2023 FGFOA School of Government Finance

GASB UPDATE

Jacqueline Reck, PhD, CPA
Keith Professor of Accountancy, USF
GASB Member

October 19, 2023

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

Presentation Overview

Standards being implemented

Projects currently being deliberated by the Board

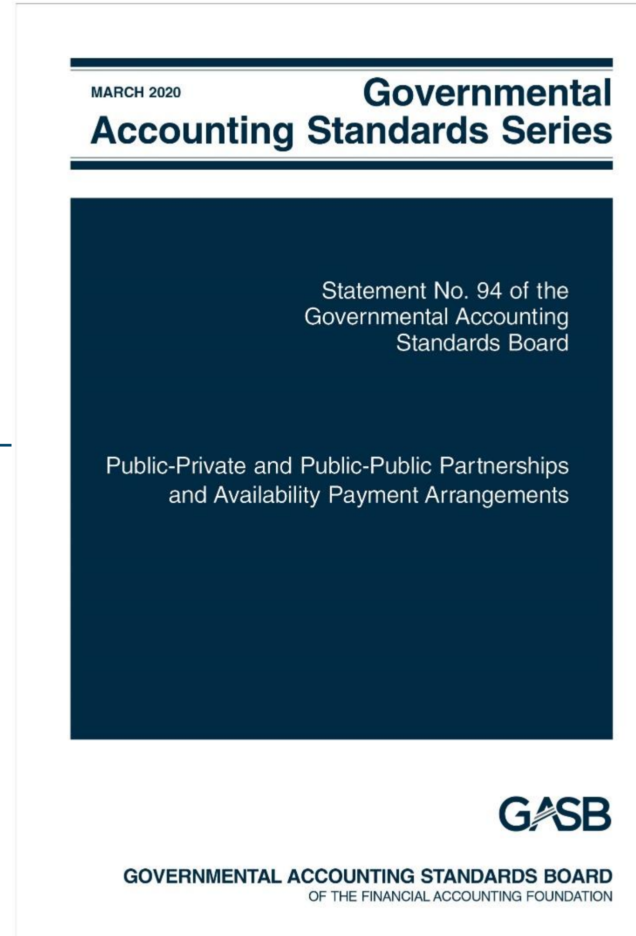
As of September 30, there have been no NEW standards issued this year!!

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Standards You Are Implementing

Public-Private and Public-Public Partnerships (P3) and Availability Payment Arrangements (APA)

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

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

P3s, APAs, and SCAs

What?

The Board issued guidance for public-private and public-public partnerships (P3s) that are not subject to Stmts 60 (service concession arrangements) or 87 (leases), and improvements to Stmt 60

When?

Effective for reporting periods beginning after June 15, 2022

Definitions: PPPs and APAs

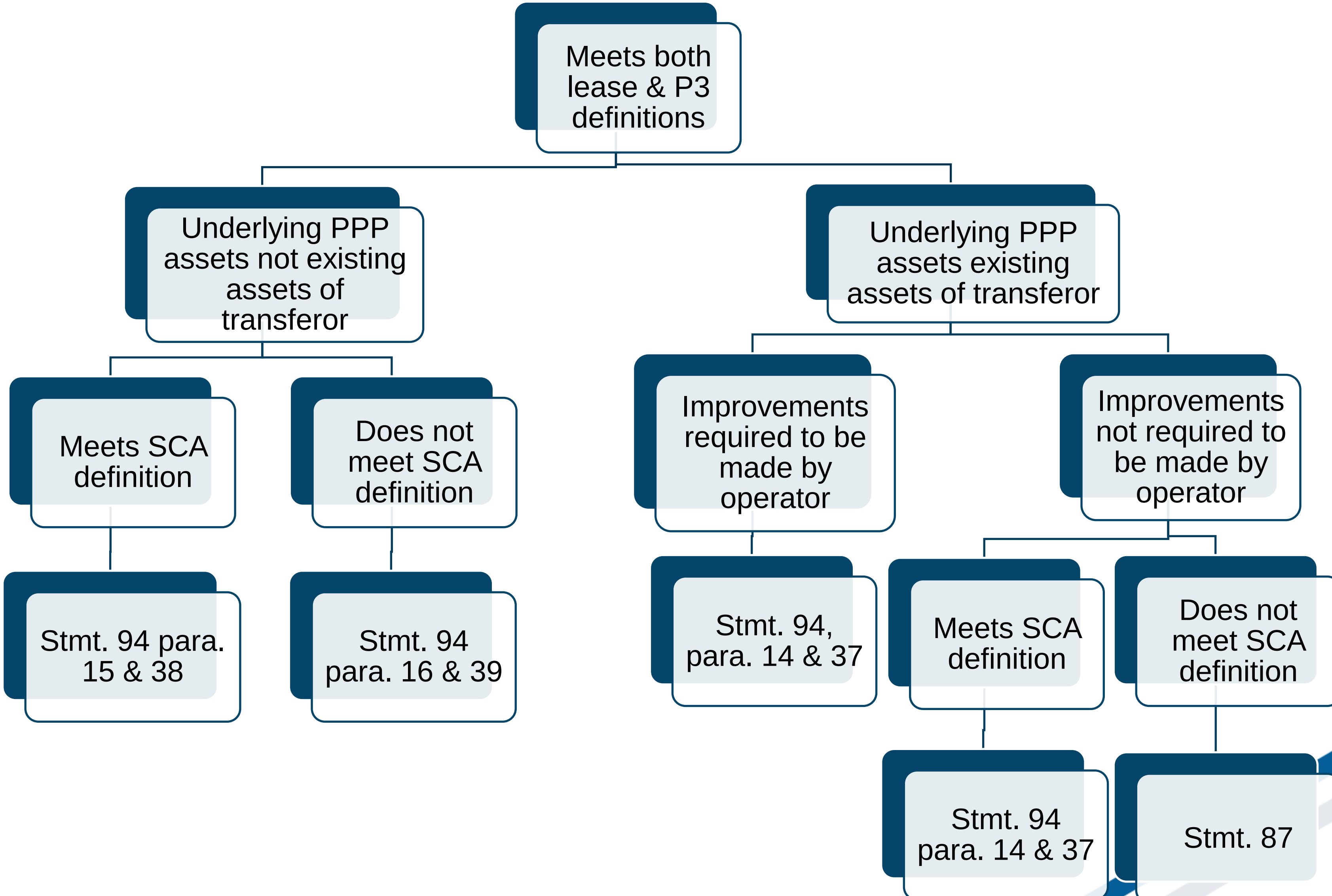
Public-private partnerships and **public-public partnerships (P3s)** are when a government (the transferor) contracts with an entity to provide public services by passing control of the right to operate or use nonfinancial assets, such as infrastructure or other capital asset (the PPP asset), for a period 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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Other Provisions: Recognition & Measurement



