



GASB Update

March 16, 2022

Joel Black, GASB Chair

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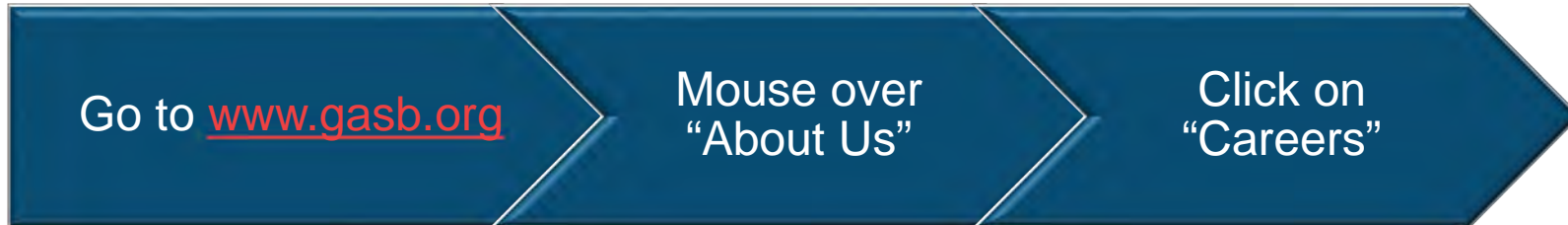
The views expressed in this presentation are those of Mr. Black, Mr. Knight, and Mr. Skelton. Official positions of the GASB are reached only after extensive due process and deliberations.

GASB is hiring!

The screenshot displays the GASB FAF Career Center interface. At the top left, there is a navigation menu with icons for Sign In, Career Center, Current Openings, and Language. The main header features the GASB FAF logo and a 'JOIN OUR TALENT COMMUNITY' button. Below the header, the page is titled 'Current Openings (5 of 5)'. A search bar contains the text 'e.g., Jobs in California, Jobs posted last month, Sales Manager, etc.' with a search icon. The main content area lists five job openings, each with a title, location, and a right-pointing arrow:

- GASB Project Manager**
Norwalk, CT, US
2 days ago
- GASB Assistant Project Manager**
Norwalk, CT, US
3 days ago, Full-Time
- Senior Manager, Content and Digital Operations**
Norwalk, CT, US
7 days ago
- Research Analyst**
Norwalk, CT, US
30+ days ago, Full-Time
- Vice President, Board Operations & Governance**
Norwalk, CT, US
30+ days ago, Full-Time

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Current Technical Plan Overview

Conceptual Framework:

Disclosure Framework

Recognition

Comprehensive Projects:

Financial Reporting Model Re-examination

Revenue and Expense Recognition

Major Projects:

Going Concern and Severe Financial Stress

Practice Issues:

Accounting Changes and Error Corrections

Compensated Absences

Implementation Guide—Update

Nonfinancial Assets

Omnibus

Risks and Uncertainties Disclosures

Pre-Agenda Research Activities:

Capital Assets

Subsequent Events

Effective Dates

June 30: Fiscal Year 2022

- Statement 87 – leases
- Statement 89 – construction-period interest
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- Statement 98 – the annual comprehensive financial report
- IG 2019-3 – leases
- IG 2020-1 – update (except 4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.22)

June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – 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

- IG 2021-1 – update (5.1)

Effective Dates

December 31: Fiscal Year 2021

- Statement 89 – construction-period interest
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update

December 31: Fiscal Year 2022

- Statement 87 – leases
- Statement 91 – conduit debt
- Statement 92 – omnibus (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- Statement 98 – the annual comprehensive financial report
- IG 2019-3 – leases
- IG 2020-1 – update
- IG 2021-1 – update (4.22)

