



**The Comptroller's Office  
CMFO & CCFO Training  
GASB Update**

CERTIFIED COUNTY FINANCE OFFICER PROGRAM

Knoxville September 5-6  
Jackson October 15-16  
Nashville November 6-7

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## Disclaimer

*The opinions and views expressed in this presentation are our own and do not necessarily represent the opinions or views of the TN Comptroller of the Treasury, his representatives, or the TN Department of Audit. Official positions are determined only after due process and deliberation.*



Disclaimer



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## CMFO and CCFO Comptroller's Training Conference Local Government Update

*A moment about your presenter . . .*

*"I understand."*

John M. Troyer, CPA  
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**CMFO and CCFO  
Comptroller's Training Conference  
Local Government Update**

*A moment of appreciation . . .*

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*"Thank you for what you do!"*





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**CMFO and CCFO  
Comptroller's Training Conference  
Local Government Update**

*"It's one thing to have talented players, but it's another to mold them into a great team!"*



**Tony Vitello, UT Baseball Coach  
National Champs 2024**





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**CMFO and CCFO  
Comptroller's Training Conference  
Local Government Update**

*"I was not a very good player . . . I sat on the bench for years with my dad who was a coach and watched. I got my PhD in being a good teammate."*



**Tony Vitello, UT Baseball Coach  
NCAA National Champs 2024**





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**CMFO and CCFO**  
**Comptroller's Training Conference**  
**Local Government Update**

*"The most valuable player is the one that makes the most players valuable."*

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**Peyton Manning, UT and NFL QB**  
**Super Bowl Champ 2007, 2016**





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**CMFO and CCFO**  
**Comptroller's Training Conference**  
**Local Government Update**

*"The County Commission sometimes takes the long way around the block, but they usually end up in the right place."*

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**Bill Crisp, former Blount County Mayor**




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**You may need this:**

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- Subsequent Events
- Asset Impairments

Latest on Hurricane Helene's impacts





**Department of Military TEMA**



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## Session Objectives

- Management Representation Letter 
- Discuss select issues recent GASB guidance:
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- Discuss other current GASB projects Technical Plan:
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## Management Rep. Letter

- “What are WE signing?”
- What are YOU signing?



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## Management Rep. Letter

- “. . . should be signed by current management, normally including the chief executive and chief financial officers;
- e.g., the city manager or school superintendent and finance director, school district business manager, or equivalent.”



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### Management Rep. Letter

- The "Rep Letter" is audit evidence that management understands their responsibilities and has performed their responsibilities.
  - understands 
  - has performed 



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### Management Rep. Letter

A few components of the Representation Letter . . .

- "We confirm, to the best of our knowledge and belief, as of [Date of Auditor's Report], the following representations made to you during your audit."

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### Management Rep. Letter

A few components of the Representation Letter . . .

- " . . . Our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP . . ."

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## Management Rep. Letter

A few components of the Representation Letter . . .

- “ We acknowledge our responsibility for the design, implementation, and maintenance of the internal control to prevent and detect fraud.”



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## Management Rep. Letter

A few components of the Representation Letter . . .

- “The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information . . . “



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## Management Rep. Letter

A few components of the Representation Letter . . .

- “Adjustments or disclosures have been made for all events, including instances of noncompliance . . . “



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**Management Rep. Letter**

Auditor's responsibilities include, "We will:

- audit the financial statements . . .
- conduct our audit in accordance GAAS
- exercise professional skepticism
- obtain an understanding of the government
- inform mgmt. of any material errors that came to our attention
- will include tests of accounting records
- conclude based on the audit evidence



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
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**Management Rep. Letter**

Our audit will be conducted on the basis that

you acknowledge . . . your responsibility for . . .

- design, implement and maintain internal controls
- free from material misstatement
- with oversight of those charged with governance
- Then, we will issue a written report



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**Management Rep. Letter**

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**Infrastructure as a Service**

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**Infrastructure as a Service**

- *One firm is marketing a short-term 30 lease for:*
- **Parking Garages**
- **Turf Fields**
- **Vehicles**



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**Infrastructure as a Service**

- *Does anyone remember the phrase:*
- *"Substance over form"*



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**Infrastructure as a Service**

- Governmental Accounting, Auditing, and Financial Reporting (GAAFR) 26-4
- "Financial Statement preparers should exercise caution when assessing the lease term as it is possible for a lease that does not qualify as a short-term lease to nonetheless have a lease term of twelve months or less."

