



2023 CSFMO Annual Conference

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

GASB Update—The Big Three and Beyond

▪ **This session will consider:**

- Re-deliberations continue for the **financial reporting model reexamination and revenue and expense recognition projects**
- The GASB recently issued **Concept Statement No. 7** on the disclosure framework.
- This session will provide an up-to-the-minute status report on these key projects and on the main practice issues project, **Certain Risk Disclosures**, that the GASB expects to finalize during 2023.
- In addition, a brief look into the past and some insights into the future of governmental accounting and financial reporting will be provided in this session.

Current Technical Agenda Projects

Technical Plan Overview – As of April 2022

■ **Conceptual Framework:**

- Disclosure Framework
- Recognition

■ **Comprehensive Projects:**

- Financial Reporting Model Re-examination
- Revenue and Expense Recognition

■ **Major Projects:**

- Going Concern and Severe Financial Stress

■ **Practice Issues:**

- Accounting Changes and Error Corrections
- Compensated Absences
- Implementation Guide—Update
- Nonfinancial Assets
- Omnibus
- Certain Risks Disclosures

■ **Pre-Agenda Research Activities:**

- Capital Assets
- Subsequent Events

Technical Plan Overview – As of December 2022

■ **Conceptual Framework:**

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■ **Comprehensive Projects:**

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■ **Practice Issues:**











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- Subsequent Events

New GASB Statement Impact

Potential Level of Effort for Preparer and Auditor*

Statement and FY Effective		Potential Level of Effort*						
		FY 2020	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026
GASB 87 – Leases	2022	 LARGE EFFORT						
GASB 89 – Construction-period Interest	2022				Minimal			
GASB 91 – Conduit Debt	2023					 Small		
GASB 92 – Omnibus (multiple effective dates)	Various	 Small						
GASB 93 – LIBOR Removal and Lease Modifications	2022				 Small			
GASB 94 – Public-Private Partnerships	2023					 MEDIUM		
GASB 96 – SBITA	2023					 LARGE EFFORT		
GASB 97 – Certain Component Unit Criteria/Section 457 plans	2022				 Small			
GASB 98 – The Annual Comprehensive Financial Report	2022				Minimal			
GASB 99 – Omnibus (multiple effective dates)	Various					 Small		
GASB 100 – Accounting Changes and Error Corrections	2024						 Small	
GASB 101 – Compensated Absences	2025							 MEDIUM

*Based on June 30 fiscal years

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 Q1 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 net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