December 31: Fiscal Year 2023

- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

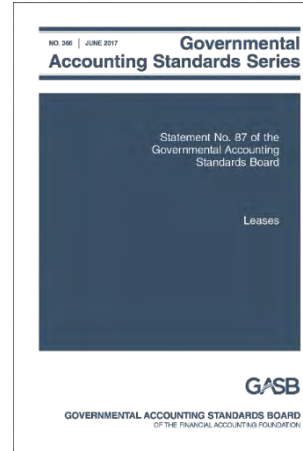
December 31: Fiscal Year 2024

- IG 2021-1 – update (5.1)

Pronouncements Being Implemented

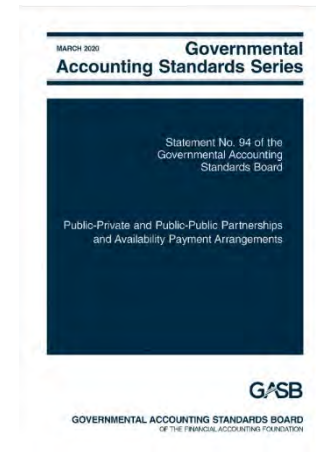
Leases

Statement 87



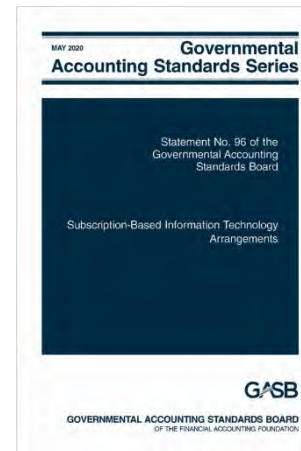
Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Statement 94



