

NCES State Fiscal Coordinators Webinar



GAAP Update

July 15, 2021

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

Presentation Overview



Recap: Guidance and resources related to coronavirus diseases



Overview of Pronouncements Being Implemented by School Districts



Statement No. 96, *Subscription-Based Information Technology Arrangements*



Implementation Guidance Update 2021-1



Annual Comprehensive Financial Report



Q&A



Other Materials

Guidance and Resources Related to the Coronavirus Diseases

- Postponement of certain effective dates
- Guidance on CARES Act
- Emergency toolbox

Pandemic-Related Guidance & Resources

Emergency Toolbox added to GASB website –
www.gasb.org/COVID19

Statement 95 postponed effective dates

- The effective dates of most pronouncements between Statements 83 and 91 were postponed by one year
- Statement 87, Leases, was postponed by 18 months (FY 2022 for school districts)
- Effectives dates of Statements 92–97 were revised before issuance

Technical Bulletin 2020-1 addressed common accounting issues related to the Cares Act and coronavirus diseases

GASB RESPONSE TO COVID-19

These are uncertain times for state and local governments. The GASB is here to help. During this challenging period, the Board is working hard to provide stakeholders with accounting and financial reporting relief.

If you have questions about GASB pronouncements, please contact us.

STAKEHOLDER RESOURCES

www.gasb.org/covid19

GASB EMERGENCY TOOLBOX

Issue	Relevance	Codification Section
Capital asset impairment	Discontinued operations (other than temporary); idle impaired capital assets	1400—Reporting Capital Assets, paragraphs .176–.180
Contingencies	Risk-financing and insurance-related activities other than public entity risk pools	C50—Claims and Judgments, paragraphs .109–.148
	Contingent liabilities, including exchange financial guarantees and contingent assets	C50—Claims and Judgments, paragraphs .149–.168
Debt extinguishments	All extinguishments of debt, including refundings	D20—Debt Extinguishments and Troubled Debt Restructuring, paragraphs .103–.128
Demand bonds	Remarketing demand bonds, and	D30—Demand Bonds,

Overview of Pronouncements Being Implemented by School Districts

Effective Dates

June 30, August 31, September 30: Fiscal Year 2021

- Statement 84 & IG 2019-2 – fiduciary activities
- Also:
 - Statement 90 – majority equity interests
 - Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
 - IG 2019-1 – update

June 30, August 31, September 30: Fiscal Year 2022

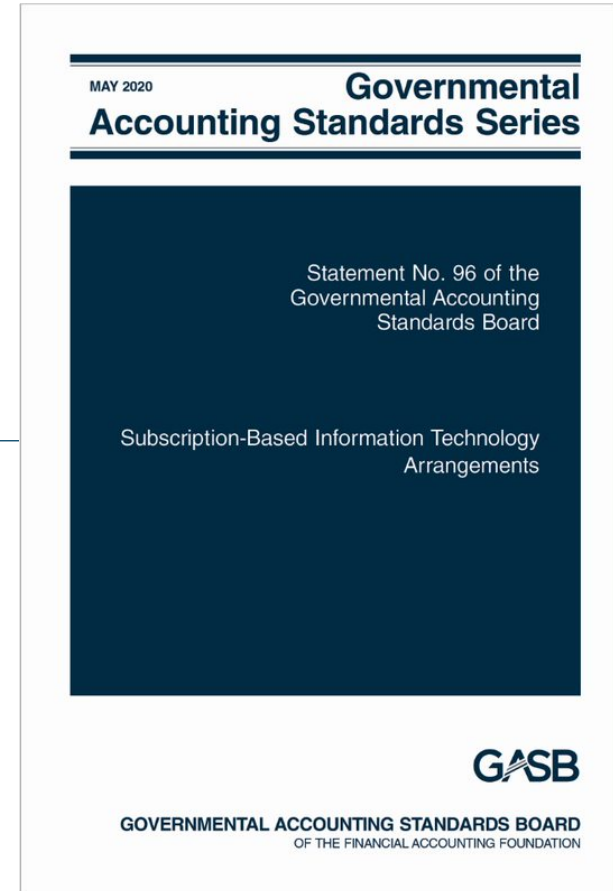
- Statement 87 & IG 2019-3 – leases
- Also:
 - Statement 89 – construction-period interest
 - Statement 92 – omnibus (multiple effective dates)
 - Statement 93 – LIBOR removal and lease modifications
 - Statement 97 – certain component unit criteria and Section 457 plans
 - IG 2020-1 – update (except 4.6–4.17 and 4.19–4.21)

June 30, August 31, September 30: Fiscal Year 2023

- Statement 96 – SBITAs
- Also:
 - Statement 91 – conduit debt
 - Statement 94 – public-private partnerships
 - IG 2020-1 – update (4.6–4.17 and 4.19–4.21)

Subscription-Based Information Technology Arrangements

Statement No. 96



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

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.”

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.

Exclusions from the Scope of Statement 96

Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement 87, in which the software component is insignificant compared to the cost of the underlying tangible capital asset

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 of a P3 in Statement 94

Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement 51

Recognition

	Subscription Asset	Subscription Liability
Initial	Right-to-use subscription asset—value of subscription liability plus payments made at commencement of the subscription and capitalizable initial implementation costs	Present value of future subscription payments (discounted using interest rate vendor charges government or, if not readily determinable, government's incremental borrowing rate)
Subsequent	Amortize the subscription asset over shorter of useful life or lease term	Reduce by subscription payments (less amount for interest expense)

Short-Term SBITAs

Definition	At beginning of subscription, <i>maximum possible term</i> under the contract is 12 months or less, including any options to extend
Accounting	<ul style="list-style-type: none">• Recognize expenses/expenditures based on the payment provisions of the contract• Do not recognize assets or liabilities associated with the right to use the subscription asset

Measurement

Measurement of the subscription asset should include certain capitalizable implementation costs based on stages similar to 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

- Outlays should be expensed as incurred

Initial implementation stage

- 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

Operation & additional implementation stage

- Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria

Implementation Guidance Update

2021-1

Implementation Guidance Updates

What?

The GASB annually updates its Q&A implementation guidance

Why?

New guidance is added as new Statements are issued and new issues arise

When?

Periods or FYs beginning after June 15, 2021 through June 15, 2023, depending on the Q&A

Implementation Guide 2021-1

Adds new questions on standards regarding

- Derivative instruments
- Fiduciary activities
- Leases, including
 - Definition of a lease
 - Lease term: options to extend or terminate; reassessment
 - Short-term leases
 - Lessee recognition and measurement
 - Lessor recognition and measurement
 - Lease incentives
 - Modifications and terminations
- Nonexchange transactions

Updates existing Q&A guidance related to

- Financial reporting model
- Sales and pledges and intra-entity transfers (Statement 48)

The Annual Comprehensive Financial Report

Exposure Draft

Renaming the Comprehensive Annual Financial Report

What?

The Board has proposed to rename the comprehensive annual financial report in response to stakeholders who pointed out that its acronym, as it commonly is pronounced, sounds like a highly offensive racial slur

Why?

The GASB's commitment to diversity and inclusion dictate that its standards should be free of potentially offensive terminology

When?

Comment deadline:
July 9, 2021

Proposal

The comprehensive annual financial report would be renamed *annual comprehensive financial report (ACFR)*

The standards would be effective for fiscal years ending after December 15, 2021, with earlier application encouraged

Project Timeline

Added to Current Technical Agenda	December 2020
Deliberations Began	January 2021
Exposure Draft Issued	April 2021
Comment Deadline	July 9, 2021
Final Statement Expected	October 2021

Q&A



Other Materials

- Other Proposals for Public Comment
- Other Pronouncements Being Implemented
- Standards-Setting Projects
- Pre-Agenda Research & Post-Implementation Review

Accounting Changes and Error Corrections

Exposure Draft

Exposure Draft

What?

The Board has proposed improvements and clarifications to the existing standards for accounting changes and error corrections

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?

Comment deadline is August 31, 2021

Proposal: 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

First-time adoption of the US GAAP established by the GASB financial reporting framework

Proposal: 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

Proposal: Change in Accounting Principle (continued)

A change in accounting principle is *not* initial adoption and application to transactions or other events that:

Are clearly different in substance from those previously occurring

Are occurring for the first time

Were previously insignificant in their effect

Proposal: Change in Accounting Estimate

A change in accounting estimate results from changes to the inputs to the estimate, such as data, assumptions, and measurement methodologies

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

A change in measurement methodology should be justified on the basis that *it is preferable* to the prior methodology, based on the qualitative characteristics of financial reporting

Proposal: 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 resources 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

Proposal: 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

Proposal: First-time adoption of GAAP

The first-time adoption of U.S. generally accepted accounting principles established by the GASB (U.S. GAAP) is an adoption of a new financial reporting framework

A government is asserting for the first time that its basic financial statements are prepared in accordance with U.S. GAAP

The first-time adoption of U.S. GAAP as a financial reporting framework is neither an accounting change nor an error correction

Proposal: Accounting and financial reporting for changes in accounting principle

Retroactively restate financial statements for all periods presented, if practicable

Report the cumulative effect, if any, of the change to the newly adopted accounting principle on periods prior to those presented as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented

Each individual prior period presented should be restated to reflect the period-specific effects of applying the newly adopted accounting principle

If restatement of all prior periods presented is not practicable: Report the cumulative effect, if any, of applying the newly adopted accounting principle as a restatement of beginning net position, etc., of the earliest period for which it is practicable to apply principle

Proposed disclosures: Changes in accounting principle

The nature of the change in accounting principle, including identification of the financial statement line items (excluding totals and subtotals) affected

Except for the implementation of a new pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable

If prior periods presented are not restated because it is not practicable to do so, the reason why the restatement is not practicable


The effects on beginning net position, fund balance, or fund net position, as applicable

Proposal: Accounting and financial reporting for changes in accounting estimate

Report prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs



Disclose the nature of the change in accounting estimate, including identification of the financial statement line items (excluding totals and subtotals) affected




