# GASB Update

## Utah GFOA Spring Conference – April 10, 2024

Joel Black, GASB Chair

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

GASB GOVERNMENTAL ACCOUNTING STANDARDS BOARD

# Presentation Overview

Pronouncements Effective This Year

Pronouncements Effective Next Year (or so)

Emerging Issues and Current Agenda

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# June 30 Effective Dates

## June 30: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – Accounting Changes and Error Corrections
- IG 2021-1 – update (5.1)
- IG 2023-1 – update

## June 30: Fiscal Year 2025

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

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# Effective Dates

## December 31: Fiscal Year 2023

- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

## December 31: Fiscal Year 2024

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections
- Statement 101 – compensated absences
- IG 2021-1 – update (5.1)
- IG 2023-1 – update

## December 31: Fiscal Year 2025

- Statement 102 – certain risk disclosures

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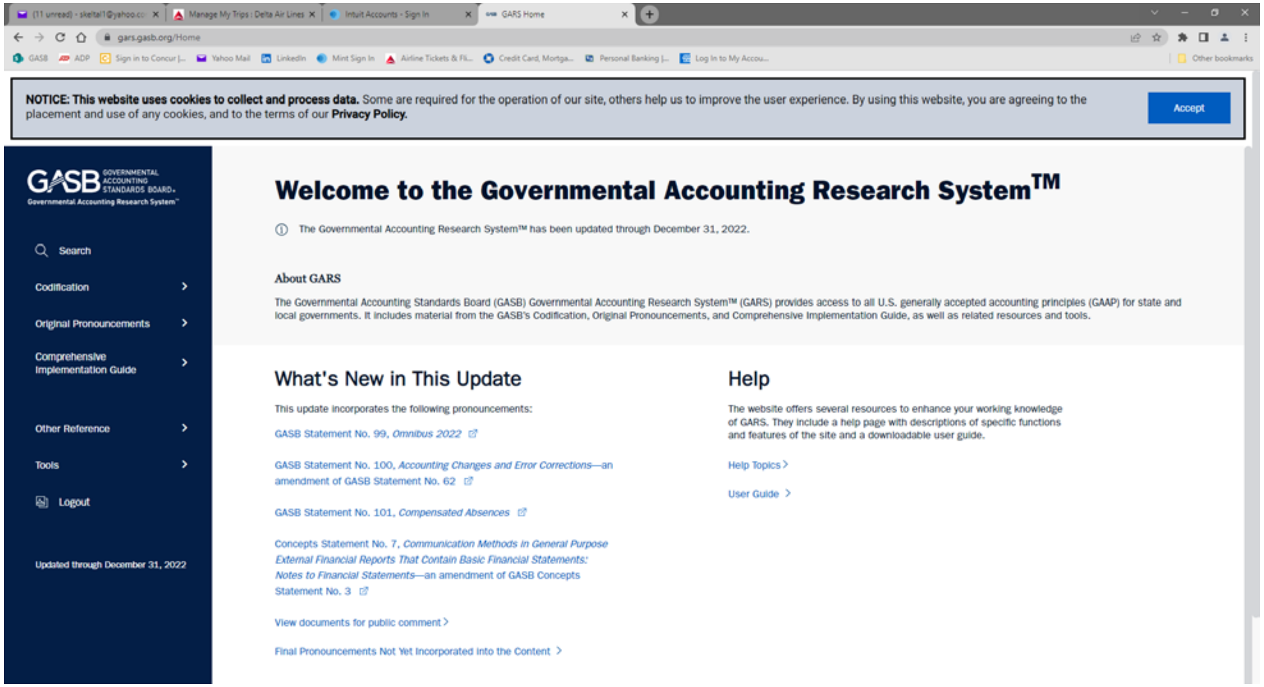
# New GASB Statement Impact