Subscription-Based Information Technology Arrangements

Statement 96



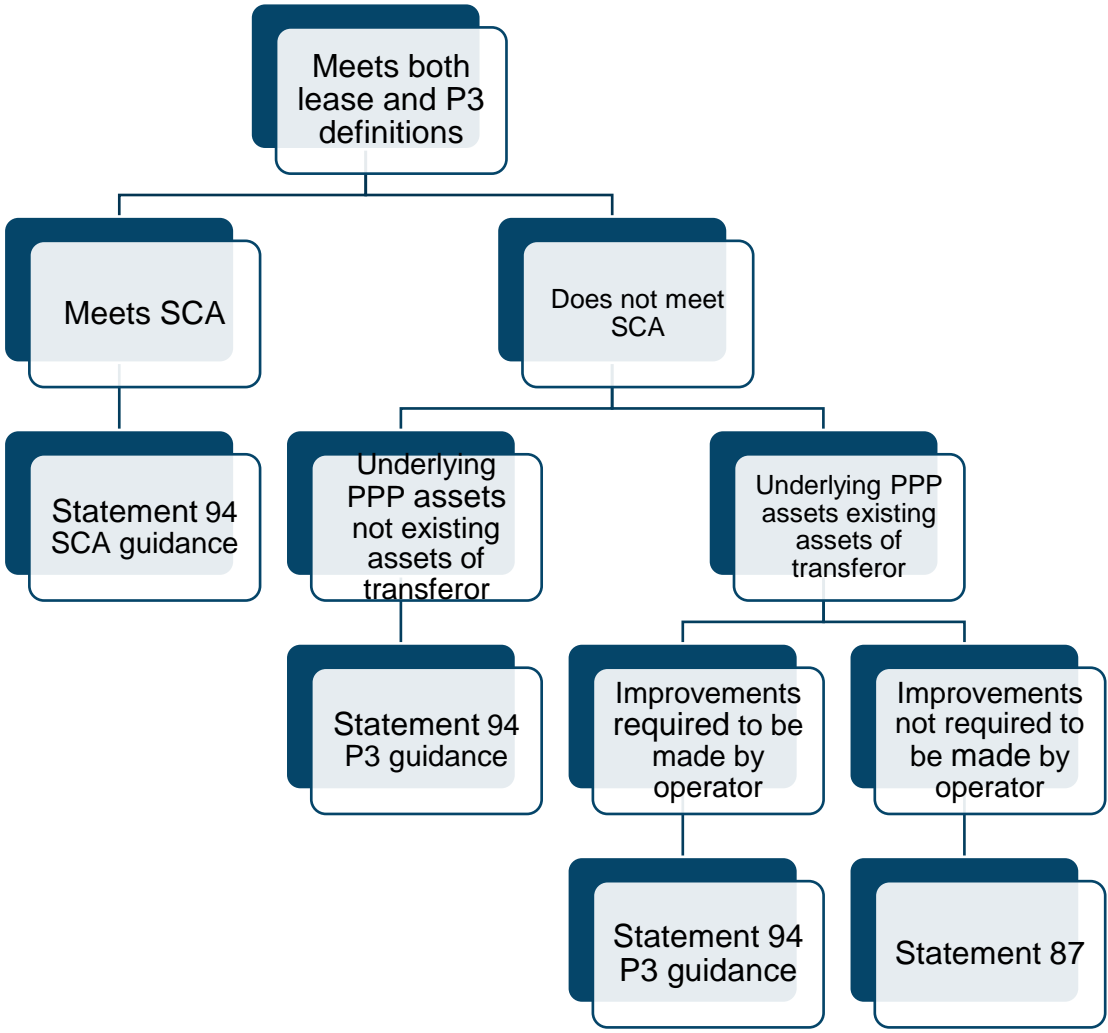
Definitions

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**.

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

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

Relationship between Leases and P3



Relationship between Leases and SBITAs

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

Topics That Are The Same

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

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

Topics That Are The Same

- General recognition and measurement
 - Intangible right-to-use asset and liability (lessee/operator/SBITA)
 - Receivable and deferred inflow of resources (lessor/transferor)
- Contracts with multiple components
 - Generally, account for lease (etc) and non-lease (etc) components as separate contracts and multiple underlying assets as separate lease (etc) components
 - Allocate contract price to different components
- Modifications and terminations

Topics Unique to Statement 94

- Service Concession Arrangements
 - Retained definition from Statement 60
 - Except for public services do not have to relate to primary function of underlying asset
 - Retained general approach from Statement 60

Topics Unique to Statement 94

- New or Improved Underlying PPP Assets
 - Transferor:
 - SCA – recognize at acquisition value when placed in service
 - Not SCA – recognize receivable at operator’s estimated carrying value at date of future transfer and additional deferred inflow
 - Operator:
 - SCA – recognize intangible right-to-use asset
 - Not SCA – recognize deferred outflow and liability for future transfer

Topics Unique to Statement 94

- Availability Payment Arrangements
 - Government contracts with another entity to operate or maintain the government's nonfinancial asset
 - Entity receives payments from the government based on the asset's availability for use
 - Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
 - May include design, finance, construction, or service components
 - Design, construction, financing components and ownership transfers – financed purchase
 - Service components – outflows of the period

Topics Unique to Statement 96

- Implementation Costs
 - Preliminary project stage
 - Expense
 - Initial implementation stage
 - Generally capitalize
 - Expense if short-term SBITA
 - Operation and additional implementation stage
 - Generally expense
 - Capitalize if specific criteria met
 - Training costs always expensed

Topics Unique to Statement 96

■ Subscription Term

- Commences when initial implementation stage is completed
- No subscription liability or subscription asset until then
- Payments made before are prepayment until commencement

■ Multiple Modules

- Subscription term begins when first module (or set of interdependent modules) is implemented

Implementation Guidance

- Implementation Guide No. 2019-3, *Leases*
 - 77 questions and answers (authoritative)
 - 3 illustrations (nonauthoritative)
- Implementation Guide No. 2020-1, *Implementation Guidance Update—2020*
 - 12 questions and answers about Statement 87 (authoritative)
- Implementation Guide No. 2021-1, *Implementation Guidance Update—2021*
 - 19 questions and answers about Statement 87 (authoritative)

Effective Dates

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

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

** Reporting periods beginning after this date

Current Technical Agenda Projects

Accounting Changes and Error Corrections: Reexamination of Statement 62

Exposure Draft

Reexamination of Statement 62

What?