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**Infrastructure as a Service**

- Lease term is:
- Non-cancelable period PLUS;
- Period Either party or both have option (and it is reasonably certain the option will be exercised) PLUS;
- Any period either party can terminate if reasonably certain it will not be exercised.

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**Session Objectives**

➤ Discuss GASB Statement issues:

- GASBS 100 (Accounting Changes)
- GASBS 101 (Compensated Absences)
- GASBS 102 (Risk Disclosures)
- GASBS 103 (Financial Reporting)
- GASBS 104 (Intangible Asset Classifications)

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## Session Objectives



Discuss other current GASB projects on its Technical Plan:

- Going Concern Uncertainties
- Revenue & Expense Recognition
- Severe Financial Stress/Distress
- Infrastructure Classification
- Subsequent Events
- Post-Implementation Review Process
- GAAP Structure





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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)


**June 30: Fiscal Year 2024**

- Statement 99 – omnibus 2022 (financial guarantees and classification of derivatives)
- Statement 100 – accounting changes and error corrections

**June 30: Fiscal Year 2025**

- Statement 101 – compensated absences
- Statement 102 – certain risk disclosures
- Statement 103 – financial reporting model improvements

**Statement 104 – classification of nonfinancial assets (FY 2026)**



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# GASB Statement 100

### Accounting Changes and Error Corrections

**Accounting Change**

2014-15-16-17

A change in accounting principles, accounting methods, or the reporting entity.



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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	How to implement changes in – effective for FY 2024
<ul style="list-style-type: none"> <li>◆ Prior Guidance for GASBS 100:                             <ul style="list-style-type: none"> <li>■ APB #20</li> <li>■ FASBS # 16</li> <li>■ GASBS # 62</li> </ul> </li>   <li>■ (Three different entities weighed in on this topic)</li> </ul>	  

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### Key Definitions GASB 100

**Accounting Changes:** Changes in accounting principles, estimates, and reporting entities

**Error Corrections:** Corrections of mistakes in previously issued financial statements



Accounting Change  
(to search for)  
A change in accounting principles, accounting estimates, or the reporting entity.



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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><b>1. Change in Accounting Principle</b></p> <ul style="list-style-type: none"> <li>A. A change from one GAAP principle to another – (the change must be <b>preferable</b> for financial reporting) (change from amortized cost to fair value investments)</li> <li>B. Implementation of new pronouncements (assumed to be preferable)</li> </ul>	  

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability</li> <li>B. Reliability</li> <li>C. Relevance</li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p style="font-size: small; color: red;">"What do we think of when we see these characteristics?"</p> 	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability <span style="color: red; font-size: small;">Readability, clarity, clearness</span></li> <li>B. Reliability</li> <li>C. Relevance</li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p style="font-size: small; color: red;">"What do we think of when we see these characteristics?"</p> 	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability</li> <li>B. Reliability <span style="color: red; font-size: small;">Dependable, trustworthy, consistent to rely upon</span></li> <li>C. Relevance</li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p style="font-size: small; color: red;">"What do we think of when we see these characteristics?"</p> 	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability</li> <li>B. Reliability</li> <li>C. Relevance <span style="color: red;">Why it matters or how it is important</span></li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	 
"What do we think of when we see these characteristics?"	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability</li> <li>B. Reliability</li> <li>C. Relevance</li> <li>D. Timeliness <span style="color: red;">Being at the right time</span></li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	 
"What do we think of when we see these characteristics?"	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. Understandability</li> <li>B. Reliability</li> <li>C. Relevance</li> <li>D. Timeliness</li> <li>E. Consistency <span style="color: red;">Uniformity, dependability, in accordance with the facts</span></li> <li>F. Comparability</li> </ul>	 
"What do we think of when we see these characteristics?"	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. <i>Understandability</i></li> <li>B. <i>Reliability</i></li> <li>C. <i>Relevance</i></li> <li>D. <i>Timeliness</i></li> <li>E. <i>Consistency</i></li> <li>F. <i>Comparability</i></li> </ul>	<div style="text-align: center;">  </div> <p style="color: red; font-size: small;">Similar in character or nature, i.e. from report to report</p>
<p><i>"What do we think of when we see these characteristics?"</i></p> <div style="text-align: right;">  </div>	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Preferability – must be based on qualitative characteristics of financial reporting:</b>	
<ul style="list-style-type: none"> <li>A. <i>Understandability</i></li> <li>B. <i>Reliability</i></li> <li>C. <i>Relevance</i></li> <li>D. <i>Timeliness</i></li> <li>E. <i>Consistency</i></li> <li>F. <i>Comparability</i></li> </ul>	<div style="text-align: center;">  </div> <p style="color: red; font-size: x-small;"> <i>Readability, clarity, clearness</i>  <i>Dependable, trustworthy, consistent to rely upon</i>  <i>Why it matters or how it is important</i>  <i>Being at the right time</i>  <i>Uniformity, dependability, in accordance with the facts</i>  <i>Similar in character or nature, i.e. from report to report</i> </p>
<p><i>Would these describe your financial statements?</i></p> <p><i>How would others describe your communications? Written or verbal?</i></p> <div style="text-align: right;">  </div>	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><b>For a change in Accounting Principle –</b>  <b>--such as a new GASBS or a change in estimate method</b></p>	
<ul style="list-style-type: none"> <li>1. <b>Must be preferable -- for financial reporting</b></li> <li>2. <b>Report retroactively</b></li> </ul>	<div style="text-align: center;">  </div> <p style="color: red; font-size: x-small;"> <i>"General rule – unless they say otherwise . . ."</i> </p>
<div style="text-align: right;">  </div>	