If the change in accounting estimate results from a change in measurement methodology, disclose the reason for the change in methodology, including an explanation of why it is preferable

Proposal: Accounting and financial reporting for changes to or within the reporting entity

Adjust beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period



Disclose the nature of and reason for each change to or within the financial reporting entity



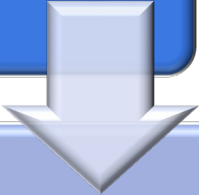
Disclose the effects on beginning net position, fund balance, or fund net position, as applicable

Proposal: Accounting and financial reporting for correction of an error

Retroactively restate financial statements for all periods presented



Report the cumulative effect on periods prior to those presented as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented



Each individual prior period presented should be restated to reflect the period-specific effects of correcting the error

Proposed disclosures: Correction of an error

The nature of the error and its correction, including the periods affected and identification of the financial statement line items (excluding totals and subtotals) affected

The effect of the error on the change in net position, fund balance, or fund net position, as applicable, of the prior period

The effects on beginning net position, fund balance, or fund net position, as applicable

Proposal: Reclassification, Change in Accounting Principle

For a change in accounting principle that does not have an effect on beginning net position, etc., but that results in a reclassification in the financial statements, amounts should be reclassified in all prior periods presented, if practicable (or the reason why it is not practicable)

Disclose the nature of the change in accounting principle, including identification of the financial statement line items (excluding totals and subtotals) affected

Except for the implementation of a new pronouncement, disclose the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable

Proposal: Reclassification, Correction of an Error

For an error correction that does not have an effect on beginning net position, etc., but that results in a reclassification in the financial statements, amounts should be reclassified in all prior periods presented



Disclose the nature of the error and its correction, including the periods affected and identification of the financial statement line items (excluding totals and subtotals) affected

Proposal: Display

- The 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 (i.e., each separate column in the financial statements except the total columns)

General Disclosure Proposals

Disclose the effects on beginning net position, fund balance, or fund net position, as applicable, of the earliest period restated for the following that occurred during the period:

- Each change in accounting principle (including the implementation of new pronouncements that result in restatement, even if there are specific transition provisions in other pronouncements)
- Each change to or within the financial reporting entity
- Each error correction

Disclose in a tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit

Proposals: RSI & SI

For prior reporting periods presented in the statements, information for those prior periods presented in RSI (including MD&A) or SI should be consistent with the manner in which the information for those periods is presented in the statements

For prior reporting periods not presented in the statements but presented in RSI (including MD&A) or SI, information for those prior periods presented in RSI or SI should be restated for error corrections but **not** for changes in accounting principle

If prior-period information presented in RSI or SI is not consistent with current-period information as a result of an accounting change, explain why the information is not consistent

- In MD&A, that explanation should include a reference to the related note disclosure

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 Deadline	August 31, 2021

Pronouncements Being Implemented

Conduit Debt Obligations

Statement No. 91

MAY 2019

Governmental Accounting Standards Series

Statement No. 91 of the
Governmental Accounting
Standards Board

Conduit Debt Obligations

GASB

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OF THE FINANCIAL ACCOUNTING FOUNDATION

Conduit Debt

What?

The Board improved the existing 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

Definition of Conduit Debt

1. There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
2. The issuer and the third-party obligor are *not* within the same financial reporting entity.
3. The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
4. The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
5. The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.

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.

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”

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

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 <i>entire</i> capital asset	Yes, when the arrangement ends	No
No, and third party has exclusive use of only <i>portions</i> 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

Disclosures by Type of Commitment

A general description of the issuer's conduit debt obligations

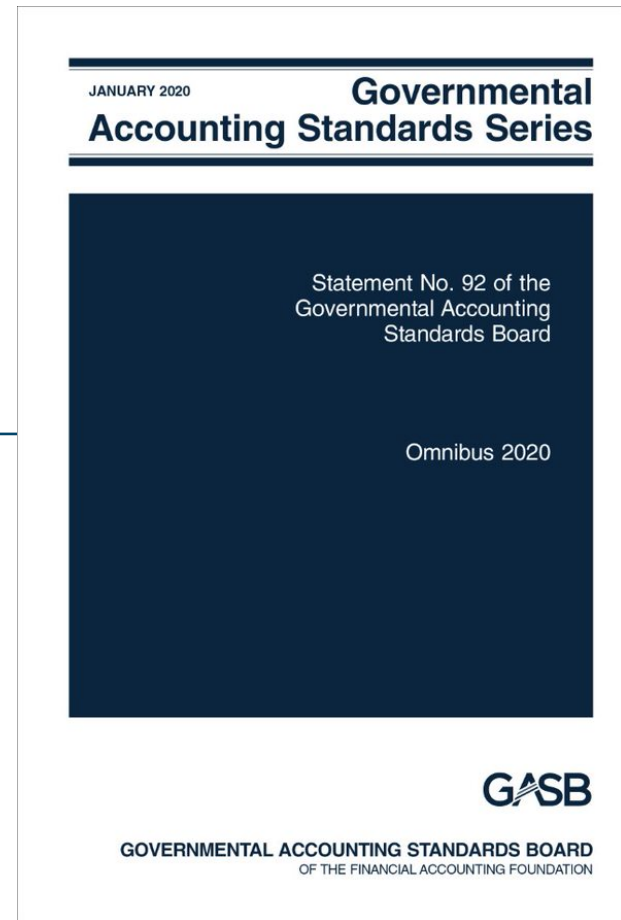
- Description of limited commitments
- Description of additional commitments (legal authority and limits; length; arrangements for recovering payments from third-party obligors, if any)
- Aggregate outstanding principal amount

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

Omnibus 2020

Statement No. 92



Omnibus 2020

What?

The Board has amended existing standards covering multiple topics

Why?

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

When?

Effective dates vary by topic

Earlier application is encouraged and permitted by topic

Provisions of Statement 92

Leases

- Effective date of Statement 87 and Implementation Guide 2019-3 is changed from “reporting periods” to “fiscal years...and all reporting periods thereafter”

Government combinations and disposals of operations

- Provides an exception to the use of acquisition value in the measurement of an acquired asset retirement obligation

Derivative instruments

- Amends NCGA and GASB pronouncements to standardize the terminology used to refer to derivative instruments

Provisions of Statement 92 (continued)

Application of Statement 84 to Postemployment Benefit Arrangements

- Limit the requirements of paragraphs 22 and 25 to defined benefit pension and OPEB plans
- Supersedes guidance in Statements 73 and 74 regarding recognition of a liability to employers and NECEs for the excess of assets over liabilities for benefits payments and administrative expenses in custodial funds in circumstances in which assets are accumulated for the pensions and OPEB of other employers and NECEs

Applicability of Statements 73 and 74

- Amend Statements 73 and 74 to replace references to control of assets in those same circumstances, to avoid limiting the application of the associated requirements of those Statements

Fair value measurements

- Amends paragraph 81 of Statement 72 to adjust the example of nonrecurring fair value measurements

Provisions of Statement 92 (continued)

Intra-entity transfers of assets

- Amends paragraph 15 of Statement 48 to clarify that amounts associated with the transfer of capital or financial assets from an employer or NECE to a defined benefit pension or OPEB plan within the same financial reporting entity should be reported as contributions to the plan, in accordance with Statements 68 and 75
- Clarifies that the provisions of paragraph 15 apply to all transfers of assets within a financial reporting entity

Reinsurance recoveries

- Amends paragraph 37 of Statement 10 to clarify that amounts that are recoverable from reinsurers or excess insurers and that relate to paid claims and claim adjustment expenses may be reported as reductions of expenses but are not required to be.

Effective Dates for Statement 92

Requirements related to:	Effective Date
1. Leases 2. Reinsurance recoveries 3. Derivative instruments	Upon issuance
4. Intra-entity transfers of assets 5. Applicability of Statements 73 and 74	Fiscal years beginning after June 15, 2021
6. Application of Statement 84 to postemployment benefit arrangements 7. Fair value measurements	Reporting periods beginning after June 15, 2021
8. Government combinations and disposals of operations	For government acquisitions occurring in reporting periods beginning after June 15, 2021

Replacement of Interbank Offered Rates

Statement No. 93

MARCH 2020

**Governmental
Accounting Standards Series**

Statement No. 93 of the
Governmental Accounting
Standards Board

Replacement of Interbank Offered Rates

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OF THE FINANCIAL ACCOUNTING FOUNDATION

Replacement of Interbank Offered Rates

What?

The Board has issued guidance to facilitate the transition from using IBORs in hedging derivative instruments and leases

Why?

LIBOR in its current form is expected to effectively sunset at the end of 2021

When?

