





# GASB UPDATE: Wait, I thought we were getting a break?

## Part 2



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### Presentation Overview

-  Pronouncements being implemented
-  Projects currently being deliberated by the Board
-  Pre-agenda research activities
-  Post-implementation review



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## Effective Dates

### December 31: Fiscal Year 2022

- Statement 87 – leases
- Statement 91 – conduit debt
- Statement 92 – omnibus 2020 (multiple effective dates)
- Statement 93 – LIBOR removal and lease modifications
- Statement 97 – certain component unit criteria and Section 457 plans
- Statement 99 – omnibus 2022 (extension of LIBOR, SNAP distributions, nonmonetary transaction disclosures, pledges of future revenues, clarification of provisions in Statement 34, and terminology updates)
- IG 2019-3 – leases
- IG 2020-1 – update
- IG 2021-1 – update (4.22)

### December 31: Fiscal Year 2023

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

### December 31: Fiscal Year 2024

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



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## Effective Dates

### June 30: Fiscal Year 2023

- Statement 91 – conduit debt
- Statement 94 – public-private partnerships
- Statement 96 – SBITAs
- Statement 99 – omnibus 2022 (leases, PPPs, and SBITAs)
- IG 2020-1 – update (4.6–4.17 and 4.19–4.21)
- IG 2021-1 – update (4.1–4.21, 4.23, 5.2, and 5.4)

### June 30: Fiscal Year 2024

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

### June 30: Fiscal Year 2025

- Statement 101 – compensated absences



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## Pronouncements Being Implemented

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### Conduit Debt Obligations

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Statement No. 91

MAY 2018  
**Governmental Accounting Standards Series**

Statement No. 91 of the  
Governmental Accounting  
Standards Board

Conduit Debt Obligations

**GASB**

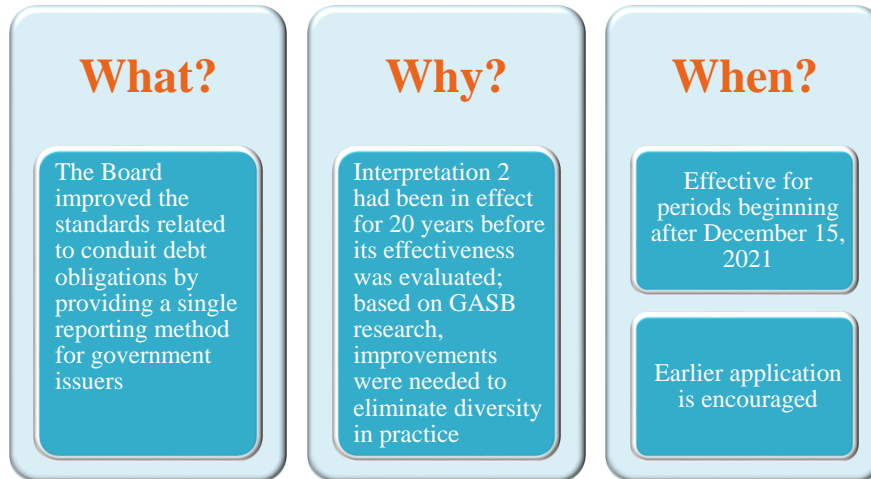
GOVERNMENTAL ACCOUNTING STANDARDS BOARD  
OF THE FINANCIAL ACCOUNTING FOUNDATION



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## Conduit Debt



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## 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.



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## 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.



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## 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



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## 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”



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## 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



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## 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



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## 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

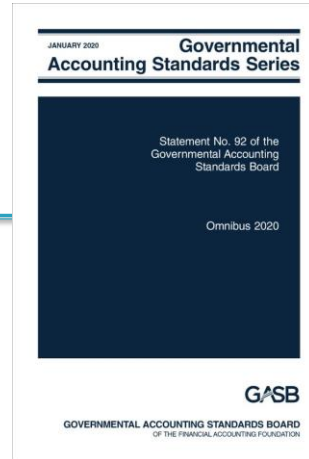
- Description of timing of recognition and measurement of the liability
- Beginning balances, increases, decreases, ending balances
- Cumulative payments that have been made
- Amounts expected to be recovered, if any, for those payments



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# Omnibus 2020

## Statement No. 92



# Omnibus 2020

<b>What?</b>	<b>Why?</b>	<b>When?</b>
<p>The Board has amended existing standards covering multiple topics</p>	<p>Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project</p>	<p>Effective dates vary by topic</p> <p>Earlier application is encouraged and permitted by topic</p>





## 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



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## 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



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## 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.