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

Why?

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

When?

Exposure Draft approved May 2021

More about Why...

- Research showed issues related to:
 - Changes in accounting principle vs. correction of an error
 - How to classify changes in measurement methodology of estimates versus changes in inputs to estimates versus changes in accounting policy
 - Certain currently required disclosures were often missing
- Common questions regarding:
 - How to account for changes in reporting entity
 - Impact of changes of prior balances on RSI and SI

Type of Accounting Changes / Corrections

Change in Accounting Principle

Change in Accounting Estimate

Change to or Within the Financial Reporting Entity

Corrections of an Error (not an Accounting Change)

Statement Proposals

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

Change in Accounting Principle

■ Definition

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

■ Accounting

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

Change in Accounting Estimate

■ Definition

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

■ Accounting

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

Change to or Within the Financial Reporting Entity

■ Definition

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

■ Accounting

- **Adjust beginning balances** for the effect of the change as if the change occurred as of the beginning of the reporting period (not all periods presented).

Correction of Error

■ Definition

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

■ Accounting

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

Disclosure

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

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

Project Timeline

Pre-Agenda Research Started	August 2018
Added to Current Technical Agenda	December 2019
Deliberations Began	February 2020
Exposure Draft Issued	May 2021
Comment Period Ended	August 31, 2021
Final Statement Expected	May 2022

Compensated Absences

Exposure Draft – Final Standard expected June 2022

Compensated Absences

What?

The Board has proposed updated guidance for accounting and financial reporting for compensated absences

Why?

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

When?

Comment deadline:
June 4, 2021

More about Why...

- Types and application of paid leave has changed since 1992 when Statement 16 was issued.
 - How should certain types of leave accounting for?
 - PTO
 - Unlimited leave
 - Compensatory time
 - Parental leave
 - Military leave
 - Sabbaticals
 - Does it make sense that vacation and sick leave are treated differently given how these are applied and used?

Proposal: Scope and Applicability

A compensated absence is

- Leave that employees use for **time off with pay**
- Leave for which employees receive **payment prior to or upon termination** of employment, or
- Leave for which employees receive settlement through other means, such as **conversion to postemployment benefits**

Examples:

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

Proposal: Recognition Criteria

Absence accumulates

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

Absence is attributable to services rendered

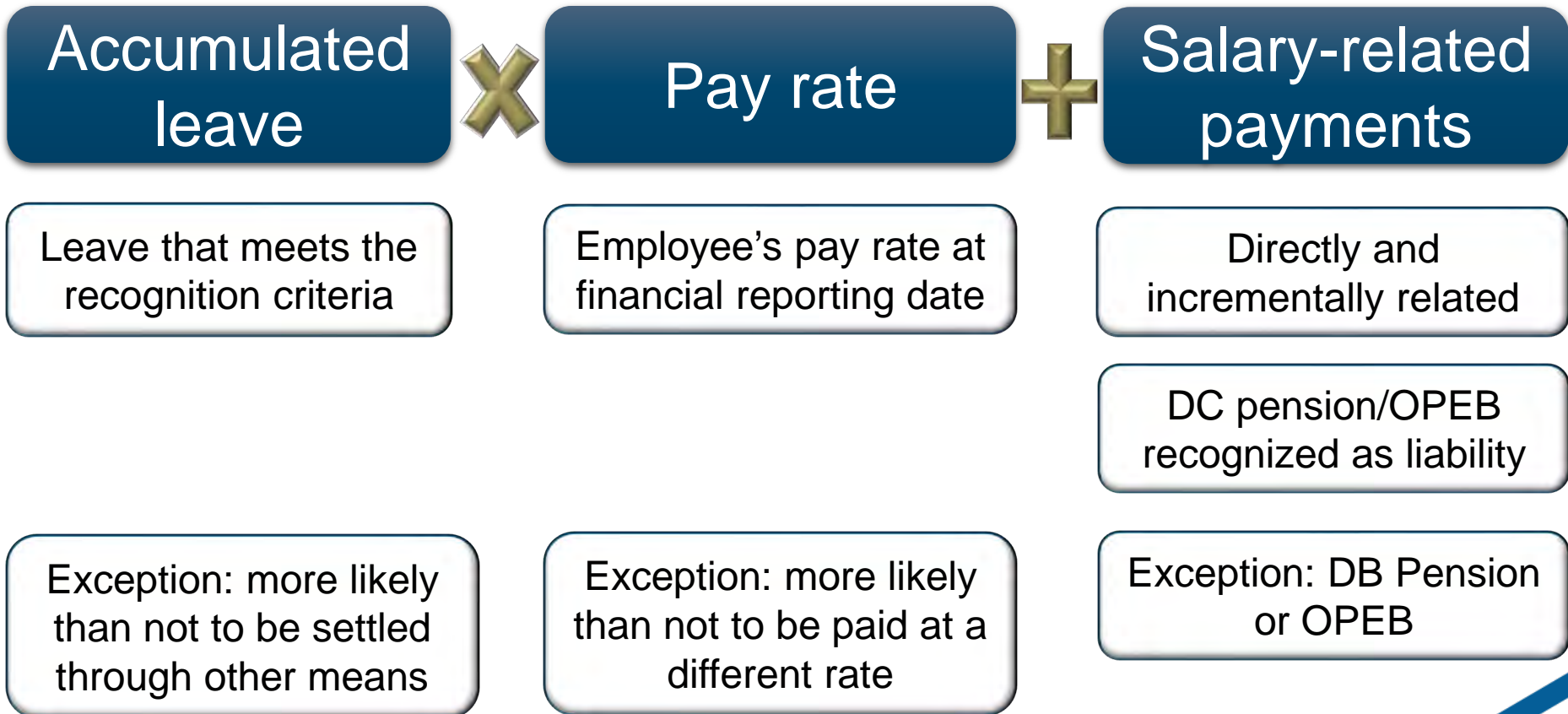
- Employee already has performed the services required to earn the absence

Absence is *more likely than not* to be either paid or settled

- Likelihood of more than 50 percent

Exception: more likely than not to be converted to defined benefit pension/OPEB

Proposal: Measurement



Proposal: Disclosures & 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

- Reporting periods beginning after December 15, 2023

Project Timeline

Pre-Agenda Research Started	August 2018
Added to Current Technical Agenda	December 2019
Deliberations Began	February 2020
Exposure Draft Approved	February 2021
Comment Period Ended	June 4, 2021
Final Statement Expected	December 2021

Conceptual Framework: Disclosure Framework

Re-Exposure Draft

Disclosure Framework

What?

In 2020, the Board proposed amendments to its concepts regarding what information should be disclosed in notes

Why?

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

When?

Re-Exposure Draft expected in July 2021

Concepts Related to Disclosures

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

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

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

Proposed New Concepts (continued)

Essential Information has one of the following characteristics:

- **Characteristic A:** Evidence that the information is **being utilized** in users' analyses for decision making or assessing accountability.
- **Characteristic B:** Evidence that if the information becomes available, users **would modify their analyses** for decision making or assessing accountability to incorporate that information.

In addition, for information to be essential:

- A **breadth or depth** of users utilize the information in their analyses for making decisions or assessing accountability
- The information should have a **meaningful effect** on those analyses

More about Why...

- What happens once New Concept is adopted
 - Beginning step of re-examining footnote disclosure to ensure that the right information (content and amount) is required to be disclosed.
 - Anticipate a future project to re-examine existing disclosures through the framework of this new concepts statement.