Tentative Decisions: Recognition in Governmental Funds

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

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

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

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

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

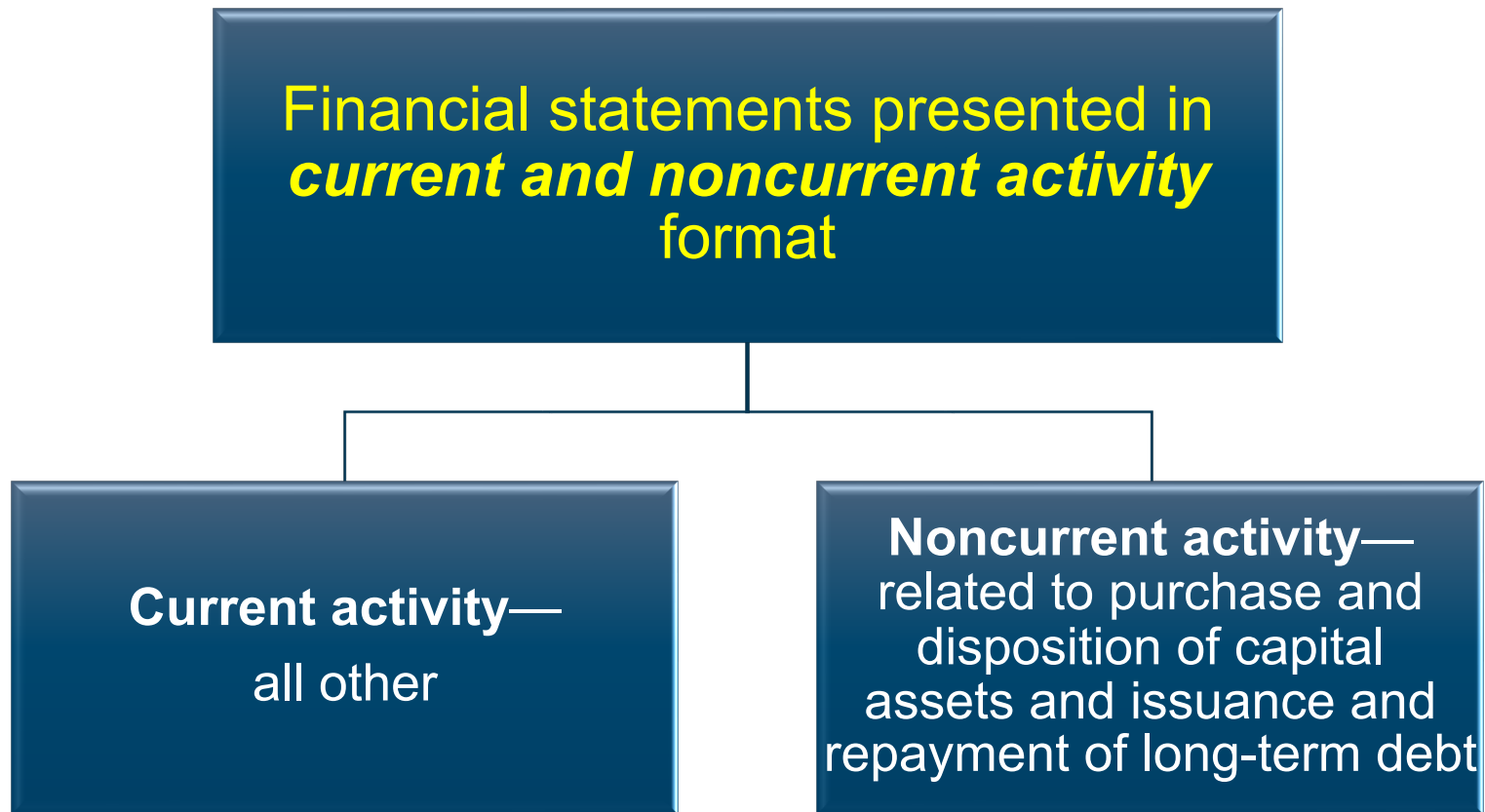
Inception

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)

Tentative Decisions: Presentation of Governmental Funds



Proposals: Proprietary Funds

Separate presentation of operating and nonoperating revenues and expenses

Operating

- Activities other than nonoperating activities

Nonoperating

- Subsidies received and provided
- Revenues and expenses of financing
- Resources from the disposal of capital assets and inventory
- Investment income and expenses
- Contributions to permanent and term endowments

Proposals: Proprietary Funds (cont.)

Subsidies

- (1) indicate that all transfers should be included
- (2) clarify that subsidies can have a direct or indirect impact on user fees and charges, and
- (3) clarify that subsidies should be classified as noncapital subsidies unless limited to capital purposes.

Add a new subtotal for operating income (loss) and noncapital subsidies

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
Redeliberations Began	May 2021
Final Statement Scheduled to Be Considered for Issuance	Q1 2024

Going Concern and Severe Financial Stress: Reexamination of Statement 56

Going Concern and Severe Financial Stress

What?

The Board will review existing standards related to going concern and address issues related to disclosures regarding going concern uncertainties and severe financial stress

Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; users need information about governments' severe financial stress, but that information is not readily available

When?

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

Topics to Be Considered

How should the existing guidance on going concern uncertainties (including the definition of a going concern) be clarified or improved to reduce diversity in practice in applying the guidance?

How should severe financial stress be defined? How should that definition differ from going concern uncertainties?

If a government is determined to be exposed to severe financial stress, what relevant information should a government disclose in notes to financial statements?

Revenue and Expense Recognition

Revenue and Expense Recognition

What?

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

Why?

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

When?