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

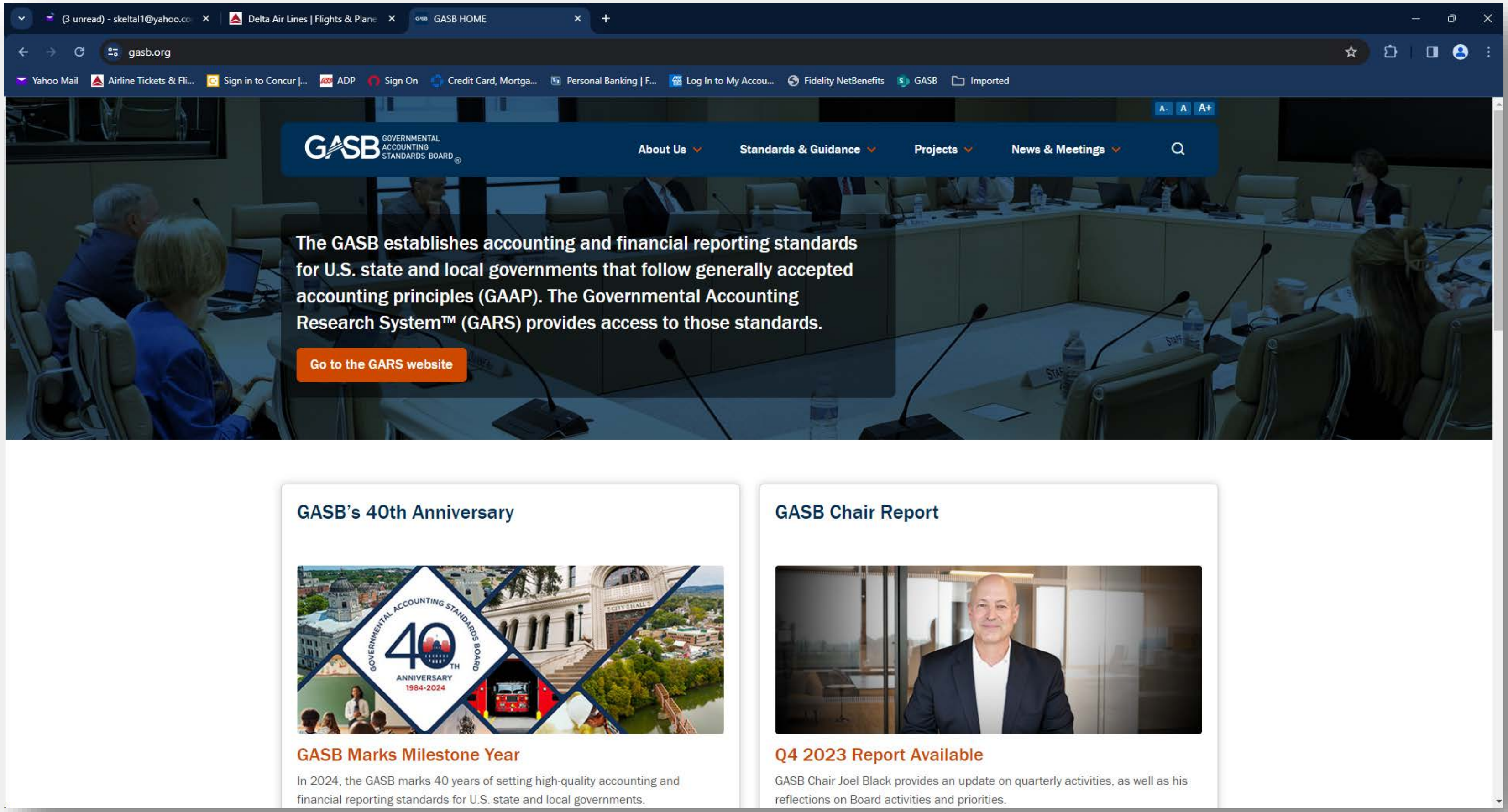
*Based on June 30 fiscal years

# Government Accounting Research System (GARS)

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



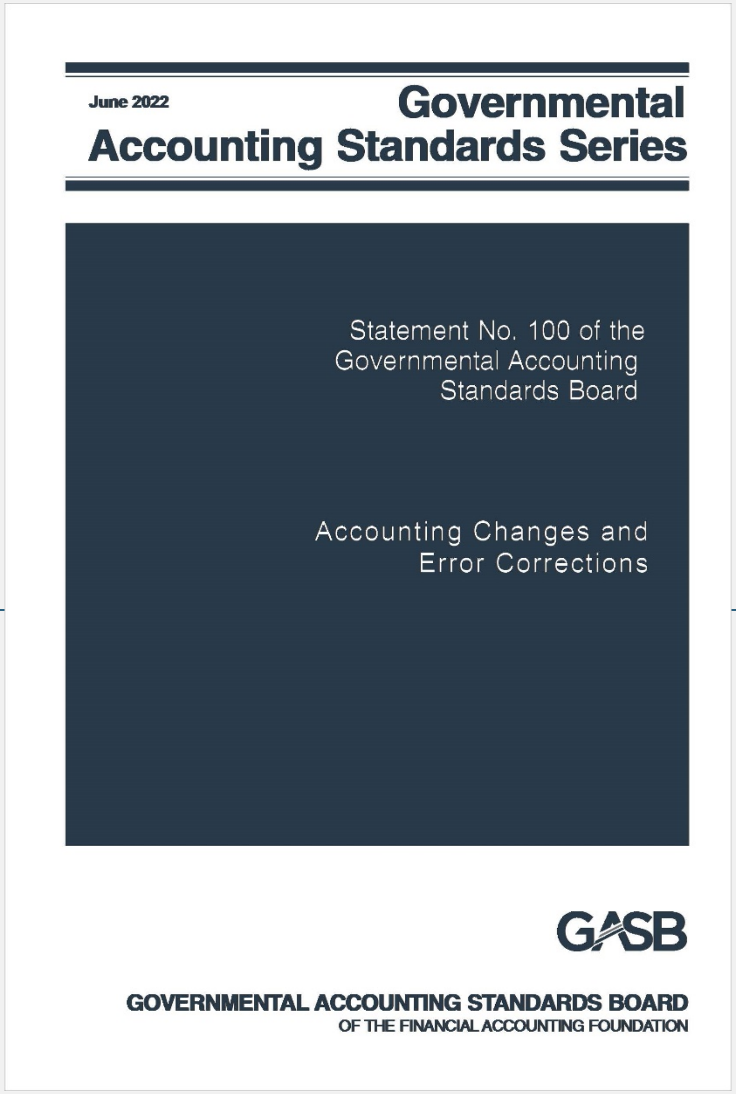
# New GASB Website – GASB.org



# Statement Being Implemented

# 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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# 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 Structure

- **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 (unless another standard applies guidance specific to an estimate)

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# 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 continuing operations within the primary government, including its blended component units
    - Change in fund presentation as major or nonmajor
    - Generally, the addition or removal of a component unit to or from the financial reporting entity
    - A change in the presentation (blended or discretely presented) of a component unit.
- **Accounting**
  - Adjust beginning balances for the current period (not all periods presented).

# Correction of Error

- **Definition**
  - An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date.
    - Facts could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date.
- **Accounting**
  - Retroactive to all prior periods presented
  - No practicality exception