LIBOR: periods *ending* after December 31, 2021

Leases: periods *beginning* after June 15, 2021

All other: periods *beginning* after June 15, 2020

Exception to Termination of Hedge Accounting

Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions

The new reference rate essentially equates the old rate by :

Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or

An up-front payment, limited to what is necessary to essentially equate the rates

The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date

Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide)

Other Term Changes

Term changes that may be necessary for the replacement of the reference rate are limited to:

- The frequency with which the rate of the variable payment resets
- The dates on which the rate resets
- The methodology for resetting the rate
- The dates on which periodic payments are made

Two-Step Transition to a SOFR

A hedging derivative instrument may be amended or replaced in two steps: a transition from an IBOR to another rate (such as the effective federal funds rate) prior to transitioning to a secured overnight financing rate (SOFR)

Hedge accounting continues when all of the following criteria are met:

- The first step replaces an IBOR with another rate
- That interim rate is replaced by a SOFR in the second step
- All four of the criteria for a one-step transition are met

Other Provisions

Effective Federal Funds Rate and SOFR are appropriate benchmark interest rates for taxable debt when applying the consistent critical terms method

LIBOR is no longer an appropriate benchmark interest rate for taxable debt when applying the consistent critical terms method

Replacing an IBOR as the reference rate of a hedged item does not terminate hedge accounting

Uncertainty related to the continued availability of IBORs does not, by itself, affect the assessment of whether the occurrence of a hedged expected transaction is probable

The lease modifications guidance in Statement 87 should not be applied to when a lease contract is amended solely to replace an IBOR

Effective Dates and Transition

The provision removing LIBOR as an appropriate benchmark rate is effective for reporting periods *ending* after December 31, 2021

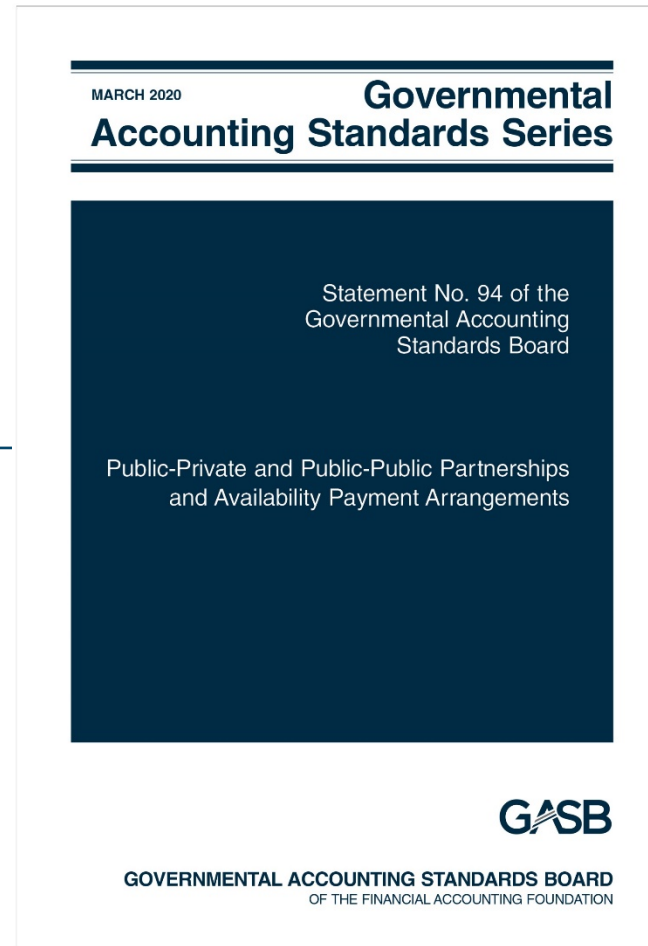
All other provisions are effective for reporting periods beginning after June 15, 2020

Earlier application is encouraged

Should be applied retroactively, if practicable (hedge accounting should be reestablished for terminations prior to the effective date of this Statement)

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

Statement No. 94



P3s, APAs, and SCAs

What?

The Board issued guidance for public-private and public-public partnerships (P3s) 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

Definitions: PPPs and APAs

Public-private partnerships and **public-public partnerships (P3s)** are arrangements “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 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

Other Provisions

A P3 that meets the definition of a lease in Statement 87 – but not the definition of a service concession arrangement (SCA) – would be reported under Statement 87 unless (a) the underlying PPP assets are not existing assets of the transferor or (b) improvements are required to be made to those existing underlying P3 assets by the operator.

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.

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 an SCA: also recognize the capital asset at acquisition value when placed into operation
- ...and the P3 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

Operator Reporting

For all P3s,
recognize:

- Liability for installment payments to be made, if any

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

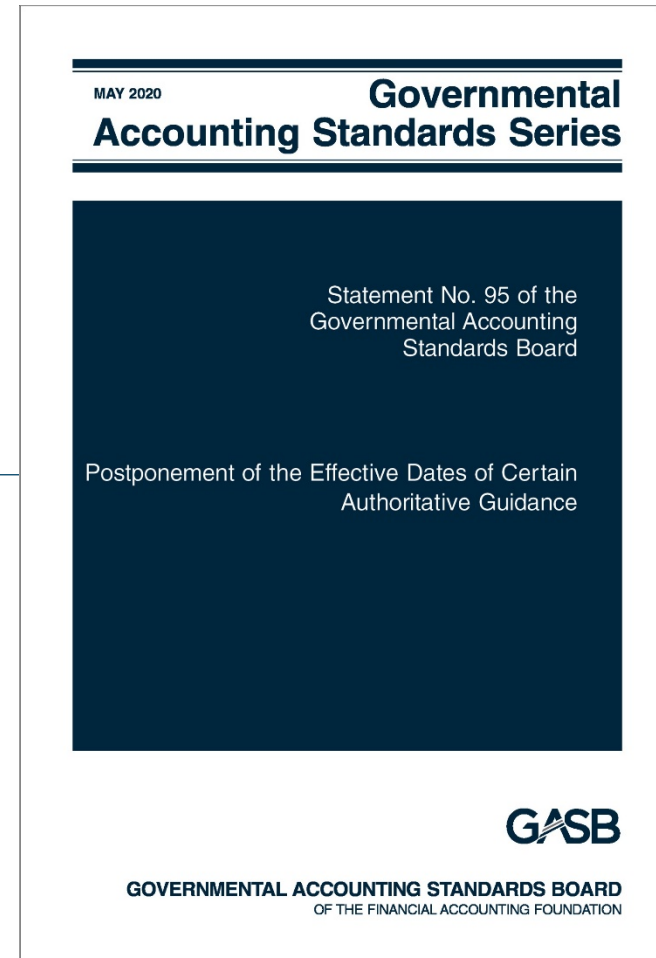
- ...also recognize an intangible right-to-use asset

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 for the underlying P3 asset, measured at the estimated carrying value as of the future date of the transfer

Postponement of the Effective Dates of Certain Authoritative Guidance

Statement No. 95



Effective Date Postponement

What?

The Board has postponed the effective dates of certain Statement & Implementation Guide provisions

Why?

The Board acted in response to numerous stakeholder requests prompted by the COVID-19 pandemic

When?

Effective immediately

Provisions can be implemented early to the extent allowed by each pronouncement

Effective dates are postponed one year for these pronouncements in their entirety

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 84, *Fiduciary Activities*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No. 14 and No. 61*
- Statement No. 91, *Conduit Debt Obligations*
- Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*
- Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*
- Implementation Guide No. 2019-2, *Fiduciary Activities*

Effective dates are postponed one year for certain provisions of these pronouncements

- Statement No. 92, *Omnibus 2020*, paragraphs 6–10 and 12
- Statement No. 93, *Replacement of Interbank Offered Rates*, pars. 13 and 14
- Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*, Questions 4.85, 4.103, 4.108, 4.109, 4.225, 4.239, 4.244, 4.245, 4.484, 4.491 and 5.1–5.4

Effective dates are postponed 18 months for these pronouncements

- Statement No. 87, *Leases*
- Implementation Guide No. 2019-3, *Leases*

Effective Dates after Statement 95

December 31: Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 84 – fiduciary activities
- Statement 88 – debt disclosures
- Statement 90 – majority equity interests
- IG 2018-1 – Update
- IG 2019-2 – fiduciary activities

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
- IG 2019-3 – leases
- IG 2020-1 – update

December 31: Fiscal Year 2023

- Statement 94 – public-private partnerships
- Statement 96 – SBITAs

Effective Dates after Statement 95

June 30: Fiscal Year 2020

- Statement 83 – asset retirement obligations
- Statement 88 – debt disclosures
- IG 2018-1 – Update

June 30: Fiscal Year 2021

- Statement 84 – fiduciary activities
- Statement 90 – majority equity interests
- Statement 93 – interbank offered rates (except LIBOR removal and lease modifications)
- IG 2019-1 – update
- IG 2019-2 – fiduciary activities

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
- IG 2019-3 – leases
- IG 2020-1 – update (except 4.6–4.17 and 4.19–4.21)

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)

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

Statement No. 97

Fiduciary Component Units and Deferred Compensation Plans

What?

The GASB has changed the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans

Why?

Some 457 plan characteristics have changed due, in part, to changes in the IRC; questions have been raised about whether certain employee benefit plans should be included as component units

When?

Effective dates vary by topic

Earlier application is encouraged and permitted for certain topics

Relevant Guidance on Fiduciary Component Units

Paragraph 7 of Statement 84 amended Statement 14 to indicate that a primary government is considered to have a financial burden if it is legally obligated or has otherwise assumed the obligation to make contributions to a pension plan or OPEB plan

Implementation Guide 2019-2 provided guidance that in the absence of a governing board, a government performing the duties of a governing board for a defined contribution (DC) plan that is administered through a trust that meets the criteria in Statement 67 is effectively the same as appointment of a voting majority

Relevant Guidance on Fiduciary Component Units (continued)

The implication of that existing and considered guidance is that many governments would be required to report DC plans and other employee benefit plans as component units in their fiduciary fund financial statements

The Board directed the staff to conduct additional outreach on the structure of those types of arrangements and user needs for information about them

Based on the outreach, the Board decided to expand the project and issue guidance on component units

Component Unit Criteria

For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is performing the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for DC pension plans, DC OPEB plans, or other employee benefit plans*

The criterion that a legal obligation to contribute (or otherwise assuming the obligation) is considered to be a financial burden applies only to defined benefit plans

457 Plans

All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan

All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan

Investments should be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator is eliminated)

Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases

Technical Bulletin 2020-1

JUNE 2020

Governmental Accounting Standards Series

GASB Technical Bulletin No. 2020-1

Title: Accounting and Financial Reporting Issues Related to the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) and Coronavirus Diseases

References: GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*
GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*
GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*
GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*
GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*
GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*
GASB Implementation Guide No. 2015-1, Question 2.27.4

Technical Bulletin 2020-1

What?

The Board has cleared guidance that addresses issues arising from the CARES Act and coronavirus diseases

Why?

The Board acted in response to numerous stakeholder requests for guidance

When?

Effective immediately

Topics Addressed

- Accounting for Coronavirus Relief Fund (CRF) resources
- CARES Act provisions that address a government's loss of revenue
- Amendments to the CARES Act after the statement of net position date but prior to the issuance of financial statements
- Paycheck Protection Program
- Operating v. nonoperating revenues
- Extraordinary and special items

Are CRF resources subject to eligibility requirements or purpose restrictions?