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## 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

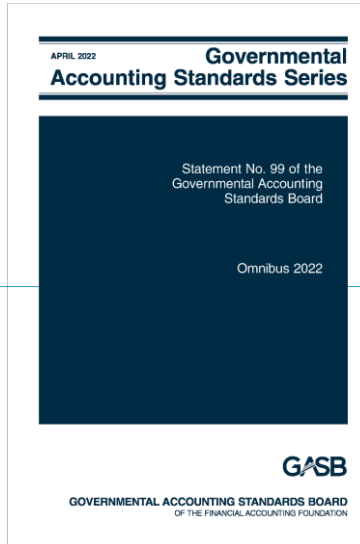


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# Omnibus 2022

Statement No. 99



# Omnibus 2022

<b>What?</b>	<b>Why?</b>	<b>When?</b>
<p>Practice issues identified during implementation and application of certain GASB Statements and accounting and financial reporting for financial guarantees</p>	<p>Omnibus Statements are issued to address issues in multiple pronouncements that, individually, would not justify a separate pronouncement</p>	<p>Various effective dates:</p> <ol style="list-style-type: none"> <li>1) Upon issuance</li> <li>2) Fiscal years beginning after June 15, 2022</li> <li>3) Fiscal years beginning after June 15, 2023</li> </ol>



## General Omnibus Topics

Financial Guarantees

Other Derivative Instruments

Leases, PPPs, and SBITAs

Extended Use of LIBOR

Technical Updates/Corrections



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## Financial Guarantees

### Statement 99 DOES

- Apply the liability recognition, liability measurement, and disclosure requirements in Statement 70 to governments that extend exchange or exchange-like financial guarantees.

### Statement 99 DOES NOT

- Prescribe expense classification.
- Prescribe recognition guidance for the consideration received in an exchange or exchange-like financial guarantee transaction.



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## Other Derivative Instruments

### Other Derivative Instruments

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

### Termination of hedge accounting

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



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## Leases, PPPs, and SBITAs

### Remeasurement of certain assets and liabilities

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

### Option to Terminate

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

### Short-term Leases and SBITAs

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



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## Leases, PPPs, and SBITAs (cont.)

### Variable Lease Payments

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

### Lease Incentives

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

### PPP Remeasurement

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



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## Replacement of Interbank Offered Rates

### London Interbank Offered Rate (LIBOR)

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



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## Technical Updates/Corrections

### SNAP/ Food Stamps

- States no longer use paper food stamp coupons. Specialized guidance in Statement 24 is no longer relevant. Should apply Statement 33 instead.

### Nonmonetary Transactions

- Should disclose measurement attribute(s), rather than basis of accounting for assets transferred.

### Pledges of Future Revenue

- Blending guidance provided



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## Technical Updates/Corrections (cont.)

### Government-Wide Statements

- Clarifies that no total column is required for the financial reporting entity as a whole.

### Terminology Updates

- Balance sheet – Statement of net position
- Balance sheet date – Date of financial statements or Statement of net position date
- Equity Funds – Other assets used
- Fund Equity – Equity interest
- Flow of resources statement – Resource flows statement

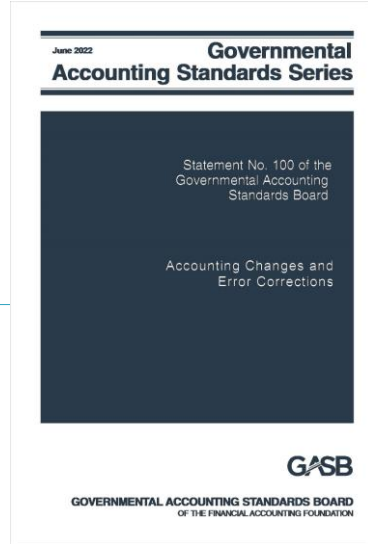


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# Accounting Changes and Error Corrections

Statement No. 100



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## Accounting Changes and Error Corrections

### What?

Based on a reexamination of the requirements in Statement 62, the Board has replaced the guidance that previously existed in Statement 62 with new standards for accounting changes and error corrections.