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

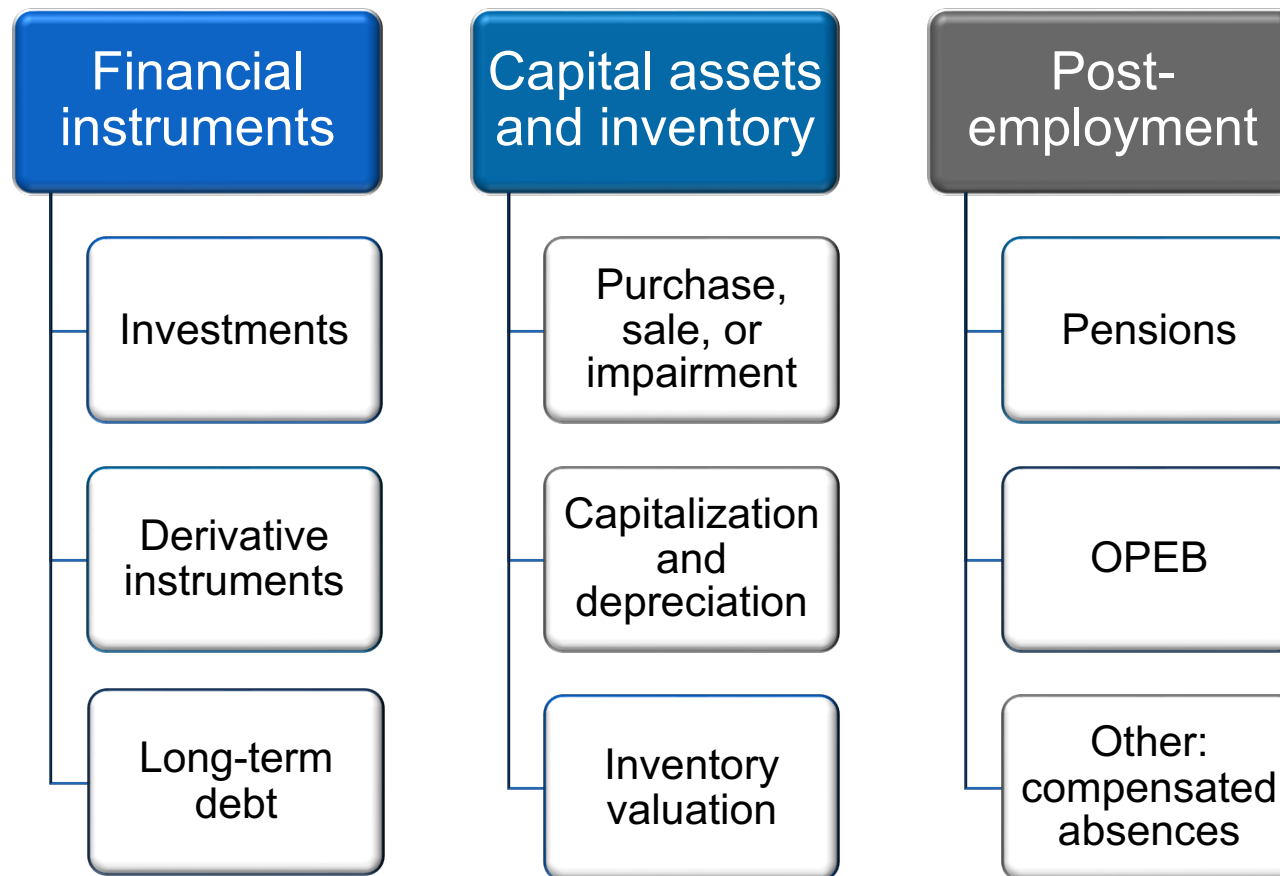
Broad Project Objective

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

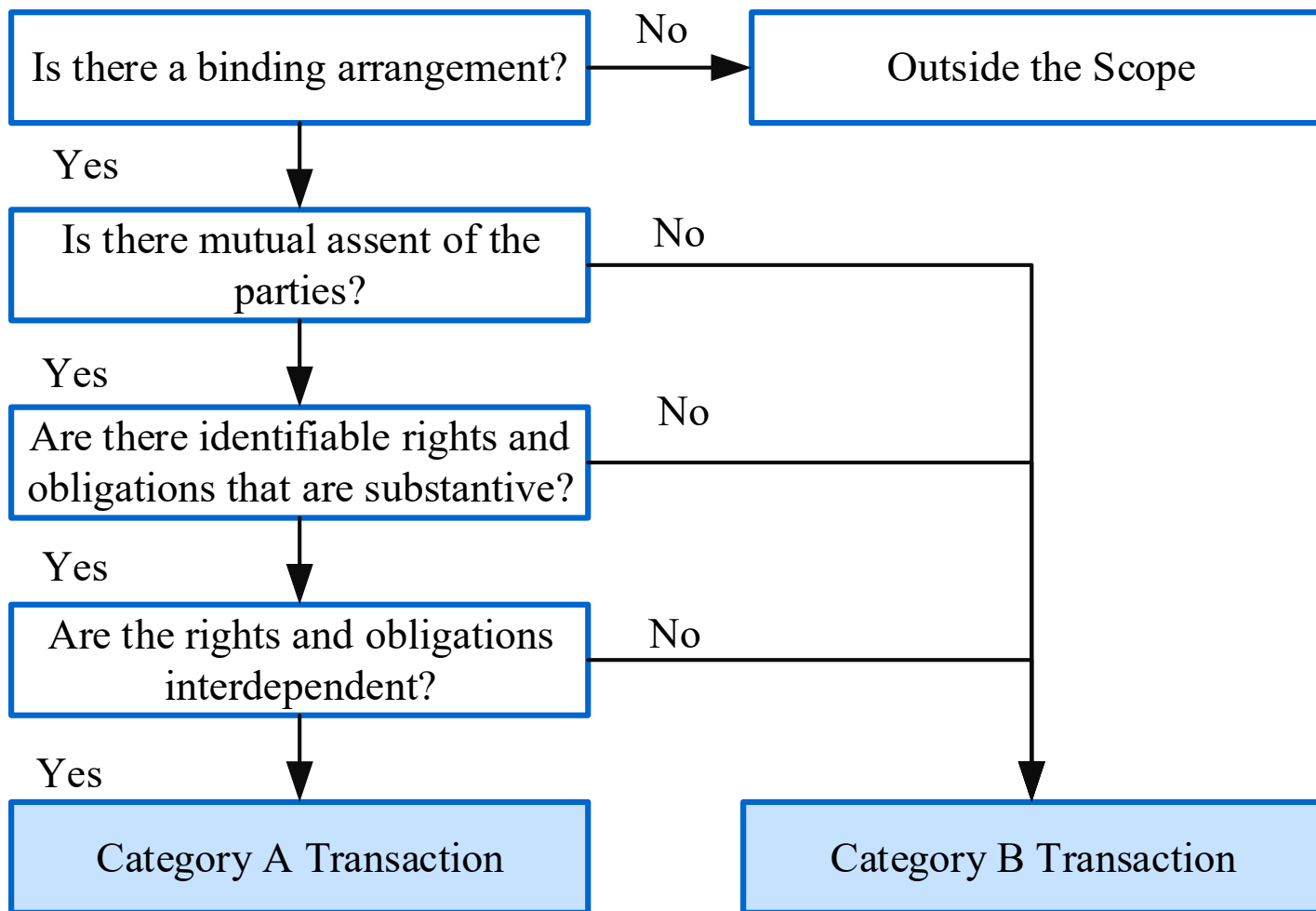
Determine *what* element should be reported and *when*