CRF funds are voluntary nonexchange transactions, subject to eligibility requirements rather than purpose restrictions. CARES Act requires that certain conditions be met, which constitute eligibility requirements.

Based on Statement 33, paragraph 15, a recipient government should recognize a liability until the eligibility requirements are met, including the incurrence of eligible expenditures. When those requirements are met, revenue is recognized.

Should a provision that addresses a government's loss of revenue (such as the Provider Relief Fund) be considered an eligibility requirement?

Yes, those resources are contingent upon an eligibility requirement, per paragraph 20d of Statement 33.

Revenue should be recognized when a government meets the action-based eligibility requirement.

If amendments to the CARES Act are enacted after the statement of net position date but before issuance, are they the basis for recognition in the period?

No. Even amendments with retroactive provisions, when made after the statement date, are not conditions that existed as of the end of the period.

Such amendments should be considered nonrecognized subsequent events per paragraphs 8–12 of Statement 56.

If a government determines a forgivable loan it received under PPP will be forgiven in a subsequent period, how should the loan be reported?

The loan should continue to be reported as a liability.

Statement 70, paragraph 12, requires that the liability continue to be reported as a liability until the government is legally released from the debt.

Should resources from the CARES Act programs directed at BTAs and enterprise funds be reported as nonoperating revenues?

Generally, yes. Statement 9, paragraph 21, identifies noncapital grants as noncapital financing activities.

Resources from the Provider Relief Fund's Uninsured Program are payment for care or treatment of the uninsured and testing for COVID-19 and, therefore, are operating revenues.

Are outflows incurred in response to the coronavirus, such as acting to slow the spread of the virus, adjusting service provision, or implementing stay-at-home orders, extraordinary or special items?

No. An item is infrequent in occurrence if the *type* of event is not reasonably expected to recur in the foreseeable future.

The type of event is the appearance of the virus, not management's response. It is reasonable to expect coronavirus diseases to recur. Further, the disease is not within management's control.

Certain Current Technical Agenda Projects

Omnibus

Omnibus Project

What?

The Board has initiated a project to address various practice issues

Why?

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

When?

Board will consider issuing an Exposure Draft in June 2021

Topics Being Considered

Remeasurement of certain assets and liabilities

- Appropriate reporting of leases, P3s, and SBITAs when there is a change in an index or a rate used to determine variable payments

Effect of a purchase option on contract terms and the measurement of the liability

Derivative instruments that are neither hedges nor investments

- Some derivative instruments classified as investments under Statement 53 do not meet the Statement 72 definition of an investment

Topics Being Considered (continued)

Exchange financial guarantees

- Statement 70 applies to nonexchange financial guarantees but not to exchange or exchange-like transactions

Extension of effective date for phaseout of LIBOR

Other technical corrections

- Outdated terminology in the Codification and other minor terminology and technical corrections

Project Timeline

Added to Current Technical Agenda	August 2020
Deliberations Began	September 2020
Exposure Draft Expected	July 2021

Compensated Absences

Exposure Draft, *Compensated Absences*

What?

The Board 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 period ended June 4, 2021

Proposal: Scope and Applicability

A compensated absence is

- Leave that employees use for time off with pay
- Leave for which employees receive payment 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

**Accumulated
leave**



Pay rate



**Salary-related
payments**

Leave that meets
the recognition
criteria

Generally the
employee's
pay rate at
financial
reporting date

Directly and
incrementally
related

Exception: more
likely than not to
be settled through
other means

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

DC pension or
OPEB recognized
as pension or
OPEB liability

DB pension or
OPEB excluded

Proposal: 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

- Reporting periods beginning after December 15, 2022

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 Deadline	June 4, 2021
Final Statement Expected	December 2021

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 related to operations, estimates, and concentrations?

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 Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Additional Outreach to Be Conducted	February–April 2021

Post-Implementation Review (PIR)

What is PIR?

The GASB monitors and supports implementation of all of its pronouncements

For Statements resulting from comprehensive projects and major projects that address a fundamental aspect of the standards, the GASB also:

Examines a random sample of financial reports for the year prior to, year of, and year after implementation

Collects information from their preparers regarding staff hours and nonstaff costs for those three years

Examine financial reports for the same random sample in the fifth year of implementation

Conduct stakeholder roundtables and surveys regarding their experience with the standards

Reports the findings publicly

Why does the GASB conduct PIRs?

To provide general support to stakeholders when implementing significant new pronouncements

To identify and address practice issues that arise

To answer technical inquiries from stakeholders and develop and publish Q&A implementation guidance

To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future

How does the GASB involve stakeholders in PIR?

Stakeholders bring potential implementation issues to the GASB's attention



Governments are recruited to keep track of their staff hours and nonstaff costs related to the pronouncement and provide that information for the year prior to implementation and the first and second years of implementation



Stakeholders of all types are invited to participate in roundtable discussions and to respond to surveys regarding their experience with the standards in practice

Which Statements are under review?

Statement 67—Pension plan reporting

Statement 68—Employer reporting for pensions

Statement 72—Fair Value measurement & reporting

Statement 75—Employer reporting for other
postemployment benefits (OPEB)

Statement 84—Fiduciary activities

Statement 87—Leases

What is the status of the PIRs?

Pensions	Analysis of fifth-year reports nearly completed; conducted 7 of 11 planned stakeholder roundtables
Fair value	Beginning collection and analysis of fifth-year reports
OPEB	Analysis of prior year and implementation year reports completed, second year analysis nearly completed; collection of implementation effort and cost information completed and being analyzed
Fiduciary activities	Recruitment of governments completed; collection of implementation effort and cost information has begun
Leases	Recruitment of governments continues; collection of implementation effort and cost information has begun

Other Current Technical Agenda Projects

Conceptual Framework: Disclosure Framework

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?

The Board is considering issuing a Revised Exposure Draft in June 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

Proposed Concepts

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 Concepts (continued)

Information that has one of the following characteristics is essential:

- 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:

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

Project Timeline

Pre-Agenda Research Started	April 2016
Added to Current Technical Agenda	August 2018
Deliberations Began	October 2018
Exposure Draft Issued	February 2020
Comment Deadline	June 30, 2020
Public Hearing	July 28, 2020
Revised Exposure Draft Expected	June 2021

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?

Comment deadline was February 26, 2021

Public hearings and user forums in March and April 2021

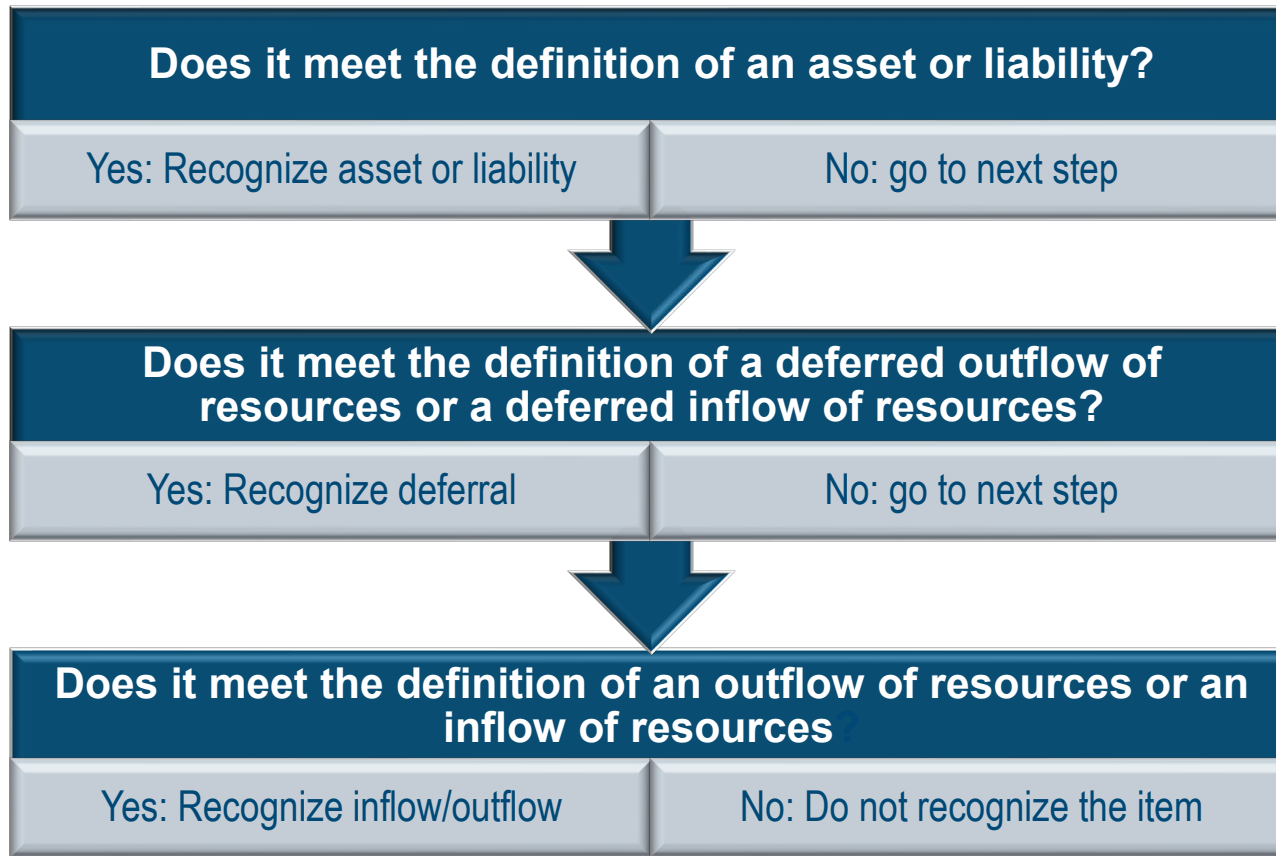
Recognition Concepts

The **measurement focus** of a specific financial statement determines *what* items should be reported as elements of that financial statement.