### Why?

The previous guidance was based on several sources of accounting standards, some of which had been superseded, and much of which was been in effect without review by the GASB for decades.

### When?

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

Earlier application is encouraged.

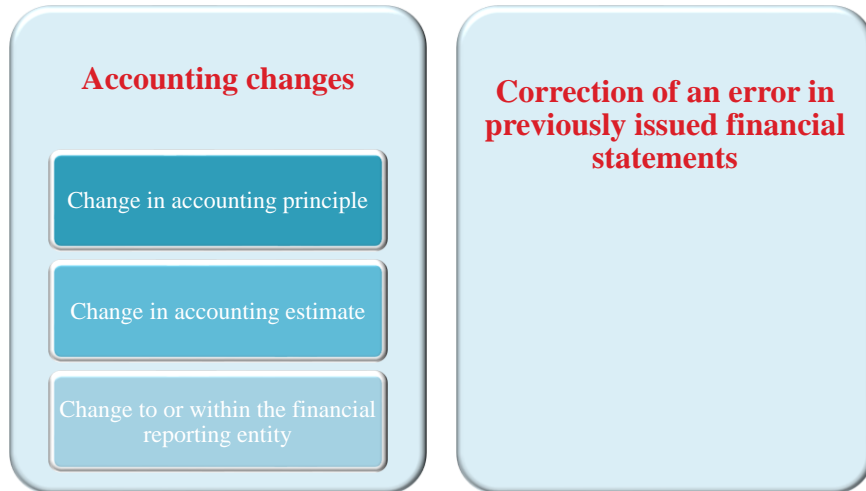


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## Classification



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



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## Accounting Estimates

- Accounting estimates are:
  - Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements
  - Outputs determined based on inputs such as data, assumptions, and measurement methodologies



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## Change in Accounting Estimate

- A *change* in accounting estimate occurs when the inputs change
  - Inputs include data, assumptions, and measurement methodologies
- Changes in inputs result from:
  - Change in circumstance
  - New information
  - More experience
- Change in measurement methodology should be justified on the basis that new methodology is preferable
  - Based on qualitative characteristics of financial reporting



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## 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 continuing operations within the primary government, including its blended component units
  - A change in the fund presentation as major or nonmajor
  - Addition/removal of a component unit (except for acquisitions, mergers, and transfers of operations, and Statement 90 component units)
  - Change in presentation (blended or discrete) of a component unit



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## Correction of an Error

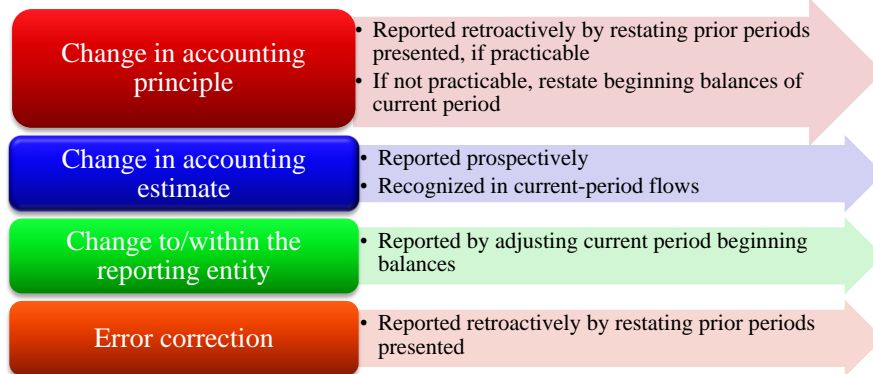
- An error results from:
  - Mathematical mistakes
  - Misapplication of accounting principles
  - Oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date
    - Facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date



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## Accounting for Accounting Changes and Error Corrections



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## Display

Shown separately

- Aggregate amount of adjustments to and restatements of beginning balances should be displayed for each reporting unit



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## Note Disclosures

Disclosures vary depending on the type of item, but common disclosures include:

The nature of the change or error and its correction

Reason for the change

The effects on beginning net position, fund balance, or fund net position, as applicable, presented in a tabular format