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# Display

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

# Disclosure

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

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

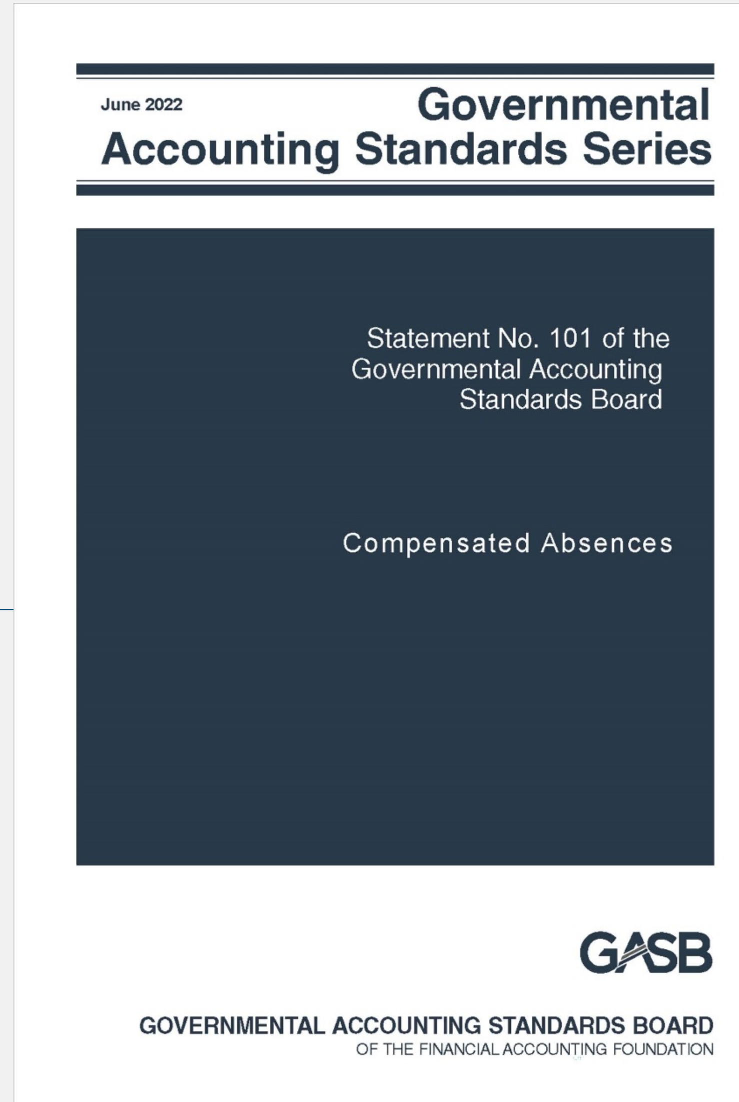
# RSI and SI

- **Change in accounting principle**
  - Do not restate periods earlier than those presented in basic financial statements
- **Error correction**
  - Restate periods earlier than those presented in basic financial statements (to extent affected by the error), if practicable

# Statements Implemented Soon

# 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

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# Scope and Applicability

| A compensated absence is | Examples: |
|---|---|
| • Leave for which employees may receive one or more:<br>• Cash payments when the leave is used for time off<br>• Other cash payments, such as payment for unused leave upon termination of employment<br>• Noncash settlement, such as conversion to postemployment benefits | • Vacation and sick leave<br>• Paid time off (PTO)<br>• Holidays<br>• Parental leave<br>• Certain types of sabbatical leave |

# Recognition Criteria – Leave that has not been used

## Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

## Leave accumulates

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

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

- Likelihood of more than 50 percent

# Exceptions to the General Recognition Approach

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

- Excluded from liability

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

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

**Unlimited leave and holiday leave taken on specific date**

- Recognize liability when used

# Measurement

**Pay rate**

Generally the employee's pay rate at financial reporting date

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

**Salary-related payments**

Directly and incrementally related

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

DB pension or OPEB excluded

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# Leave Used But Not Paid

Liability for amount of cash payment or noncash settlement

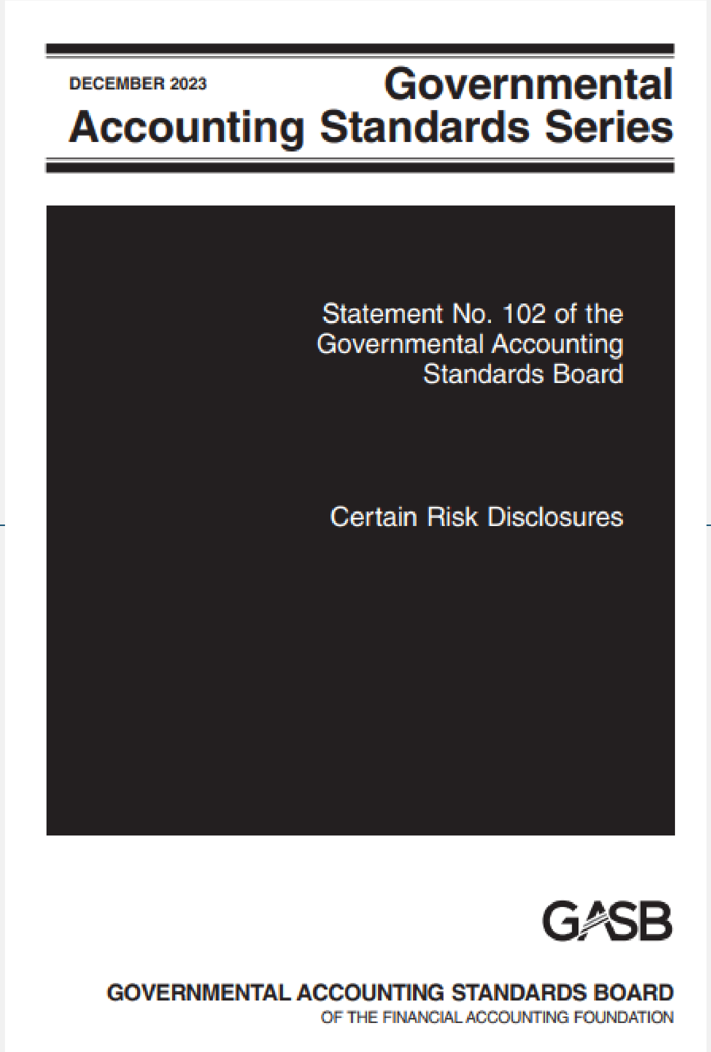
Include applicable salary-related payments