Other Provisions

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 expenditure/expense in the period to which the payments relate.

Transferor Reporting

For all P3s, 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 P3 term

If underlying P3 asset is a new asset or an existing asset that has been improved…

- And the P3 is a SCA: also recognize the capital asset at acquisition value when placed into operation
- And the P3 is not a 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

Operator Reporting

For all P3s, recognize:

- Liability for installment payments to be made, if any

If underlying P3 asset is (a) existing asset or (b) new asset and the P3 is an SCA…

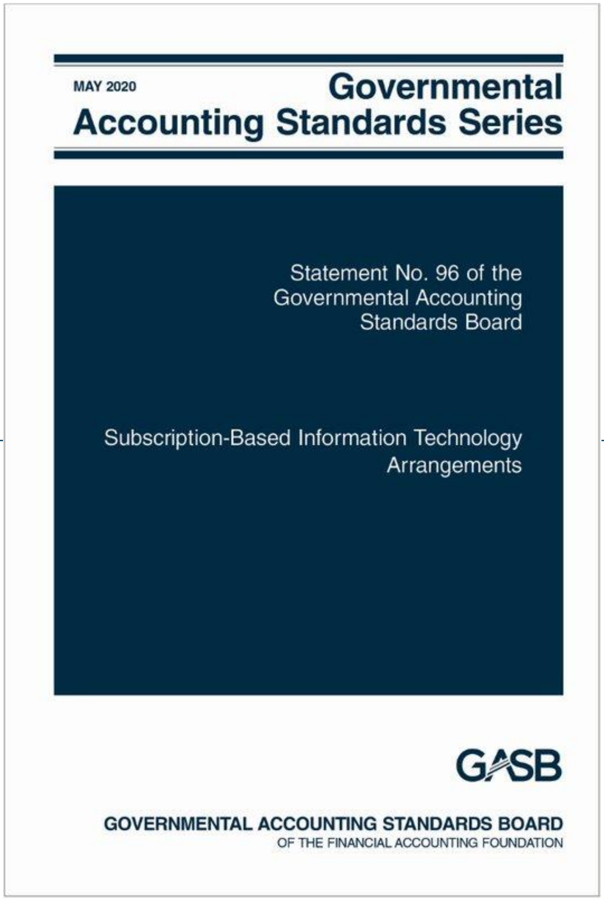
- Also recognize an intangible right-to-use asset

If underlying P3 asset is a new asset and the P3 is not an SCA…

- Also recognize the underlying P3 asset until ownership is transferred
- And a liability and deferred outflow of resources for the underlying P3 asset, measured at the estimated carrying value as of the future date of the transfer

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

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

SBITAs

What?

Reporting subscription-based information technology arrangements (SBITAs), such as cloud computing contracts

Why?

Stakeholder concerns about transactions not covered by the guidance in Stmts. 51 (intangibles) or 87 (leases); diversity existed in practice

When?

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

Earlier application is encouraged

Scope and Applicability

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

To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has both:

- 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.

Scope and Applicability (continued)

- Statement 96 does not apply to:
  - Contracts conveying control of the right to use another party's combination of IT software and tangible capital assets meeting the definition of a lease in Statement 87, when the software component is insignificant compared to the cost of the underlying tangible capital asset
  - Governments providing the right to use their IT software and associated tangible capital assets to other entities through SBITAs
  - Contracts meeting the definition of a P3 in Statement 94
  - Licensing arrangements providing a perpetual license to governments to use a vendor's computer software, which are subject to Statement 51

Relationship between Leases and SBITAs

- Technically all SBITAs meet the definition of lease
- However, how a SBITA is recorded depends on the underlying asset:
  - 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 underlying tangible capital asset – Statement 87
    - Otherwise – Statement 96

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Recognition and Measurement

SBITAs should be reported under provisions effectively the same as those for a lessee under Statement 87—recognize a subscription asset and a subscription liability (except for short-term SBITAs)

Measurement of the subscription asset should include certain capitalizable implementation costs based on stages like those for internally developed software in Statement 51:

- Preliminary project stage
- Initial implementation stage
- Operation and additional implementation stage