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	12/31/20X1 As Previously Reported	Change to or within the Financial Reporting Entity (A)	Change to or within the Financial Reporting Entity (B)	Error Correction (C)	12/31/20X1 As Restated
<b>Government-Wide</b>					
Governmental Activities	\$ 798,033	\$ -	\$ -	\$ 71,312	\$ 839,345
Business-Type Activities	543,183	(2,184)	-	-	540,979
<b>Total Primary Government</b>	<b>\$ 1,311,196</b>	<b>\$ (2,184)</b>	<b>\$ -</b>	<b>\$ 71,312</b>	<b>\$ 1,380,324</b>
<b>Governmental Funds</b>					
Major Funds:					
General Fund	\$ 631,607	\$ -	\$ -	\$ -	\$ 631,607
Fund A	100,922	-	-	-	100,922
Nonmajor Funds	40,486	-	-	-	40,486
<b>Total Governmental Funds</b>	<b>\$ 773,015</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 773,015</b>
<b>Proprietary Funds</b>					
Major Funds:					
Enterprise Fund C	\$ 418,910	\$ -	\$ -	\$ -	\$ 418,910
Enterprise Fund D	74,831	(2,184)	-	-	72,647
Nonmajor Funds	49,422	-	-	-	49,422
<b>Total Proprietary Funds</b>	<b>\$ 543,163</b>	<b>\$ (2,184)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 540,979</b>
<b>Fiduciary Funds</b>					
Pension and Other Employee Benefit Trust Funds	\$ 3,071,227	\$ -	\$ -	\$ -	\$ 3,071,227
<b>Discretely Presented Component Units</b>					
ABC Authority	\$ 1,696	\$ -	\$ -	\$ -	\$ 1,696
QRS Foundation	-	2,184	-	-	2,184
XYZ Foundation	-	-	1,500	-	1,500
Nonmajor Component Units	2,730	-	-	-	2,730
<b>Total Discretely Presented Component Units</b>	<b>\$ 4,426</b>	<b>\$ 2,184</b>	<b>\$ 1,500</b>	<b>\$ -</b>	<b>\$ 8,110</b>



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	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances				
	Funds	Government-Wide		Component Units	
		Enterprise Fund D	Governmental Activities	Business-Type Activities	QRS Foundation
12/31/X1, as previously reported	\$ 74,831	\$ 768,033	\$ 543,163	\$ -	\$ -
Change from blended to discrete presentation	(2,184)	-	(2,184)	2,184	-
Addition of discretely presented component unit	-	-	-	-	1,500
Error correction	-	71,312	-	-	-
12/31/X1, as restated	\$ 72,647	\$ 839,345	\$ 540,979	\$ 2,184	\$ 1,500



## RSI and SI

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

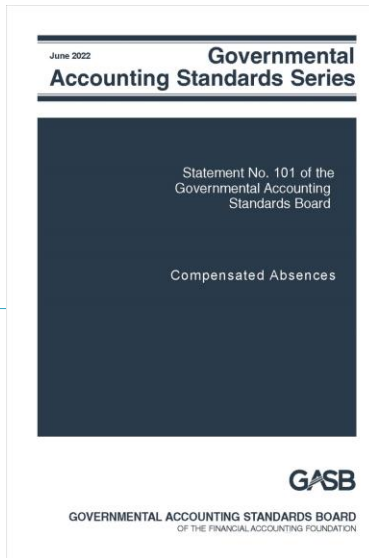
Periods earlier than those presented in basic financial statements should *not* be restated for changes in accounting principles

Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable



# Compensated Absences

Statement No. 101



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## Compensated Absences

<b>What?</b>	<b>Why?</b>	<b>When?</b>
<p>The Board has amended existing guidance for compensated absences</p>	<p>A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave</p>	<p>Effective for fiscal years beginning after December 15, 2023.</p> <p>Earlier application is encouraged</p>



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## Scope and Applicability

### A compensated absence is

- Leave for which employees may receive one or more:
  - Cash payments when the leave is used for time off
  - Other cash payments, such as payment for unused leave upon termination of employment
  - Noncash settlement, such as conversion to postemployment benefits

### Examples:

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



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## Recognition Criteria – Leave that has not been used

### Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

### Leave accumulates

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

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

- Likelihood of more than 50 percent



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## Exceptions to the General Recognition Approach