# 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

# Certain Risk Disclosures

Statement No. 102


DECEMBER 2023

Governmental Accounting Standards Series

Statement No. 102 of the Governmental Accounting Standards Board

Certain Risk Disclosures

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# Scope: Concentrations and Constraints

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

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

Constraints: limitations imposed by an external party or the government's highest level of decision authority

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

Concentrations and constraints limit a government's ability to acquire resources or control spending.

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# Application of Disclosure Criteria:

Primary government reporting unit, including blended component units, AND

Other reporting units that report a liability for revenue debt

# Disclosure Criteria

Disclosures would be required when a government determines that:

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

# General Disclosure Principles

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

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

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

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

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# Disclosure Requirements:

**Provide information in sufficient detail to enable users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact:**

- Description of the concentration or constraint
- If they have occurred, description of each event associated with the concentratio n or
- Description of actions taken by the government to mitigate the risk

# Effective Date and Transition

- **<u>Effective for fiscal years beginning after June 15, 2024</u>**
  - All reporting periods thereafter
  - Transition is prospective

# Current Technical Agenda Projects

# 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 April 2024

# Overview of the Proposals

~~Measurement focus and basis of accounting for the governmental funds~~

~~Format of governmental funds financial statements~~

Clarification of operating and nonoperating in proprietary funds

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

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

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# Technical Plan Overview

- **Comprehensive Projects:**
  - Financial Reporting Model Re-examination*
  - Revenue and Expense Recognition
- **Major Projects:**
  - Going Concern / Severe Financial Stress
  - Infrastructure Assets

* - Governmental Funds removed 06/2023

- **Practice Issues:**
  - Implementation Guide—Update
  - Nonfinancial Assets
  - Subsequent Events
- **Research Activities:**
  - GAAP Structure
  - GAAP Conformity

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# PIR Status

| Pronouncement | Completed Stage 1 | Completed Stage 2 | Completed Stage 3 | To be Completed Stage 1 | To be Completed Stage 2 | To be Completed Stage 3 | Current Quarter Activity |
|---|---|---|---|---|---|---|---|
| **Pensions** | 1Q 2019 | 4Q 2022 | | | | 4Q 2023 | • Report drafting continues. |
| **Fair Value** | 3Q 2020 | | | | 4Q 2023 | 4Q 2024 | • Continued development of protocol and roundtable material.<br>• Began scheduling of roundtables. |
| **OPEB** | 4Q 2021 | | | | 4Q 2025 | 4Q 2026 | • Virtual and in person roundtables have begun. |
| **Fiduciary** | | | | 4Q 2024 | 2Q 2028 | 2Q 2029 | • Continued archival analysis.<br>• Continued to administer costs surveys. |
| **Leases** | | | | 2Q2025 | 2Q 2029 | 2Q 2030 | • Continued archival analysis.<br>• Continued to administer costs surveys. |

# Monitoring

Electronic Financial Reporting

Digital Assets

Environmental Credits

Other

# Questions?

Visit www.gasb.org