The related **basis of accounting** determines *when* those items should be reported.

Proposal: Recognition Hierarchy

Follow a specific order when evaluating an item for recognition:



Proposal: Recognition Framework

Two Measurement Focuses

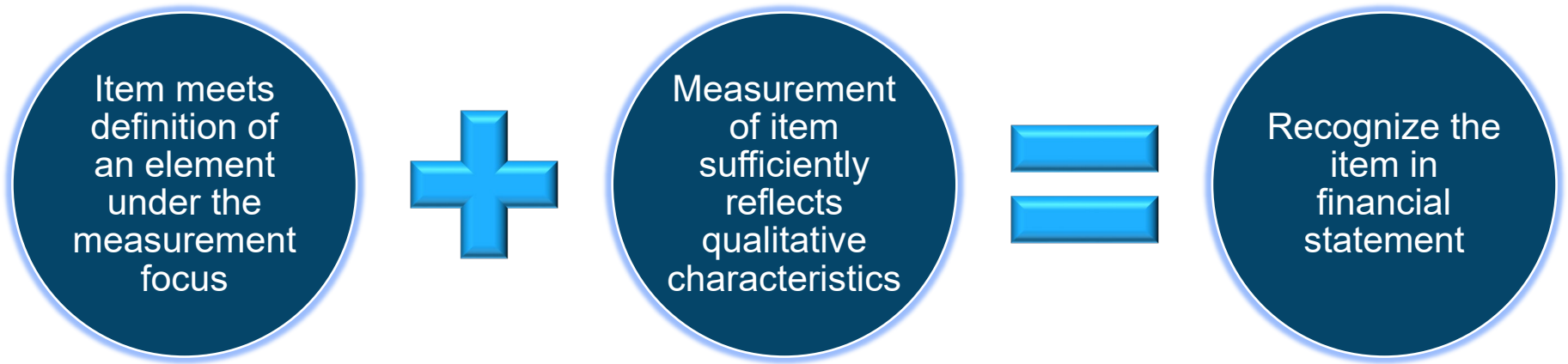
Economic Resources

(applied in government-wide, proprietary fund, and fiduciary fund financial statements)

Short-Term Financial Resources

(would replace current financial resources in the governmental funds)

Proposal: Recognition Framework (continued)



Project Timeline

Preliminary Views Issued	September 2018
Redeliberations Began	June 2019
Exposure Draft Approved	June 2020
Comment Deadline	February 26, 2021
Public Hearings (virtual)	March 23, 30 & 31, 2021 April 8, 13, 14, 20 & 21, 2021
User Forums (virtual)	April 9 & 15, 2021
Final Concepts Statement Expected	June 2022

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?

Comment deadline was February 26, 2021

Public hearings and user forums in March and April 2021

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

Proposal: Recognition in Governmental Funds

Short-term financial resources measurement focus and 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

Recognition in Governmental Funds (cont.)

Short-Term Transactions

Period from inception to conclusion is one year or less

Long-Term Transactions

Period from inception to conclusion is more than one year

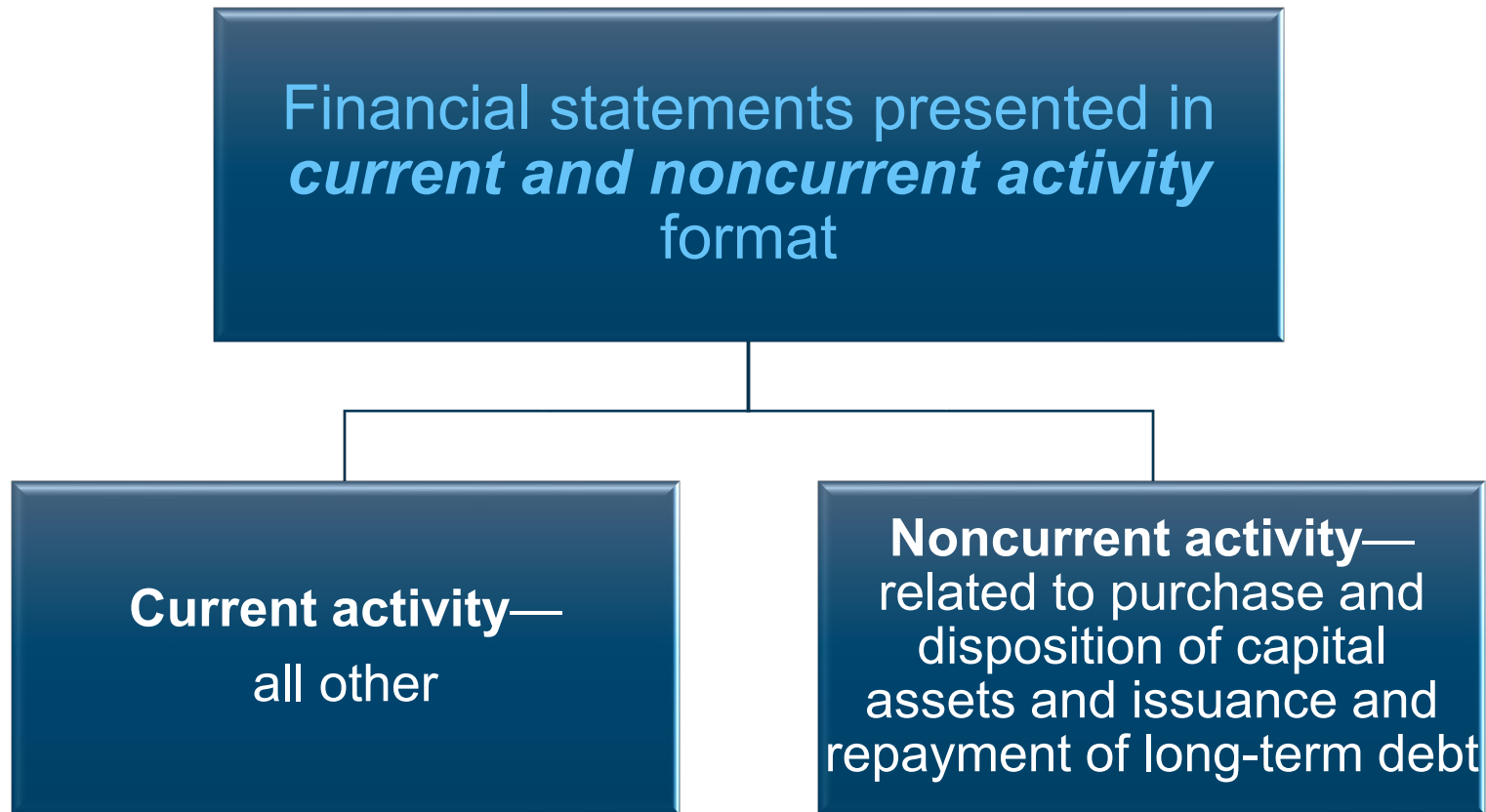
Inception

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)

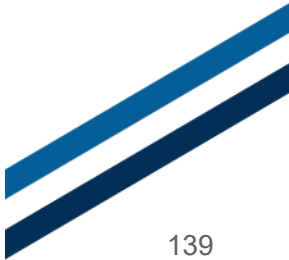
Proposal: Presentation of Governmental Funds



Proposed Statement of Short-Term Financial Resource Flows

	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

Current and Noncurrent Activity Format



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

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

	<u>2016</u>	<u>2015</u>
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	<u>1,146,343</u>	<u>1,091,377</u>
Operating expenses:		
[Natural or functional expenses]		
Total operating expenses	<u>1,681,544</u>	<u>1,596,059</u>
Income (loss) generated by operations	<u>(535,201)</u>	<u>(504,682)</u>
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	<u>558,101</u>	<u>530,057</u>
Operating income (loss) and noncapital subsidies	<u>22,900</u>	<u>25,375</u>
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	<u>221,023</u>	<u>126,314</u>
Income before other items	<u>243,923</u>	<u>151,689</u>
Other items:		
Capital contributions	<u>23,231</u>	<u>74,830</u>
Increase (decrease) in net position	267,154	226,519
Net position—beginning	3,061,111	2,834,592
Net position—ending	<u>\$ 3,328,265</u>	<u>\$ 3,061,111</u>

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

Proposed Effective Dates

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

\$75 million or more

Apply in fiscal years beginning after June 15, 2024

Less than \$75 million

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
Comment Deadline	February 26, 2021
Public Hearings	March 23, 30 & 31, 2021 April 8, 13, 14, 20 & 21, 2021
User Forums	April 9 & 15, 2021
Final Statement Expected	May 2022

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?