Accounting for Activities Associated with a SBITA

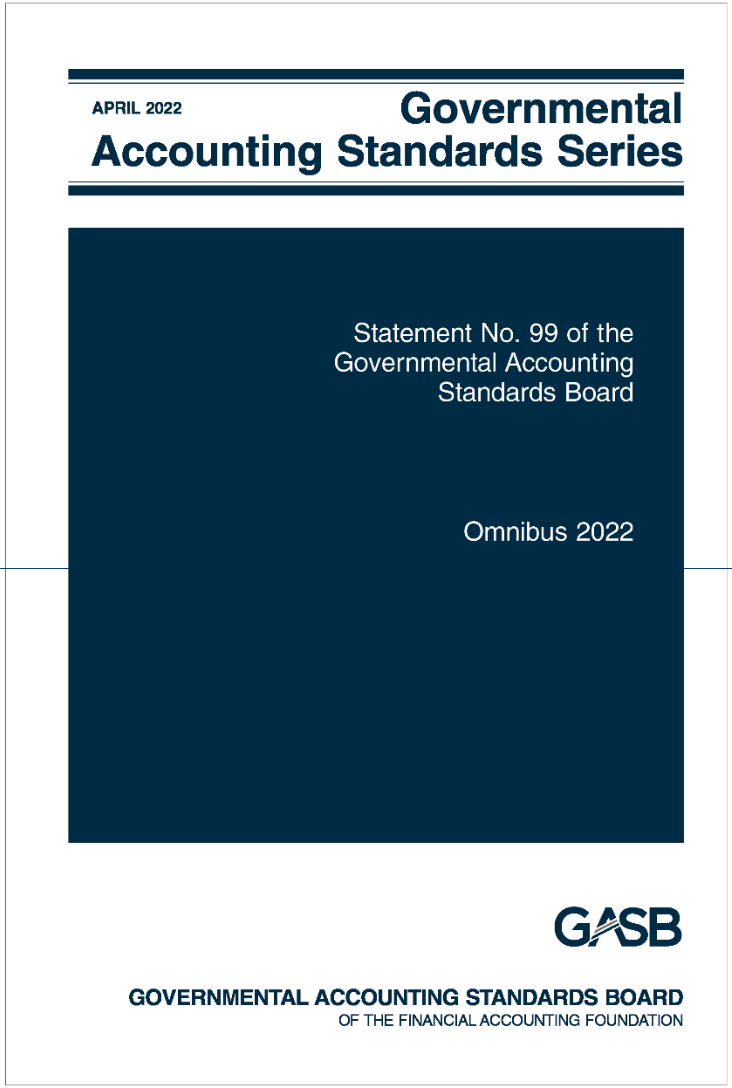
Preliminary project stage	Initial implementation stage	Operation & additional implementation stage
• Outlays should be expensed as incurred	• Generally, outlays should be capitalized • However, if no subscription asset is recognized (such as for a short-term SBITA), outlays should be expensed as incurred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

Government Finance Review Plug!

- June 2023 Issue
- Michelle Levine does a really informative article on accounting for a SBITA
- Includes examples of measurement

Omnibus 2022

Statement No. 99


APRIL 2022 Governmental Accounting Standards Series

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

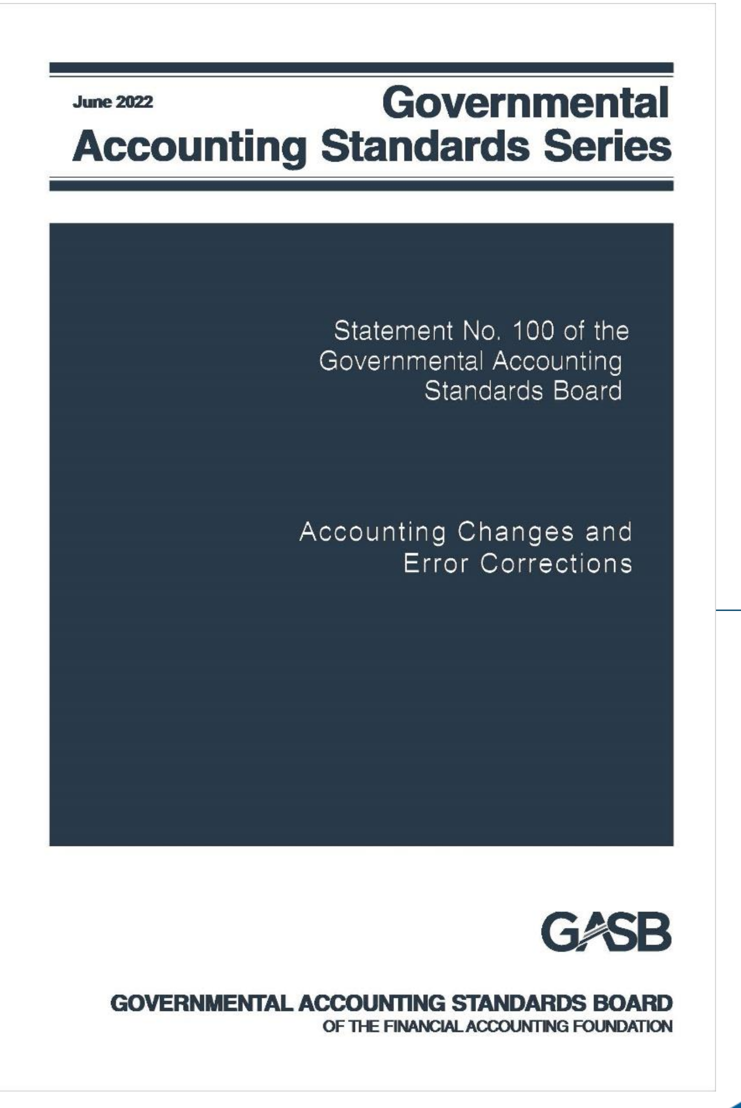
Replacement of Interbank Offered Rates

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.
- In July of this year the ICE Benchmark Administration quit publishing LIBOR using the methodology in place as of December 31, 2021.

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

Accounting Changes and Error Corrections

What?

