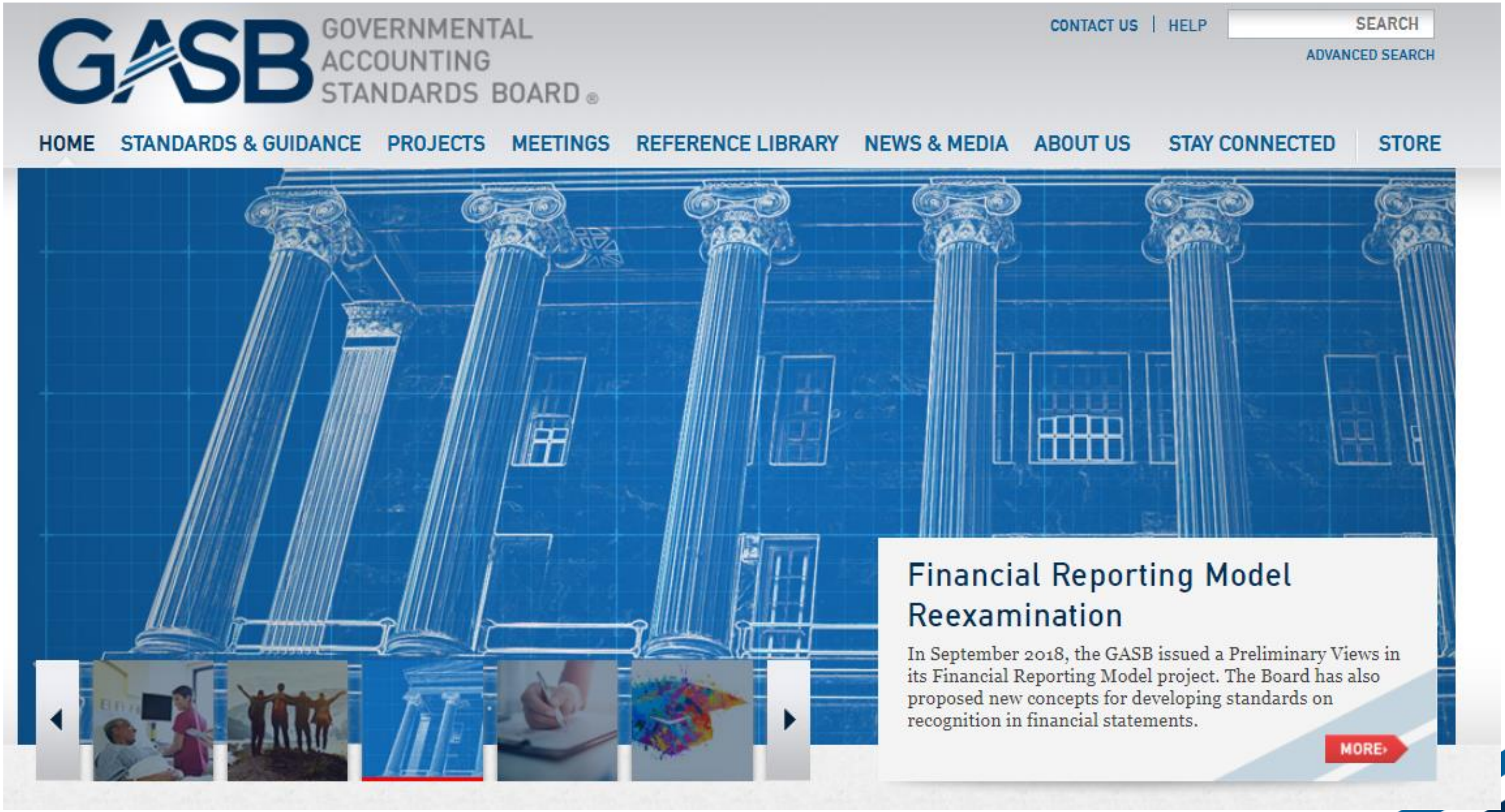
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Financial Reporting Model Reexamination
In September 2018, the GASB issued a Preliminary Views in its Financial Reporting Model project. The Board has also proposed new concepts for developing standards on recognition in financial statements.
MORE›

Website Resources

- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Free access to the basic view of Governmental Accounting Research System (GARS)
- Free copies of proposals
- Up-to-date information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts

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