Comment deadline was February 26, 2021

Public hearings and user forums in March and April 2021

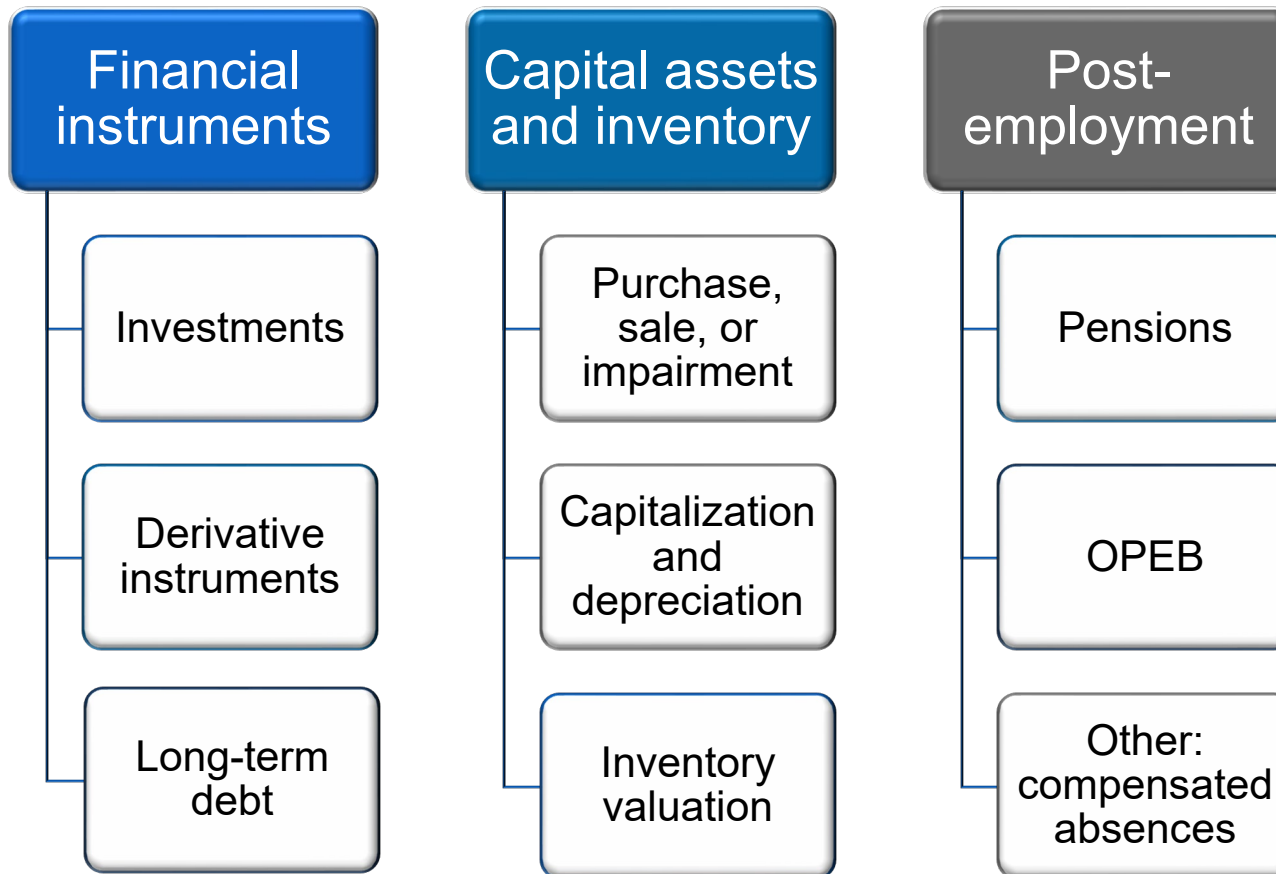
Broad Project Objective

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***:



Proposed Recognition Model Components

Categorization

Identify the *type* of transaction



Recognition

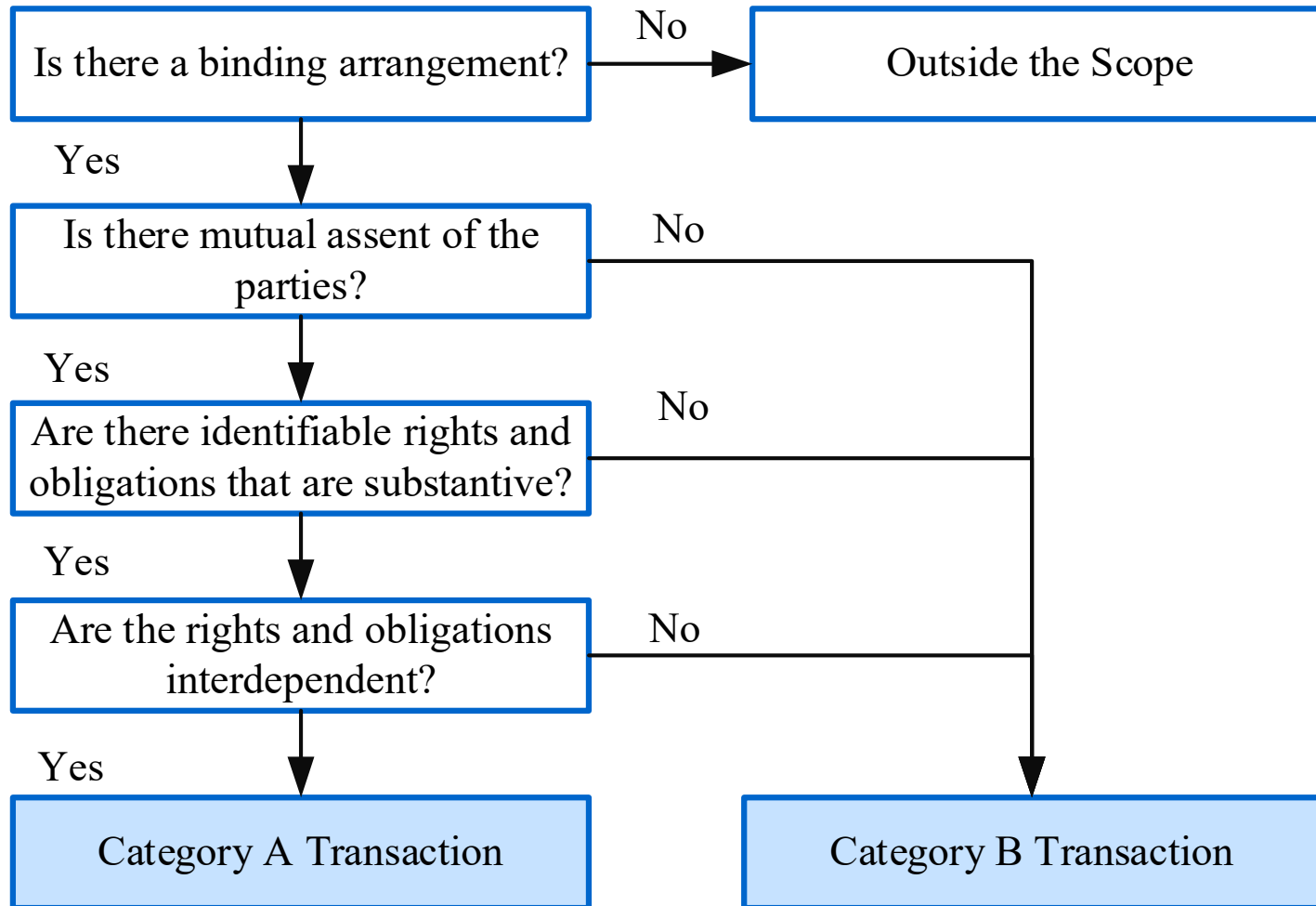
Determine *what* element should be reported and *when*