The Board replaced guidance that previously existed in Stmt. 62 with new standards for accounting changes and error corrections.

Why?

The previous guidance was based on several sources of accounting standards, some had been superseded, and much had not been reviewed for decades.

When?

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

Earlier application is encouraged.

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

- 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
    - Preferability based on the qualitative characteristics of financial reporting
  - Implementation of new pronouncements

Change in Accounting Estimate

- Occurs when the inputs change
  - Inputs include data, assumptions, and measurement methodologies
- Changes in inputs result from:
  - Change in circumstance
  - New information
  - More experience
- Change in measurement methodology should be justified as better or preferable
  - Based on qualitative characteristics of financial reporting

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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
  - Misapplication of accounting principles
  - 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 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 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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

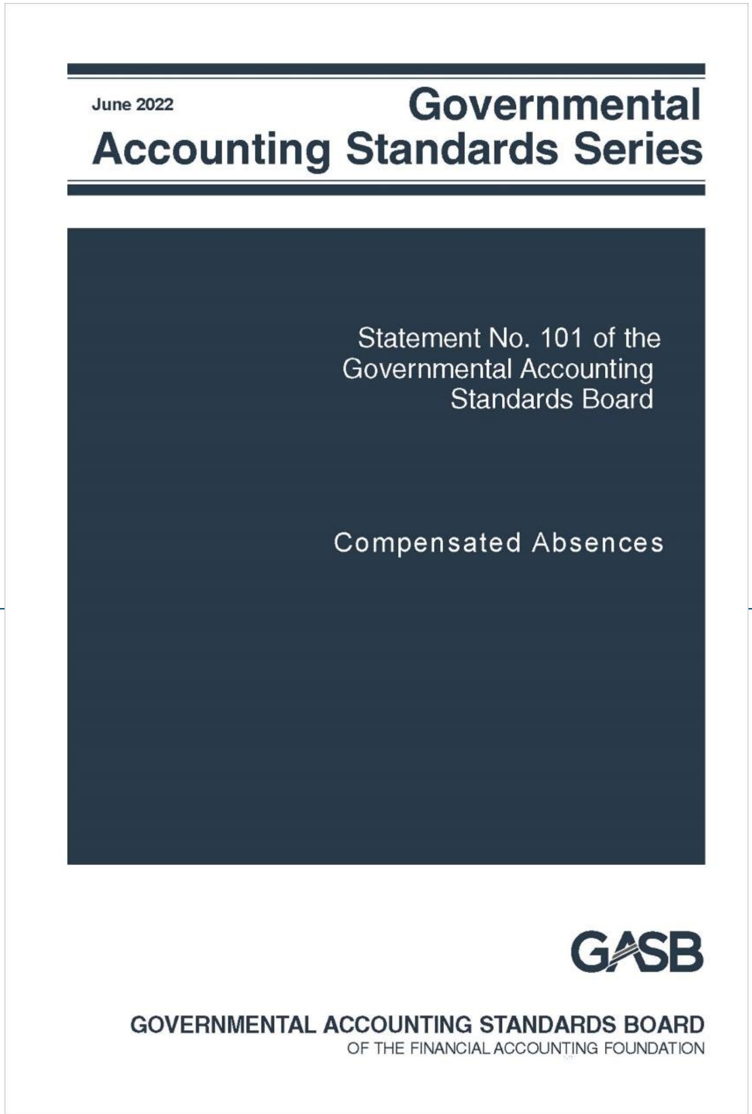
The Statement addresses how to present in RSI and SI information that is affected by an accounting change or error correction

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

Compensated Absences

Statement No. 101


June 2022

Governmental Accounting Standards Series

Statement No. 101 of the Governmental Accounting Standards Board

Compensated Absences

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Compensated Absences

What?

Amendment to 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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Scope and Applicability

A compensated absence is	Examples:

• 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
	• 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 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

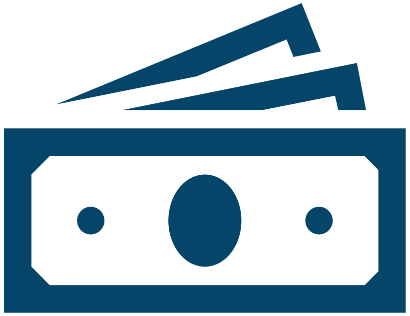
Salary-related payments

Directly and incrementally related

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

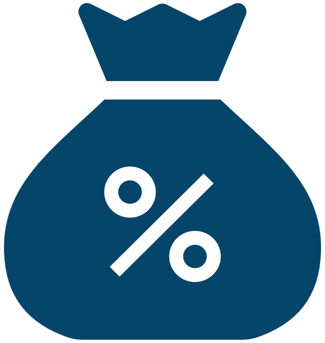
DB pension or OPEB excluded

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

Implementation Guidance Updates

2020-1, 2021-1 and 2023-1

Implementation Guidance Updates

What?

The need for updates to Q&A implementation guidance is considered annually.

Why?

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

When?

Effective dates vary by Q&A from periods beginning after June 15, 2020, through periods beginning after June 15, 2023.

Implementation Guide 2023-1

Adds new questions on standards regarding

- Leases (6 new questions)
- SBITAs (3 new questions)
- Changes to or within the financial reporting entity (Statement 100)

Updates existing Q&A guidance related to

- Leases (1 question clarifying a response to existing question)

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Current Projects

Classification of Nonfinancial Assets

NAME CHANGE TO: DISCLOSURE AND CLASSIFICATION OF CERTAIN CAPITAL ASSETS

Disclosure & Classification of Certain Capital Assets

What?

Reviewed classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets)

Why?

A review found classifications generally were effective, but there were aspects that could be improved

When?