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

- Excluded from liability

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

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

Unlimited leave and holiday leave taken on specific date

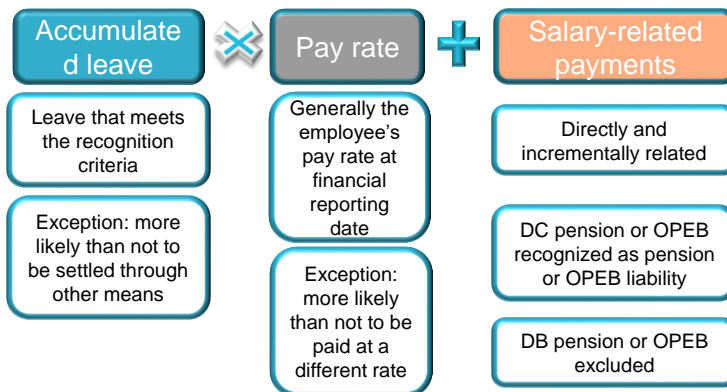
- Recognize liability when used



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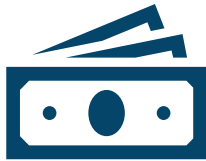
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## Measurement



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## Leave Used But Not Paid



Liability for amount  
of cash payment or  
noncash settlement

Include applicable  
salary-related  
payments



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## Note Disclosures and Effective Date

- **Note disclosures**
  - No new note disclosures
  - Exceptions to existing long-term liability disclosures for compensated absences:
    - Option to present net increase or decrease with indication that it is a net amount
    - Not required to disclose governmental fund used to liquidate
- **Effective date**
  - Fiscal years beginning after December 15, 2023



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## Implementation Guidance Updates

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2020-1, and 2021-1



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## Implementation Guidance Updates

<b>What?</b>	<b>Why?</b>	<b>When?</b>
The need for updates to Q&A implementation guidance is considered annually.	New guidance is added as new pronouncements are issued and new issues arise.	Effective dates vary by Q&A from periods beginning after June 15, 2020 through periods beginning after June 15, 2023.



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## Implementation Guide 2020-1

Adds new questions on standards regarding

- Certain asset retirement obligations
- Conduit debt obligations
- External investment pools
- Fiduciary activities
- Financial reporting entity
- Leases

Updates existing Q&A guidance related to

- External investment pools
- OPEB
- Pensions
- Deferral of certain Implementation Guide questions and answers



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## 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)



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## Current Technical Agenda Projects

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### Current technical agenda projects

- Classification of nonfinancial assets
- **Conceptual Framework: Recognition**
- **Financial Reporting Model Reexamination**
- Going Concern Uncertainties and Severe Financial Stress: Reexamination of Statement 56
- Implementation Guide Updates
- **Revenue and Expense Recognition**
- Certain Risk Disclosures



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## Pre-Agenda Research Activities

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## Pre-Agenda Research Activities

- Capital Assets
- Subsequent Events



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# Post-Implementation Review (PIR)



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## 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



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## 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

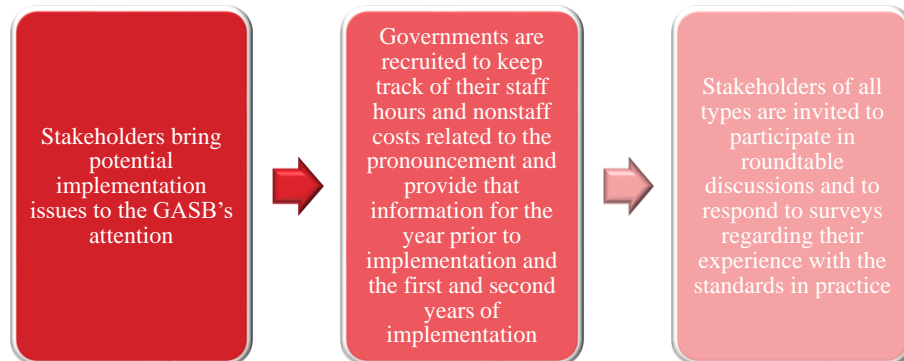
To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future



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## How does the GASB involve stakeholders in PIR?



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## Which Statements are under review?

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Statement 67—Pension plan reporting

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Statement 68—Employer reporting for pensions

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Statement 72—Fair Value measurement & reporting

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

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Statement 84—Fiduciary activities

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Statement 87—Leases



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## What is the status of the PIRs?

Pensions	Conducting 5 separate surveys of stakeholders to obtain additional information about certain topics raised at stakeholder roundtables, including surveys of actuarial firms, pension plans, employers/preparers, auditors, and users
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	Collection of implementation effort and cost information and pre-implementation year reports has begun



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## Questions?

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