Measurement

Determine the *amount* to report

Proposed Categorization Methodology

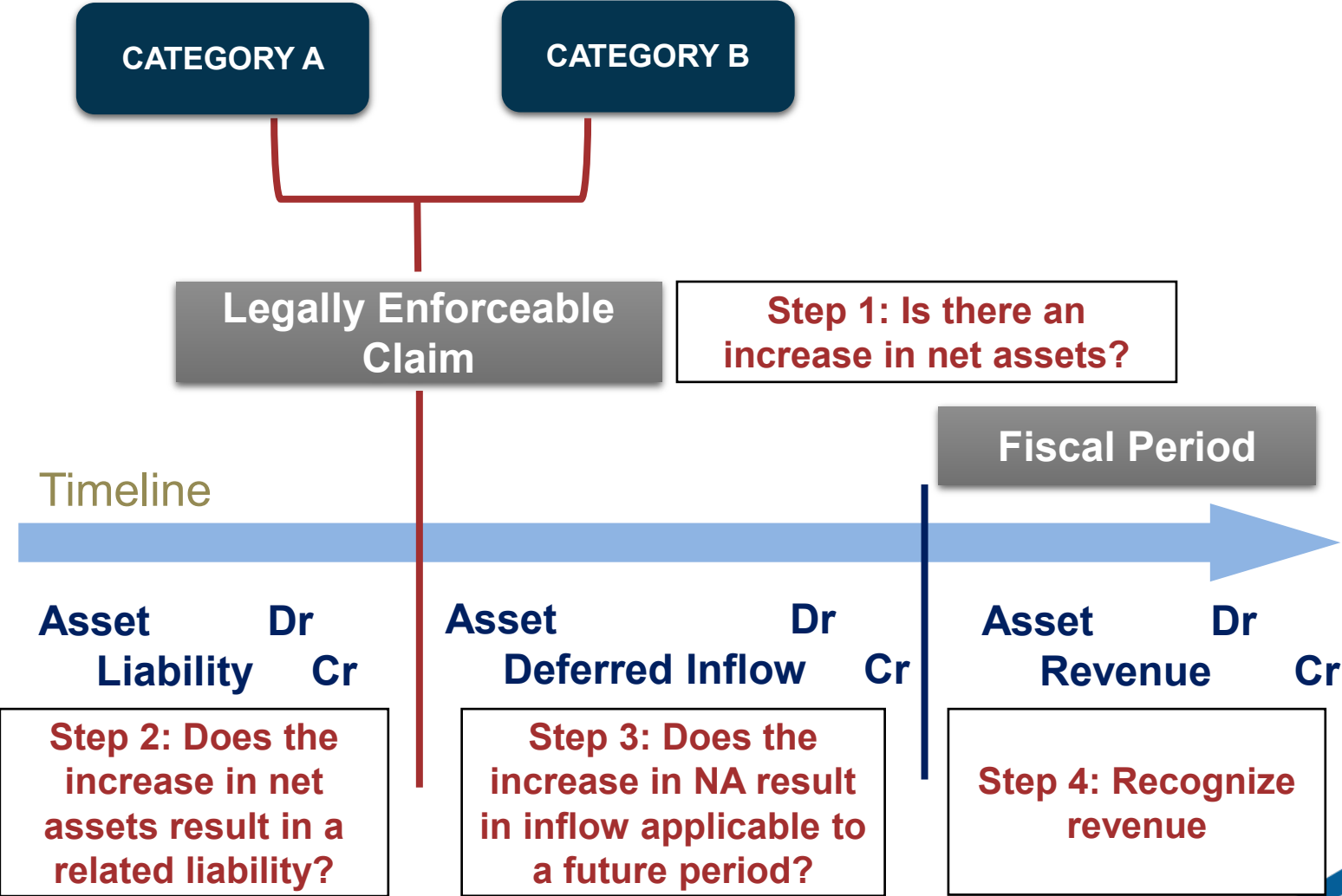


Outcomes of the Proposed Model *

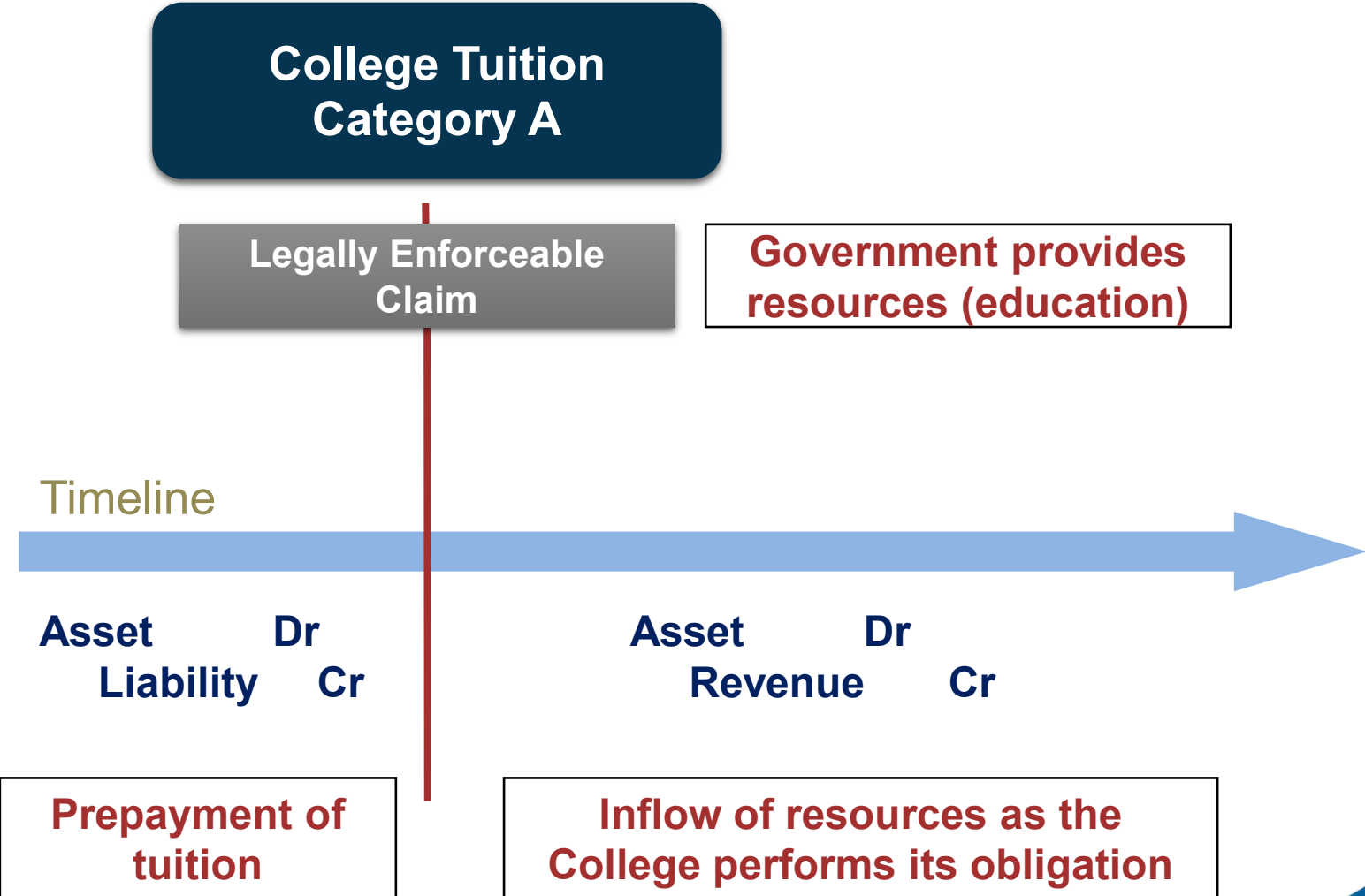
Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Eligibility-based grants	Punitive fees
Research grants and revolving loans	Special assessments
Medicaid fees for services	Donations
Tuition fees	Regulatory fees (drivers licenses, building permits, 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