Measurement

Determine the *amount* to report

Proposed Categorization Methodology

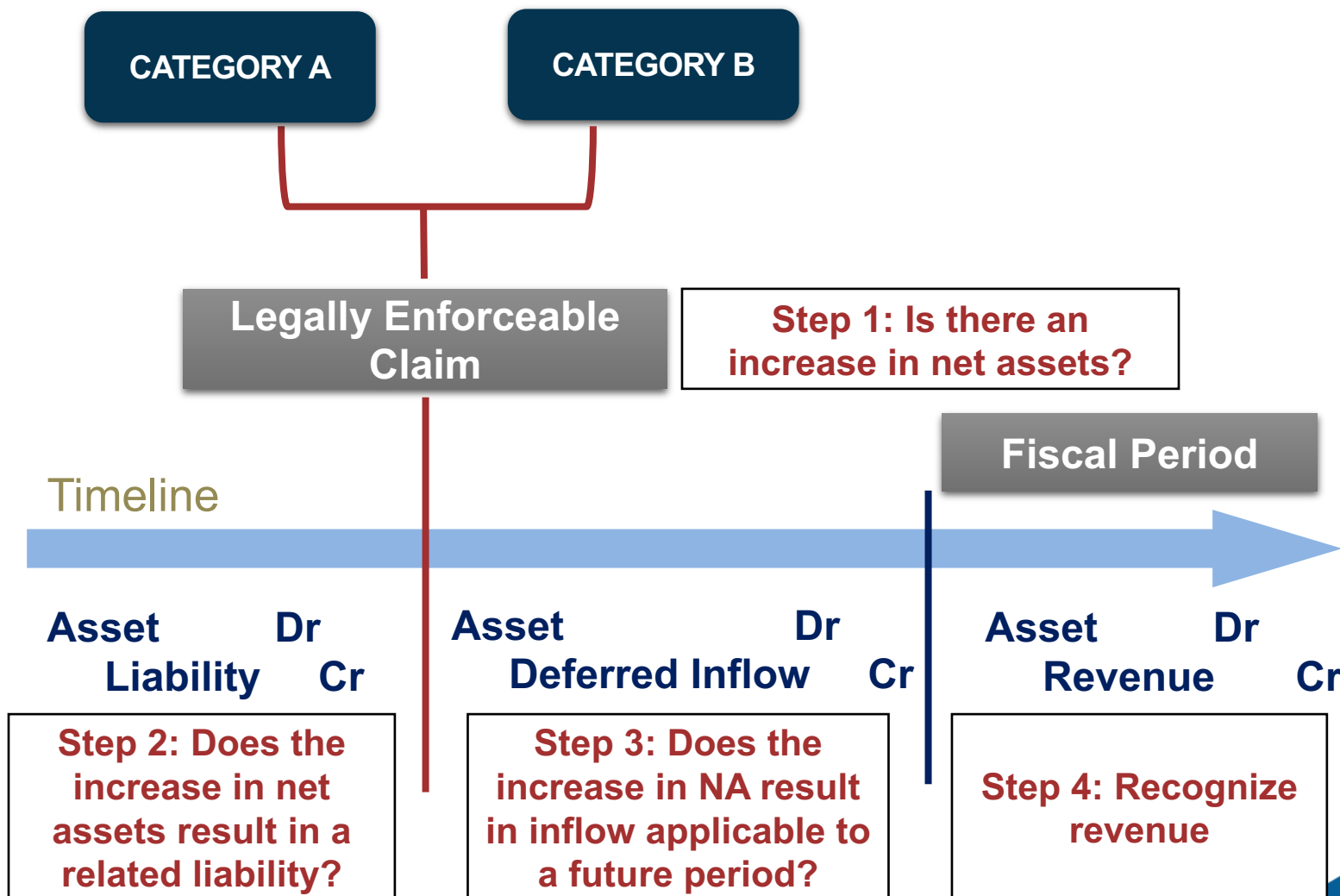


Outcomes of the Proposed Model *

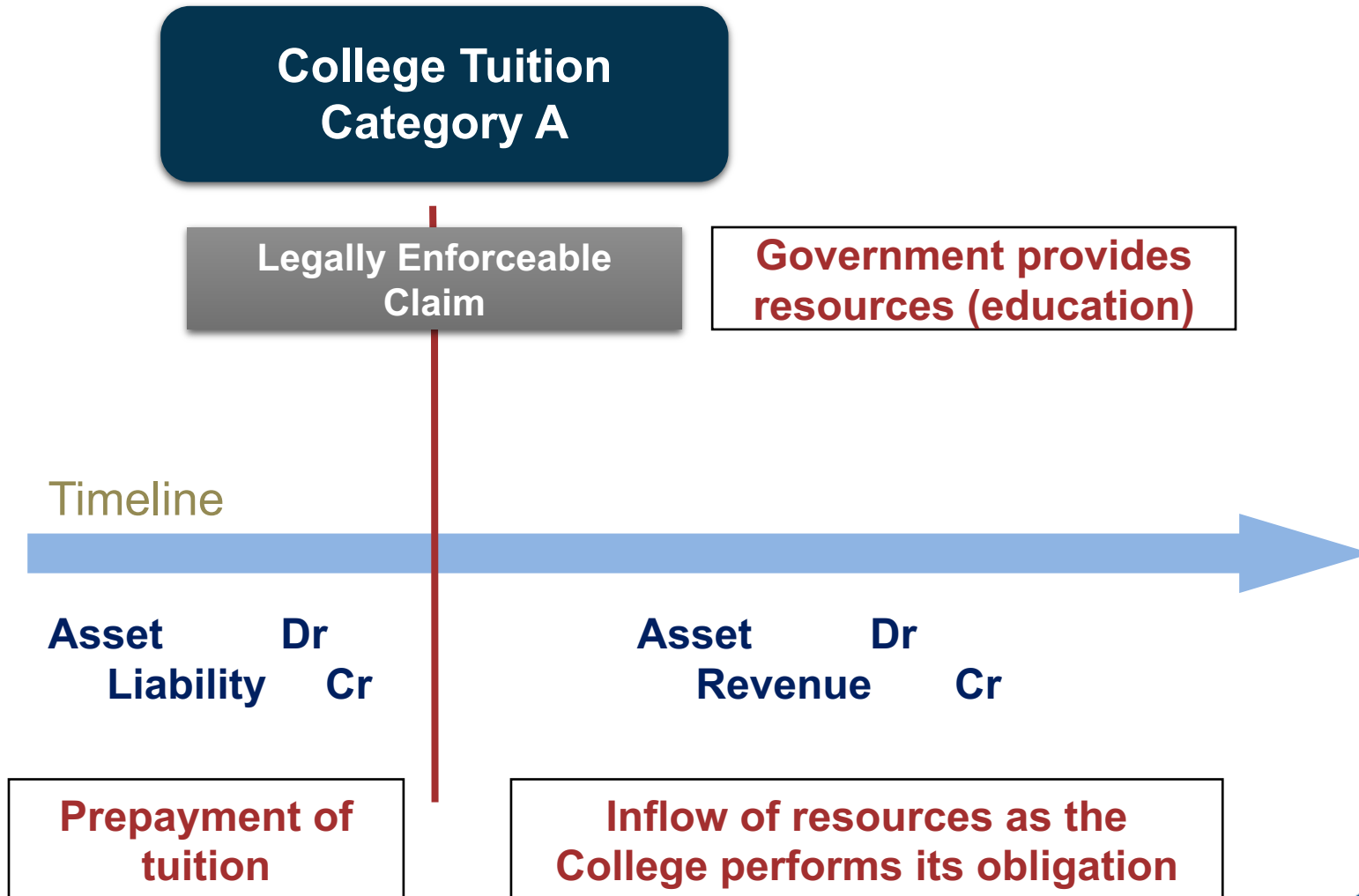
Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Eligibility-based grants	Punitive fees
Research grants and revolving loans	Special assessments
Medicaid fees for services	Donations
Tuition fees	Regulatory fees (drivers licenses, building permits,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