An Exposure Draft was approved for issue at September Board meeting – Released on Sept. 28

Board Decisions

Asset Types	Classification
Tangible capital assets held for sale	Major class of capital assets
Intangible owned capital assets	Major class(es) of capital assets
Intangible lease assets (Stmt 87)	Major class(es) of capital assets
Intangible subscription assets (Stmt 96)	Separate from other capital assets
Assets representing right to use intangible assets	Not separate from assets representing right to use tangible underlying assets - but – Separate from owned intangible assets

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Board Decisions – Capital Assets Held for Sale

- Capital assets to be classified as held for sale if:
  - The government has decided to sell the asset
  - It is probable that the sale will occur within one year of the financial statement date
- Factors to consider if it is probable that the sale will be finalized within one year include, but are not limited to, the following:
  - Asset is available for immediate sale in its present condition
  - An active program to locate a buyer has been initiated, including being put out for bid
  - Market conditions for the type of asset
  - Regulatory approvals needed to sell the asset
- Assets held for sale should be evaluated each reporting period.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Project Timeline

Pre-Agenda Research Started	August 2020
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Exposure Draft to be Issued	September 2023

Conceptual Framework: Recognition

Exposure Draft: *Recognition of Elements of Financial Statements*

What?

The Board issued an Exposure Draft of a Concepts Statement on recognition of financial statement elements

Why?

Recognition concepts are one of the components needed to complete the conceptual framework

When?

Board decided not to issue a recognition of elements concepts statement – pulled from agenda at August meeting

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Financial Reporting Model Reexamination

Financial Reporting Model Improvements

What?

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

Why?

Aspects of the statements 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 – **this was removed from the scope of the project at the June 23rd Board meeting**
Format of governmental funds financial statements – **removed from scope**
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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Recognition in Governmental Fund Financial Statements

- June 2023 – Board tentatively decided to remove governmental funds from the scope of the project
  - A conceptually pure model (with no exceptions) was thought to provide less meaningful information
    - Would present fund balance that does not reflect all the accruals that the Board believed should be recognized
    - In order for the new measurement focus and basis of accounting to provide what was thought to be more meaningful information it would need to include exceptions for certain transactions
      - Result would be a lack of a conceptually consistent (pure) foundation, which was a primary objective of the project

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Recognition in Governmental Fund Financial Statements (continued)

- Board determined that the perceived costs did not justify the expected benefits of the proposed new measurement focus and basis of accounting
- Board will consider how to address the measurement focus and basis of accounting for governmental funds at a future date

What Do You Think?

- What do you like about the current model for funds?
- What do you think could be improved in the current model for funds that would be more useful/informative to one of your stakeholder groups?

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Financial Reporting Model Components That Are Moving Forward

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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" as proposed

- 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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Proposals: Proprietary Funds (cont.)

“Subsidies” Board tentative decisions

- Indicate that all transfers are included
- Clarify that subsidies can have a direct or an indirect impact on user fees and charges
- Clarify that subsidies should be classified as noncapital subsidies unless limited to capital purposes

	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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Proposals: Management's Discussion & 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" (ties to Concepts Statement 1)
- Adds clarification and structure to the requirement for brief discussion of the basic financial statements, including their relationships and significant differences
- Emphasizes the level of thoroughness required for the analysis of year-to-year changes and the need to avoid unnecessary duplication
- Amends the requirements for currently known facts, decisions, or conditions with examples, such as economic trends; subsequent year's budget; actions government has taken on OPEB, capital improvement plans, and long-term debt; actions taken by others that affect the government
- Moves budgetary analysis and discussion of infrastructure assets (if applicable) to the relevant parts of RSI

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Proposals: Management's discussion and analysis (continued)

Board Tentative Decisions

- 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 and major special revenue funds 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
- Several other small adjustments

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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 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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Other Proposals (continued)

Unusual or Infrequent Items

- Definitions tie to Stmt. 62 definition of unusual in nature and infrequency of occurrence
- 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

Proposed Effective Date

September Board meeting it was tentatively decided all governments would have the same effective date

Apply in fiscal years beginning after June 15, 2025

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

Going Concern Uncertainties and Severe Financial Stress: Reexamination of Statement 56

Going Concern Uncertainties and Severe Financial Stress

What?

The Board will 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 since governments seldom go out of business; however, users do need information about governments' severe financial stress

When?

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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 experiencing severe financial stress, what relevant information should a government disclose in notes to financial statements?

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.

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Tentative Board Decisions

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

- A merger occurs in either of the following situations:
  - A government ceases to exist as the same legally separate entity and is combined with one or more governments to form one or more new governments
  - A government ceases to exist as the same legally separate entity and its operations are absorbed into, and provided by, one or more continuing governments
- An acquisition occurs when a government ceases to exist as the same legally separate entity and is acquired in exchange for significant consideration
- A dissolution without replacement occurs when a government ceases to exist as the same legally separate entity without being merged or acquired

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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 for disclosure purposes, 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.

Tentative Board Decisions

The term *financial stress* should continue to be used as part of the description of the condition a government is experiencing. A modifier is needed to describe the degree of financial stress a government is experiencing. The Board has tentatively decided on the term *severe* to define the degree of financial stress.

The Board has begun discussions of disclosure related to financial stress – it is taking time if anyone listened to the last Board meeting in September!

What Do You Think?

- How would you define or measure severe financial stress?
- Insolvency has come up
  - To your way of thinking what is insolvency?
  - Should severe financial stress be something < insolvency

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	August 2024
Exposure Draft Scheduled to Be Considered for Issuance	March 2026

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Certain Risk Disclosures

Certain Risk Disclosures

What?

The Board has finalized standards to disclose certain risks faced by governments

Why?