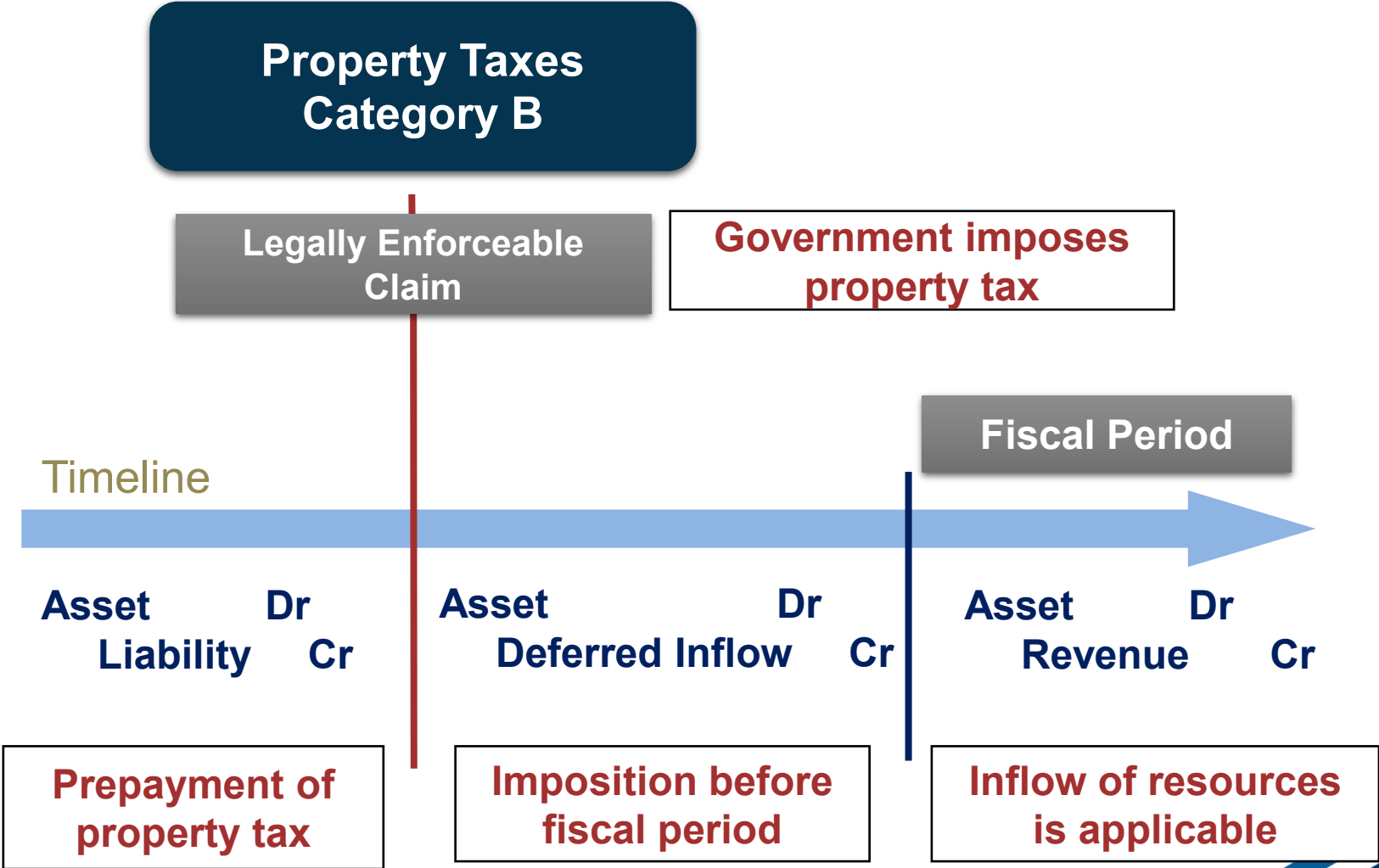
Proposed Revenue Recognition Principles



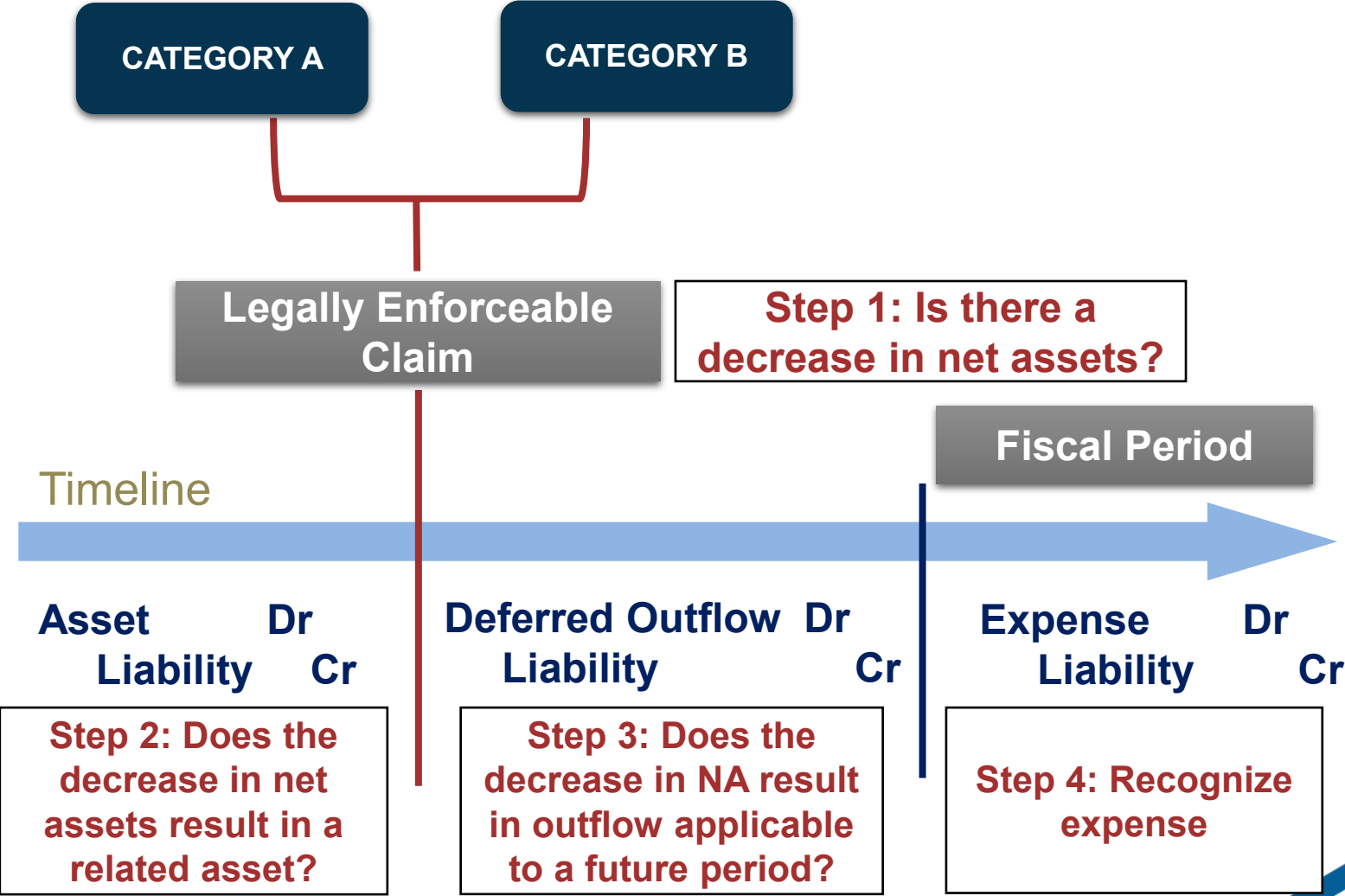
Category A Revenue Recognition Example



Category B Revenue Recognition Example



Proposed Expense Recognition Principles



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

Category B Expense Recognition Examples

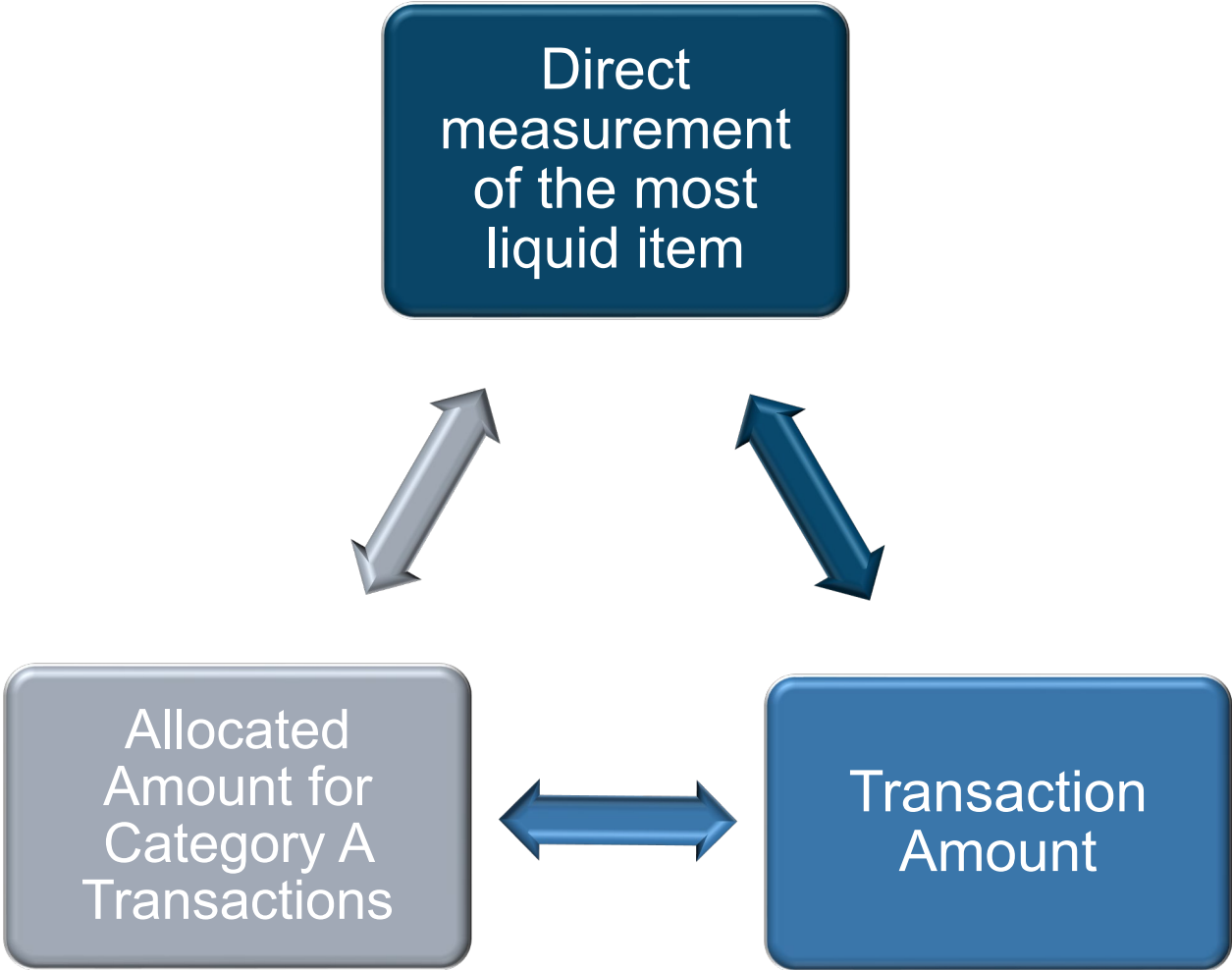
Expense is recognized at the same time as the *payable*, unless there are time requirements

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
Comment Deadline	February 26, 2021
Public Hearings	March 23, 30 & 31, 2021 April 8, 13, 14, 20 & 21, 2021
User Forums	April 9 & 15, 2021
Exposure Draft Expected	June 2023

Pre-Agenda Research Activities

Capital Assets

Capital Assets

What?

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

Why?

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

When?

The Board added the pre-agenda research in August 2019

Topics to Be Considered

What choices do governments make with respect to their capital asset-related accounting policies? Why do they select those policies?

How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?

How do governments report exchanges of capital assets?

How do depreciation and estimated useful lives compare with the actual diminution of service capacity?

What has been the experience with the modified approach to reporting infrastructure? How has it affected comparability of statement information?

Should changes in the condition of capital assets be reflected as flows of resources in the financial statements? How would it be measured?

What information do governments collect and report about deferred maintenance? How is it estimated?

Going Concern Disclosures: Reexamination of Statement 56

Going Concern Disclosures

What?

The GASB is reviewing existing standards related to going concern considerations, which were incorporated into GASB literature mostly as-is from the AICPA literature in Statement 56

Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; AICPA and others have asked the GASB to examine the issue

When?

The Board added the pre-agenda research in April 2015

Topics to Be Considered

Are the current going concern indicators presented in note disclosures appropriate for state and local governments, in light of the fact that, even under severe financial stress, few governments cease to operate even when encountering such indicators?

What other criteria might better achieve the objective of disclosing severe financial stress uncertainties with respect to governments?

What information do financial statement users need with respect to the disclosure of severe financial stress uncertainties?

Interim Financial Reporting

Interim Financial Reporting

What?

The GASB is assessing the need for guidance on how to report on a GAAP basis for periods of less than a year

Why?

There is no guidance in the GASB literature for preparing interim financial statements

When?

The Board added the pre-agenda research in August 2019

Topics to Be Considered

What is current practice with respect to interim financial reporting?

Do interim GAAP financial reports of general purpose or business-type governments provide users with valuable information?

Should specific recognition and measurement standards be developed for interim GAAP reporting?

Should separate reporting entity standards be developed for interim GAAP reporting?

Nonfinancial Assets

Nonfinancial Assets

What?

The GASB is conducting research on practice with respect to reporting nonfinancial assets and the impact on users

Why?

Existing guidance may not be sufficient to distinguish types of nonfinancial assets or distinguish them from other types of assets

When?

The Board added the pre-agenda research in August 2020

Existing Guidance

Concepts Statement 1

- “Financial reporting should provide information about a governmental entity’s **physical and other nonfinancial resources** having useful lives that extend beyond the current year. . .”

Statement 72

- “If an accounting standard requires the application of fair value to a **nonfinancial asset** (for example, real property). . .”
- Defines *financial asset* but not *nonfinancial asset*

Statement 34

- Definition of capital assets includes *intangible assets*

Statement 51

- “All intangible assets subject to the provisions of this Statement should be classified as capital assets.”
- “In the context of this Statement, an **asset with a nonfinancial nature** is one that is not in a monetary form similar to cash and investments securities, and it represents neither a claim or a right to assets in a monetary form similar to receivables, nor a prepayment for goods or services.”

Statement 87

- “. . . a lease is defined as 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.”

Topics to Be Considered

Should intangible assets associated with other intangible assets (for example, software under Statement 96) and intangible assets associated with tangible assets (for example, leases under Statement 87 and P3s under Statement 94) continue to be classified as capital assets?

Should intangible assets addressed in Statement 51 (for example, internally generated software) continue to be classified as capital assets?

Should other types of assets (for example, capital assets held for resale, patents, copyrights) be classified as nonfinancial assets versus being classified as capital assets?

Does the nonfinancial assets classification communicate information that users need? Is it important to receive information distinguishing capital assets from other nonfinancial assets?



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.

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