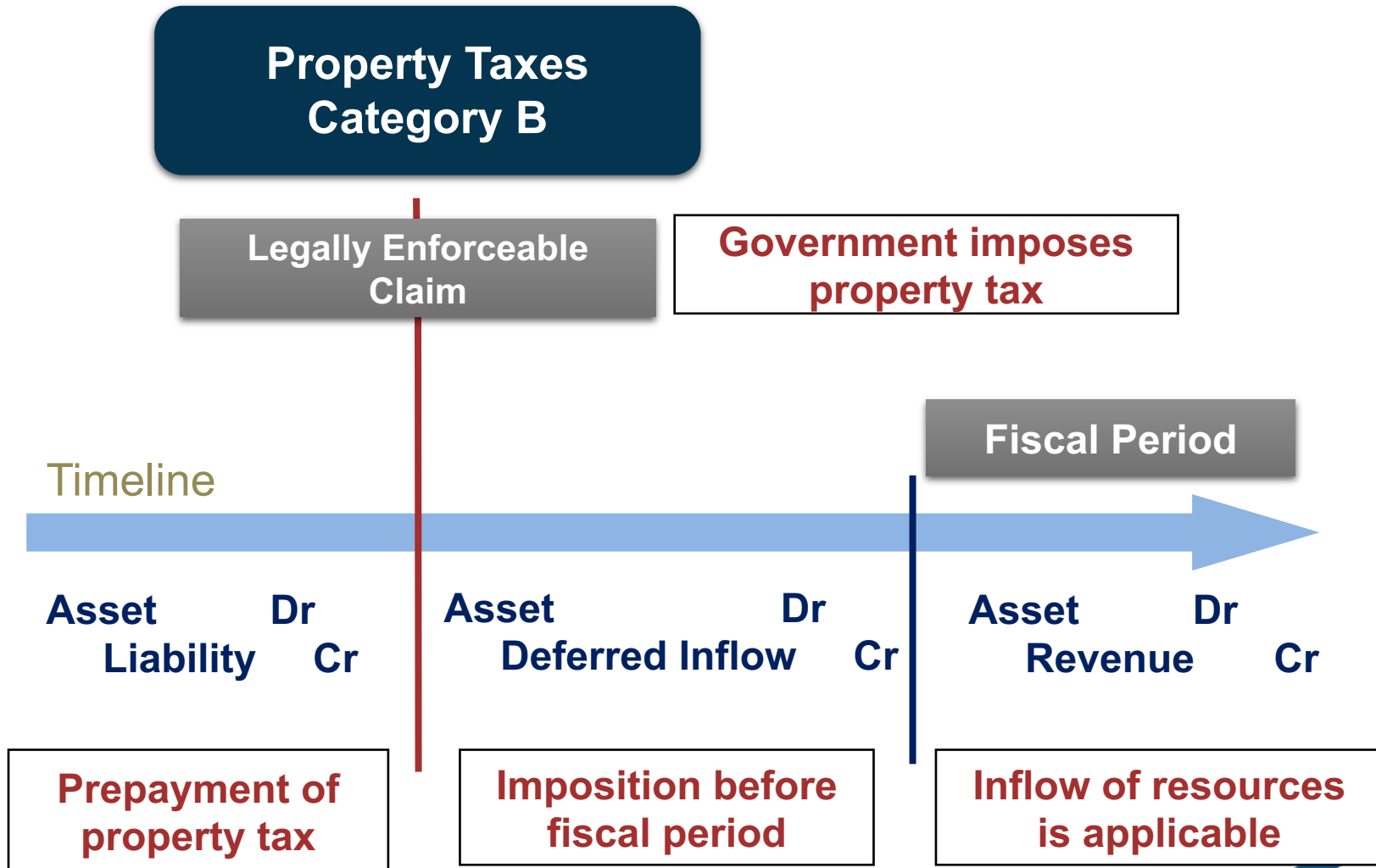
Proposed Revenue Recognition Principles



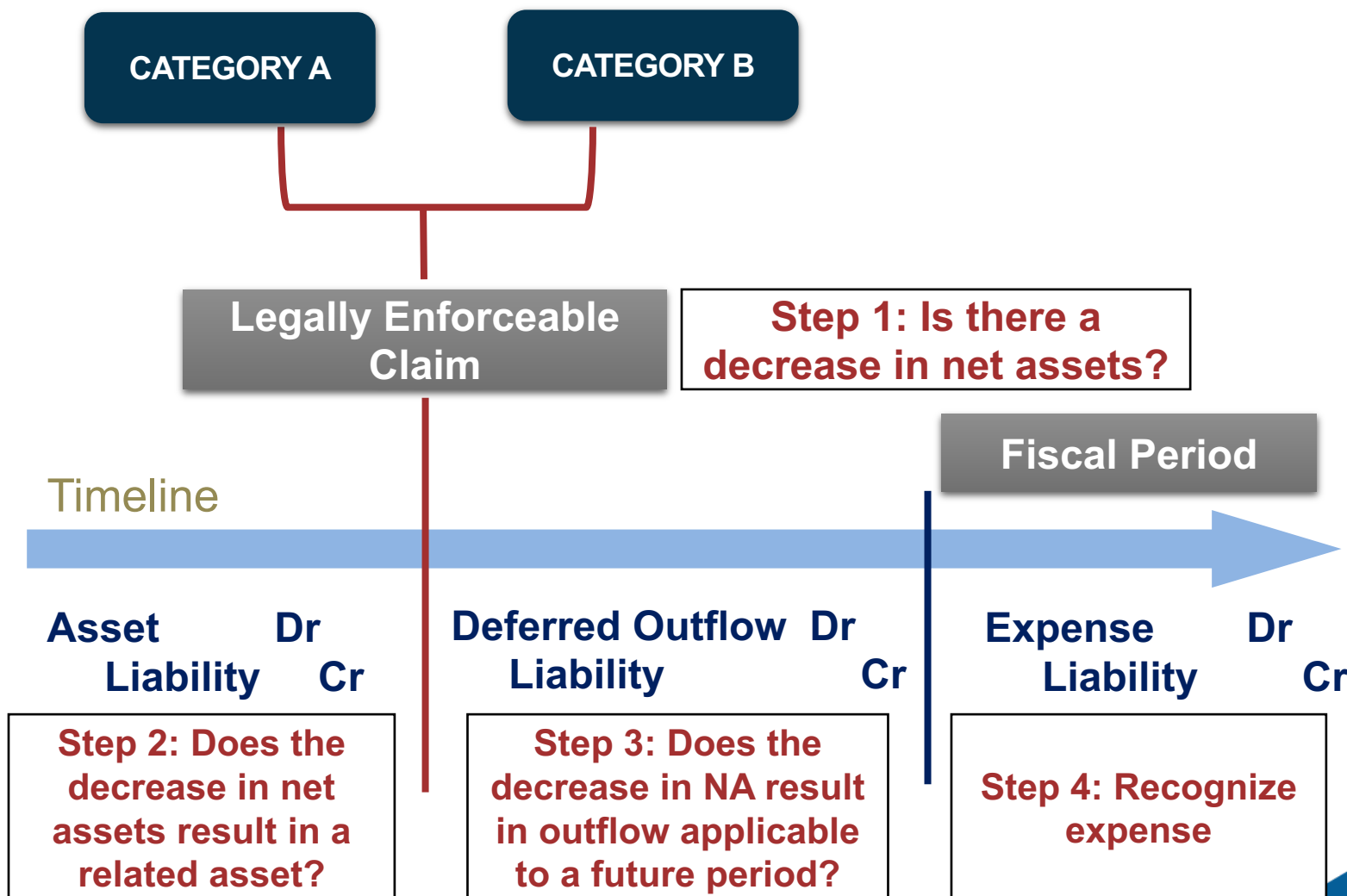
Category A Revenue Recognition Example



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

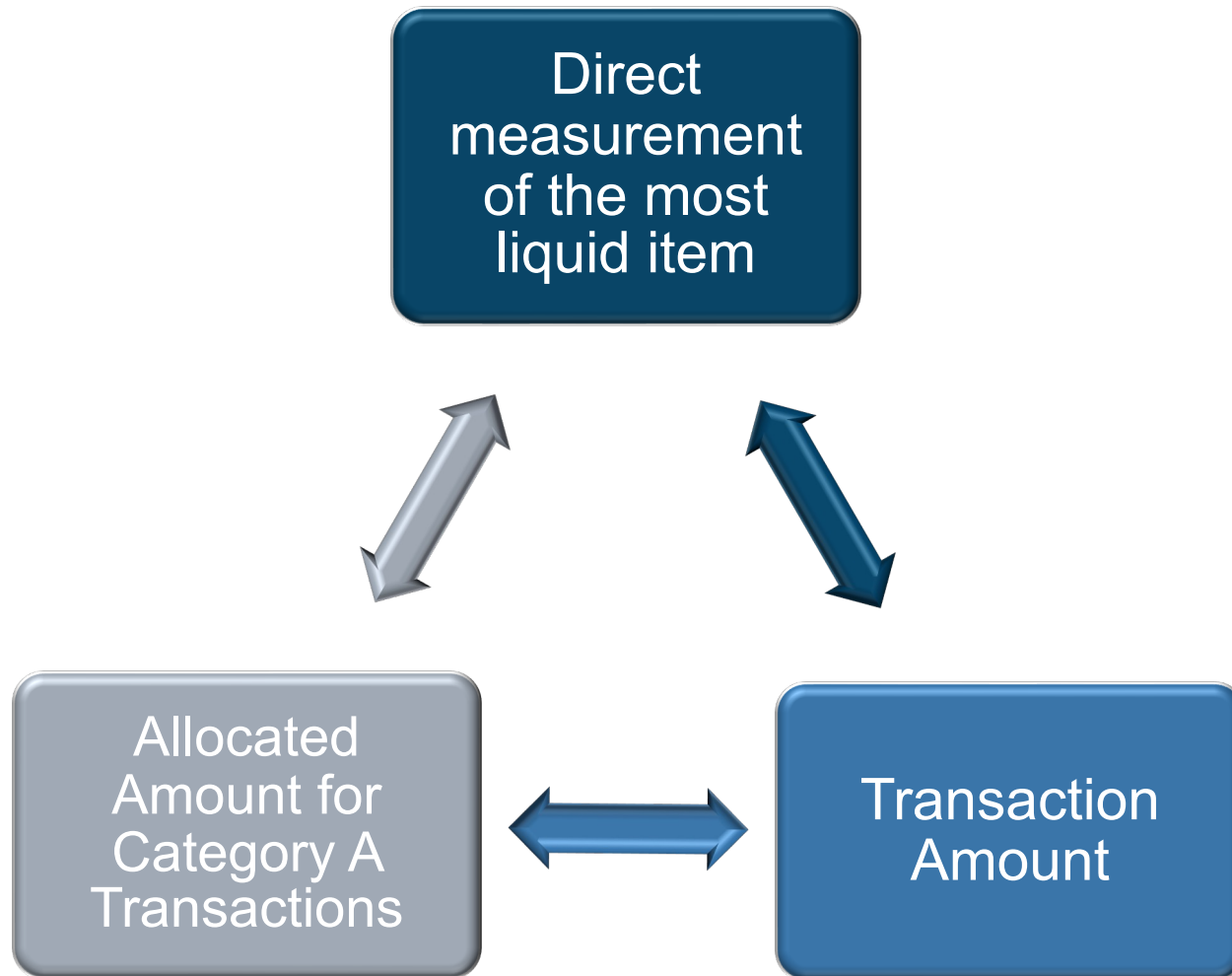
Expense is recognized at the same time as the *payable*, unless there are time requirements

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
Redeliberations Began	May 2021
Exposure Draft Scheduled to Be Considered for Issuance	March 2025

Concepts Statement No. 7

Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements

Concepts Related to Notes to Financial Statements

What?