Project Timeline

Pre-Agenda Research Started	April 2016
Added to Current Technical Agenda	August 2018
Deliberations Began	October 2018
Exposure Draft Issued	February 2020
Re-Exposure Draft	July 2021
Comment Deadline	October 15, 2021
Final Concepts Statement Expected	June 2022

Omnibus 20XX

Exposure Draft

Exposure Draft, *Omnibus 20XX*

What?

The Board has proposed guidance to address exchange and nonexchange financial guarantees and various practice issues

Why?

Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project

When?

Comment deadline was September 17, 2021

Topic Overview

Exchange and Exchange-like Financial Guarantees

Derivative Instruments

Leases, PPPs, and SBITAs

Replacement of Interbank Offered Rates

Technical Updates

Exchange and Exchange-like Financial Guarantees

Recognition and Measurement

- Governments that extend exchange financial guarantees would recognize a liability when it is *more likely than not* that indemnification payments will be required
- The liability to recognize would be the discounted present value of the best estimate of the future outflows expected

Disclosures

- Description of the financial guarantee
- Total amount of all outstanding guarantees extended
- Description of the timing of recognition and measurement of liabilities
- Cumulative amount of indemnification payments
- Amounts expected to be recovered

Derivative Instruments

Derivative Instruments That Are neither Investments nor Hedging Derivative Instruments

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

Termination of Hedge Accounting

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

Leases, PPPs, and SBITAs

Remeasurement of certain assets and liabilities

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

Option to Terminate

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

Short-term Leases and SBITAs

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

Leases, PPPs, and SBITAs (cont.)

Variable Lease Payments

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

Lease Incentives

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

PPP Remeasurement

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

Replacement of Interbank Offered Rates and Technical Updates

London Interbank Offered Rate (LIBOR)

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

Supplemental Nutrition Assistance Program (SNAP)

- Apply the provisions of Statement 33

Disclosure of Nonmonetary Transactions

- Disclose measurement attributes rather than basis of accounting

Project Timeline

Added to Current Technical Agenda	August 2020
Deliberations Began	September 2020
Exposure Draft Approved	July 2021
Comment Period Ended	September 17, 2021
Final Statement Expected	April 2022

Risks and Uncertainties Disclosures

Risks and Uncertainties Disclosures

What?

The Board added a practice issue project to identify potential risks and uncertainties in the government environment and consider developing related disclosure requirements

Why?

Ongoing financial and economic issues related to coronavirus diseases prompted stakeholders to ask the GASB to consider what governments should report about the risks and uncertainties they face

When?

Deliberations began in September 2020

Topics Considered

What information do users need regarding disclosures of risks and uncertainties that State and Local Governments face?

How can information about risks and uncertainties be disclosed with essential specificity rather than boiler plate discussions?

What is the basis for determining whether a government should disclose a risk or uncertainty?

How can guidance be developed to emphasize that disclosures of risks and uncertainties should not include predictions of the future or projections?

How do risks and uncertainties relate to severe financial stress or going concern considerations?

Project Developments

Scope of the project is defined by the identification of specific categories of risks and uncertainties disclosures

Each category is subject to certain limitations further narrowing the scope: **Degree of Likelihood, Degree of Impact, Time Frame**

Current Vulnerabilities Due to Certain Concentrations: A risk to the government based on a current condition creates a lack of (1) diversity related to an aspect of a significant revenue or (2) flexibility in managing a significant expense

Government Environment: A risk to the government based on a current condition common in the government environment (though not necessarily limited to governments) that creates a limitation on acquiring resources or controlling spending

The disclosure objective is to provide essential information to users of government financial reports about risks faced by those governments that may impact the government's ability to continue to provide services and meet its obligations as they come due.

Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Additional Outreach Conducted	February–April 2021
Exposure Draft Expected	February 2022

Financial Reporting Model Reexamination

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

Revenue and Expense Recognition

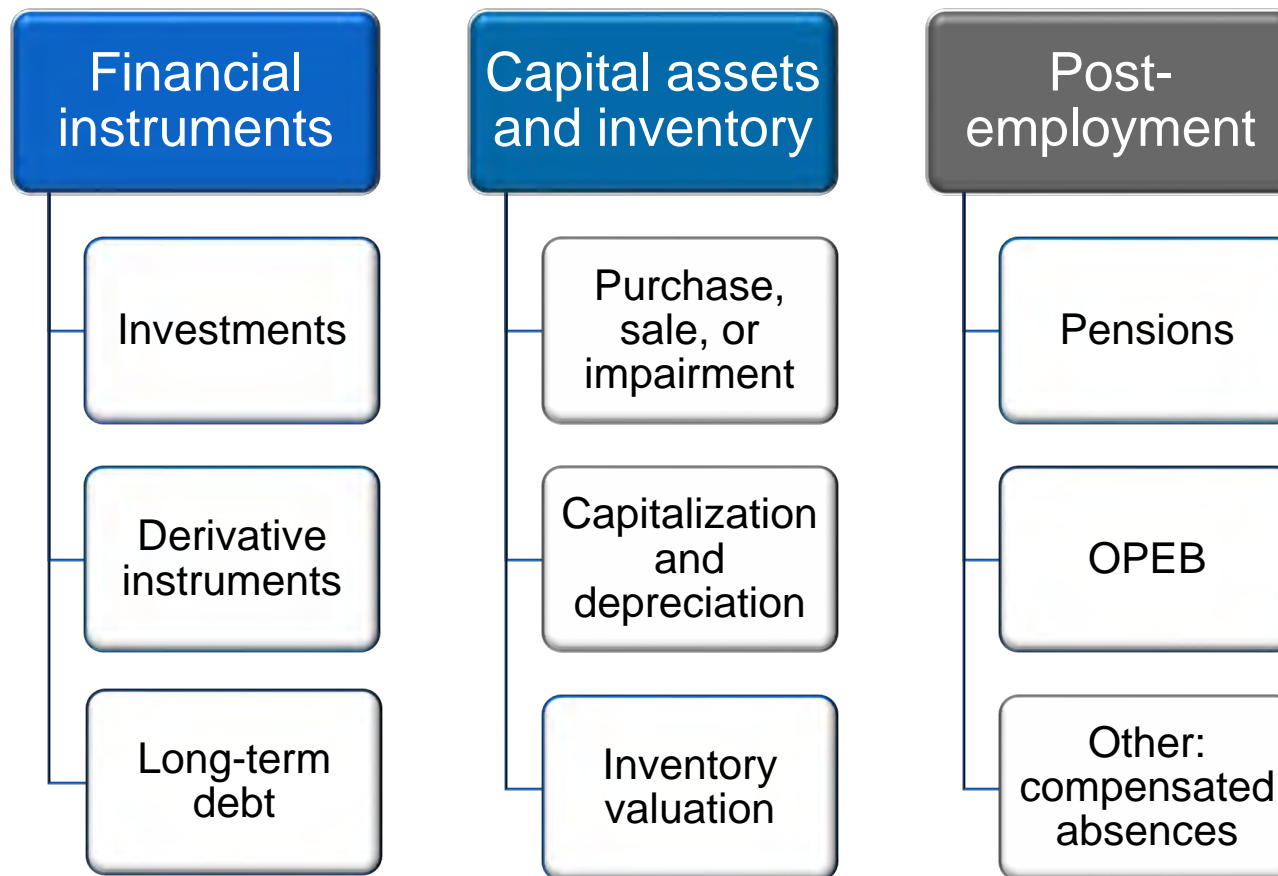
Broad Project Objective

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***:



Questions?

Visit www.gasb.org