Stakeholders asked the GASB to address this issue

When?

A final Statement was accepted at the September Board meeting and is scheduled to be issued in the 4th quarter 2023

Decisions: Scope: Types of Risks

Concentrations: lack of diversity in an aspect of a significant revenue source or expense

- For example, (1) principal employers, (2) principal industries, (3) principal resource providers, (4) composition of principal inflows of resources, (5) workforce covered by collective bargaining agreements, and (6) suppliers of material, labor, or services

Constraints: imposed by an external party or the government's highest level of decision authority that limits the government's ability to acquire resources or control spending

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

Decisions: Disclosure Criteria

Disclosures would be required when a government determines that:

- A concentration or constraint is known to the government prior to the date the financial statements are available to be issued
- The concentration or constraint makes the government vulnerable to the risk of a substantial impact
- An event or events associated with the concentration or constraint that could cause the substantial impact either have occurred or are more likely than not to begin to occur within 12 months of the date the financial statements are available to be issued.

Decisions: Disclosure Requirements

- Description of the concentration or constraint
- If they have occurred, description of each event associated with the concentration or constraint that could cause a substantial impact
- Description of actions taken by the government to mitigate the risk

Decisions: Disclosure Requirements: General Principles

Disclose sufficient detail to enable users to understand the general nature of the risks and the government's vulnerability to a substantial effect.

Disclosure is not required if mitigating actions cause any of the disclosure criteria to no longer be met.

Disclosure criteria should always be assessed at the level of the primary government (including blended component units). In addition, if a reporting unit has a liability for revenue debt, the disclosure criteria should also be assessed for that reporting unit.

If the information to be disclosed is the same for more than one reporting unit, that information should be combined to avoid unnecessary duplication.

Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Exposure Draft Issued	June 2022
Redeliberations Began	November 2022
Final Statement to be Issued	2023

Infrastructure Assets

Infrastructure Assets

What?

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

Why?

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

When?

The Board added the project to its technical agenda 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?

Tentative Decision - Definition

Infrastructure assets are "assets that are part of a network of long-lived capital assets utilized to provide a particular type of public service, that are stationary in nature, and that can be preserved for a significant number of years."

Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and communication networks. Only buildings that are part of a network of assets used to provide a particular type of public service should be considered infrastructure assets.

Tentative Decisions

Measurement at historical cost and depreciated, or the preservation method

Preservation method requires the use of a capital asset management system that has the following minimum required characteristics:

- An up-to-date inventory of infrastructure assets
- Summarizes condition assessments and documents estimates of annual amounts to maintain and preserve infrastructure assets

Several other tentative decisions related to the preservation method have been made

What Do You Think?

- How do you estimate useful life for your infrastructure assets?
- Do you keep track of the separate components of an infrastructure asset? For example, a street surface versus the street bed?
- How much of your infrastructure would you say is fully depreciated?
  - Do you remove from the books once fully depreciated?
- What do you think about reporting deferred maintenance?

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 Board agreed to a project to reexamine subsequent event guidance.

Why?

Guidance dates to early AICPA literature. Staff research found issues related to current implementation.

When?

The Board added the project to its agenda at the August 28 meeting. Possible final Statement in 1st quarter 2026.

Project Timeline

Added to Current Technical Agenda	August 2023
Deliberations Begin	July 2024
Exposure Draft Scheduled to be Considered for Issuance	December 2024
Redeliberations Began	April 2025
Final Statement Scheduled to Be Considered for Issuance	October 2025

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

What Do You Think?

- Do you have subsequent events? How frequently?
- What issues do you have with the current statement and its wording?

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Revenue and Expense Recognition

Revenue and Expense Recognition

What?

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

Why?

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

When?

The Board is scheduled to consider the issuance of an Exposure Draft in Q1 2025

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Broad Project Objective

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

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

Scope of the Project

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

- **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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

Proposed Categorization Methodology

Identify the binding arrangement and the parties to that binding arrangement.

↓

Are there identifiable rights and obligations that are substantive?