The Board has amended existing 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?

Final Concepts Statement issued in June 2022

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

Amended 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

Principal revisions to Concepts Statement 3 relate to the criteria that determine essentiality – the term essential conveys the degree of importance that information contained in notes should possess

Information that is essential possesses the following characteristics:

The information has or is expected to have a **meaningful effect** on users' analyses for making decisions or assessing accountability

A **breadth or depth of users** utilize or are expected to utilize the information in their analyses for making decisions or assessing accountability

Certain Risks Disclosures

Certain Risks Disclosures

What?

The Board has proposed standards to identify and disclose risks faced by governments

Why?

Stakeholders asked the GASB to address instances in which a government is exposed to risks that could impact services or the payment of obligation

When?

Exposure Draft issued June 2022

Comment deadline is September 30, 2022

Final August 2023

Overall Framework

■ **Conditions**

- Conditions which a government might face
 - Concentrations
 - Constraints

■ **Events**

- Events which relate to the conditions

■ **Impact**

- Impact on service or obligations as a result of the event and condition

Concentrations

■ What is a concentration within the context of this proposal?

- Governments are exposed to risks that are based on **concentrations that create a lack of sufficient diversity** related to an aspect of a **significant revenue source or expense**.
- Those concentrations may limit a government's ability to acquire resources or to control spending.
- Examples include, but are not limited to, the following:
 - Principal employers
 - Principal industries
 - Principal resource providers
 - Composition of principal inflows of resources
 - Workforce covered by collective bargaining agreements
 - Suppliers of material, labor, or services.

Constraints

■ **What is a constraint within the context of this proposal?**

- Governments are exposed to risks that are based on constraints common in the governmental environment that may limit their ability to acquire resources or to control spending.
- Those constraints may be imposed by an external party or by formal action of a government's highest level of decision-making authority.
- Examples include, but are not limited to, the following:
 - Limitations on raising revenue
 - Limitations on spending
 - Limitations on the incurrence of debt
 - Mandated spending.

Exposure Draft: Disclosure Criteria

Disclosures should be required when the government determines that:

1. An event associated with a concentration or constraint either has *occurred or is more likely than not to begin to occur* within 12 months of the financial statement date or shortly thereafter (3 months)
2. It is *at least reasonably possible* that the event will cause there to be a *substantial effect* within 3 years of the date of the financial statement
3. *Substantial effect* is one that affects the government's ability (1) to continue to provide services at the level provided in the current reporting period or (2) to meet its obligations as they come due

Exposure Draft: Disclosure Requirements

Required to disclose sufficient detail to enable users to understand the general nature of the risks and their potential effect on the government's ability to provide services or meet its obligation.

- Including:
 - Description of concentration or constraint
 - Description of each event associated with the concentration/constraint, including the criteria met
 - Description of actions taken to mitigation the substantial effect.
- Disclosure if not required *mitigating actions taken* cause any of the disclosure criteria to no longer be met.
- Disclosures should be *made at the primary government level* unless a risk is specific to a reporting unit relative to other reporting units and has a substantial effect on that reporting unit but not on the primary government. In that case the disclosure should be made for the reporting unit.

Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Additional Outreach Conducted	February–April 2021
Exposure Draft Issued	June 2022
Comment Deadline	September 30, 2022
Final Statement	August 2023

Other Projects – Broader Scope

Going Concern Uncertainties & Severe Financial Stress

Non-financial Assets

Certain Risk Disclosures

Classification of Nonfinancial Assets

Classification of Nonfinancial Assets

What?

The Board will review the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets)

Why?

A review of existing standards found that they generally were effective, but that there were aspects that could be significantly improved

When?

Deliberations scheduled to begin July 2022

Topics to Be Considered

How should the existing definitions of nonfinancial assets and capital assets be modified, if at all? Should new classifications be added?

Should right-to-use intangible assets resulting from Statements 87, 94, and 96, continue to be classified as capital assets?

Should other intangible assets addressed in Statement 51 continue to be classified as capital assets?

Should other types of assets, such as capital assets held for resale, continue to be classified as capital assets?

If classifications are added, how should those classifications be defined?

If classifications are added and defined or existing definitions or classifications are modified, what should be the effect, if any, on presentation within the statement of net position or disclosure in notes to financial statements?

Project Timeline

Pre-Agenda Research Started	August 2020
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Exposure Draft Scheduled to Be Considered for Issuance	May 2023

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Pre-Agenda Research / Monitoring Post-Implementation Reviews (PIR)

Pre-Agenda Research

Capital Assets

Subsequent Events

Monitoring

Digital Assets

Electronic Financial Reporting

Federal Stimulus and Other COVID-related issues

Other

Questions?

Visit www.gasb.org