- No → Category B Transaction
- Yes ↓

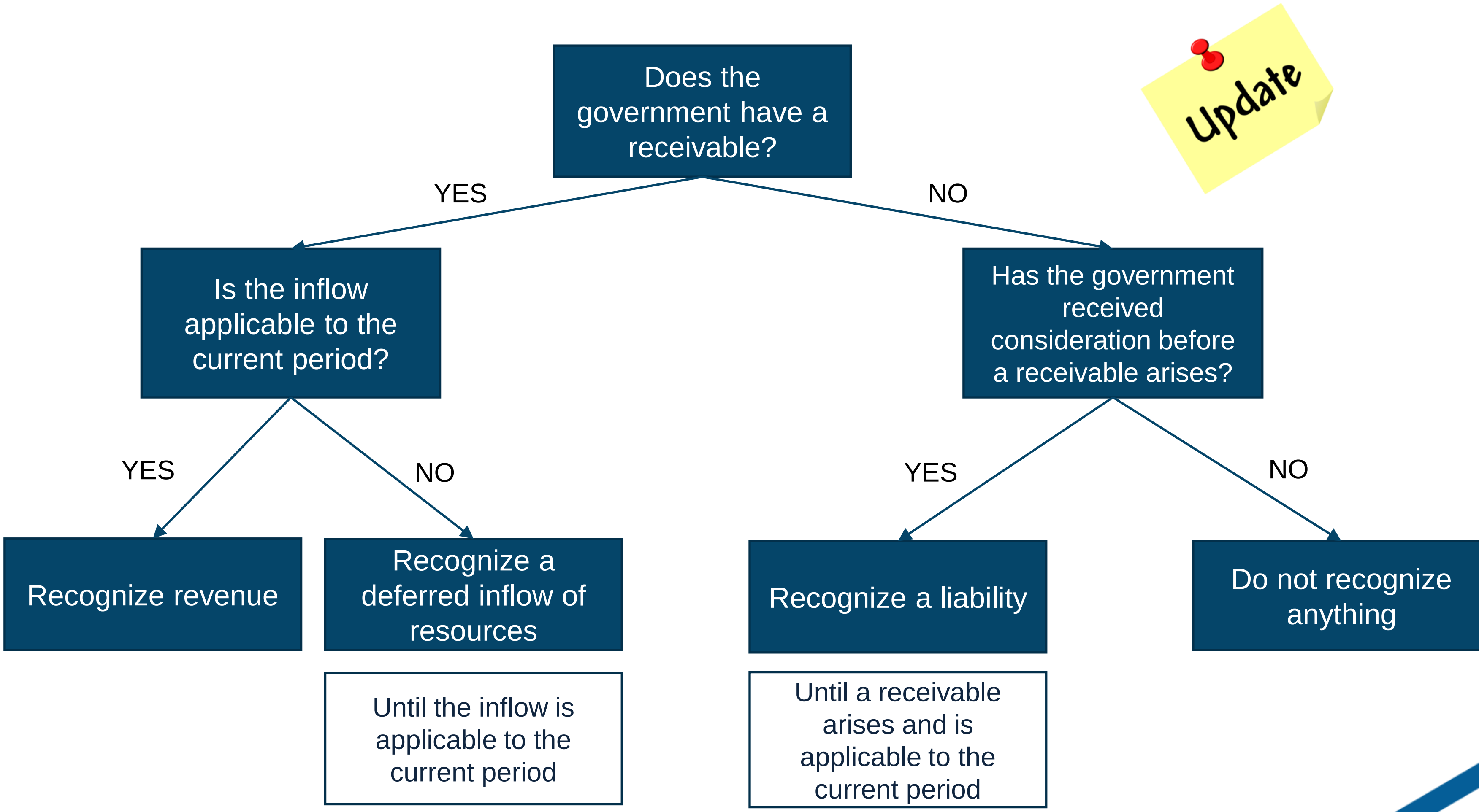
Are the rights and obligations interdependent?

- No → Category B Transaction
- Yes ↓

Category A Transaction

Category B Transaction

Proposed Revenue Recognition Principles



Proposed Revenue Recognition Principles

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

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

Category A Proposed Revenue Recognition Principles

Categorization

Contain the following characteristics:

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

Recognition

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

Category A Expense Recognition Examples

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

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Category B Proposed Revenue Recognition Principles

Categorization

Fails one of the following:

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

Recognition

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

Category B Proposed Revenue Recognition Principles Continued

Receivable
- Recognized when a legally enforceable claim arises

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

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

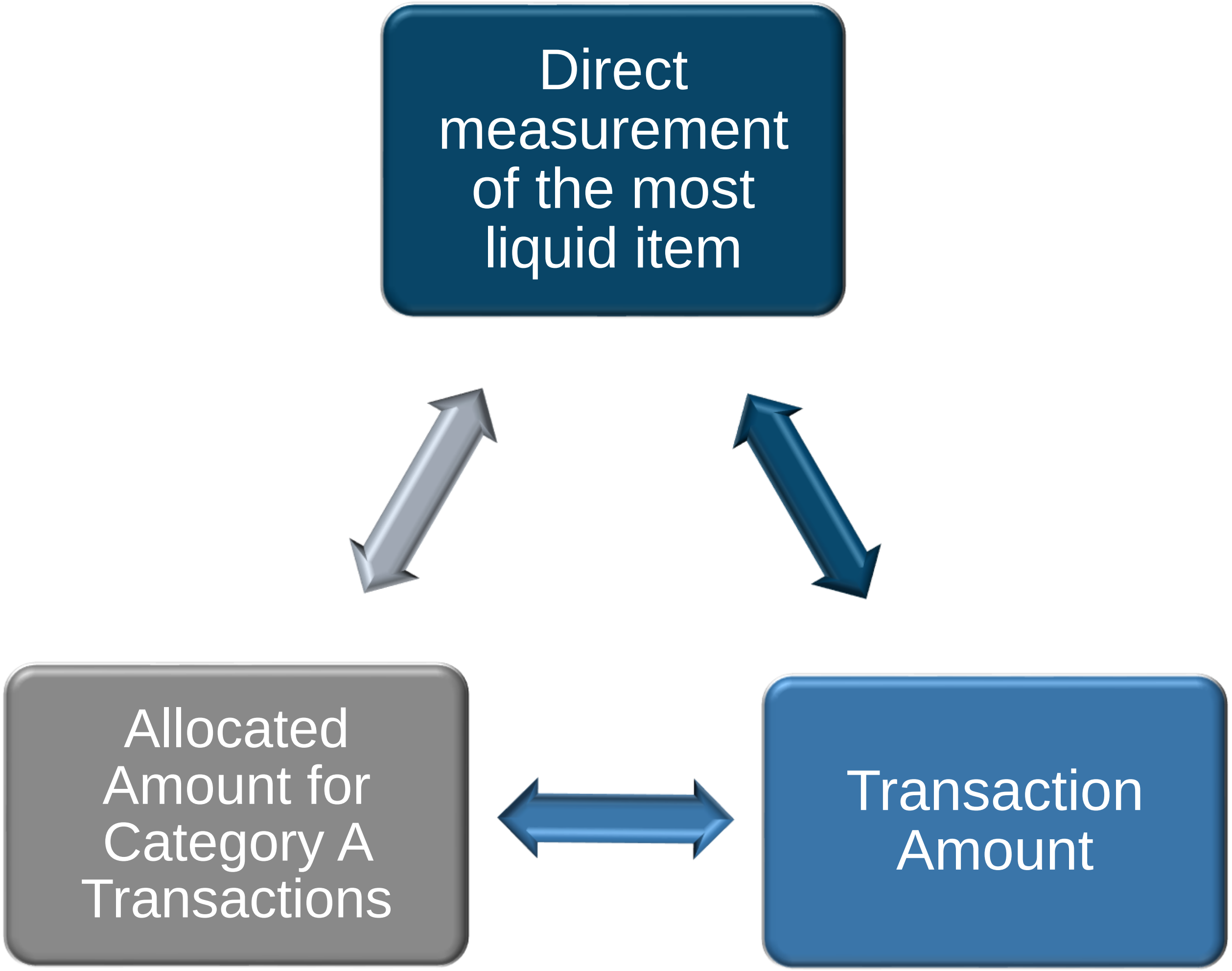
Deferred Inflow of Resources
- If the transaction includes a time requirement, assess the recognition of a deferred inflow of resources

Category B Expense Recognition Examples

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

- Contractual arrangements
- Shared revenue (outflows)
- General aid (outflows)

Proposed Measurement Principles



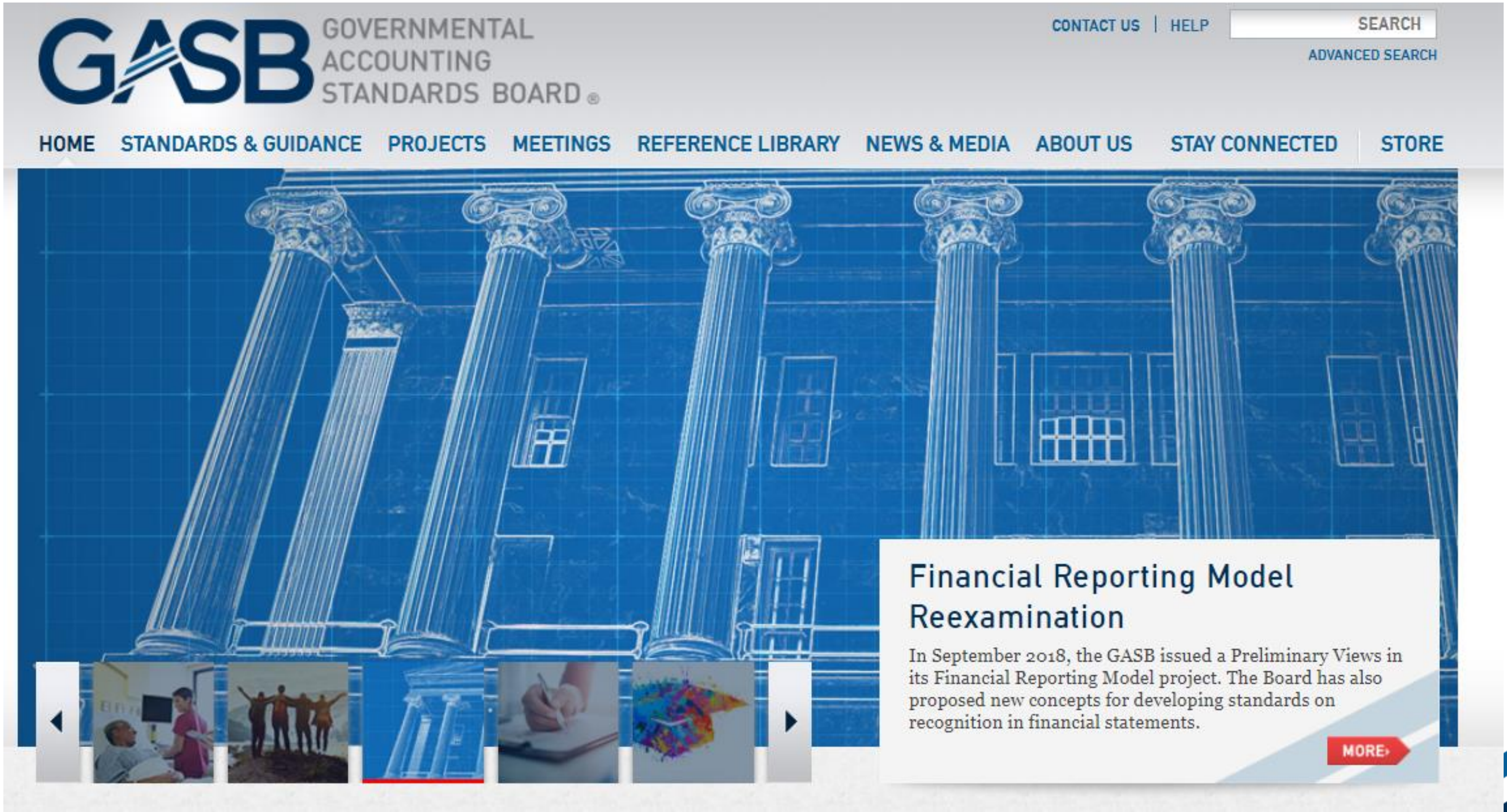
Project Timeline

Pre-Agenda Research Started	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleared	January 23, 2018
Preliminary Views Approved	June 2020
Redeliberations Began	May 2021
Exposure Draft Scheduled to Be Considered for Issuance	March 2025

Questions?

Visit www.gasb.org

www.gasb.org


GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD
CONTACT US | HELP
SEARCH
ADVANCED SEARCH
HOME
STANDARDS & GUIDANCE
PROJECTS
MEETINGS
REFERENCE LIBRARY
NEWS & MEDIA
ABOUT US
STAY CONNECTED
STORE
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

Thank You