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**Implementations For This Year**

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><i>Accounting Estimates are amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements.</i></p> <div style="text-align: right;">   </div>	

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**Implementations For This Year**

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><i>Change in Accounting Estimate when <b>inputs change</b> such as:</i></p> <ul style="list-style-type: none"> <li>A. Data</li> <li>B. Assumptions</li> <li>C. Measurement methodologies</li> </ul> <div style="text-align: right;">   </div>	

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**Implementations For This Year**

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><i>Change in inputs result from</i></p> <ul style="list-style-type: none"> <li>A. Change in circumstance</li> <li>B. New information</li> <li>C. More experience</li> </ul> <div style="text-align: right;">   </div>	

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Implementations For This Year	
GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Change in measurement methodology</b> <i>(from straight line to DDB depreciation or from years owned to miles driven)</i>	
<ul style="list-style-type: none"> <li>A. Should be justified</li> <li>B. New methodology is <b>preferable</b></li> <li>C. Based on qualitative characteristics of financial reporting</li> </ul>	
<p><b>Qualitative characteristics of financial reporting:</b>  <i>Understandability, Reliability, Relevance, Timeliness, Consistency and Comparability</i></p>	

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Implementations For This Year	
GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>3. Change to -- or within -- the Financial Reporting Entity</b>	
<ul style="list-style-type: none"> <li>A. Addition or removal of a fund from the movement of continuing operations of the primary gov't (incl. blended component units)</li> <li>B. Change in fund's presentation as major/nonmajor</li> <li>C. Addition/removal of a component unit (usually)</li> <li>D. Change in component unit's presentation as blended or discrete</li> </ul>	

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Implementations For This Year	
GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<b>Correction of an Error –</b>	
<ul style="list-style-type: none"> <li>A. Mathematical mistakes</li> <li>B. Misapplication of accounting principles</li> <li>C. Oversight or misuse of facts that existed at the time the financial statements were issued <i>(facts that should have reasonably been taken into account)</i></li> </ul>	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><b>2. Correction of an Error –</b></p> <ul style="list-style-type: none"> <li>A. Report retroactively (restate prior periods -- if practicable)</li> <li style="border: 1px solid red; padding: 2px;">B. Inconvenient does NOT mean not practicable!</li> <li>C. For RSI (including MD&amp;A) for periods presented</li> </ul>	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><b>Accounting Changes:</b></p> <ul style="list-style-type: none"> <li>A. Principles – reported retroactively if practicable or if not, restate beginning balances</li> <li>B. Estimates – Report prospectively in current period flows</li> <li>C. Entity – Report by adjust current period beginning balances</li> </ul> <p><b>Error Corrections:</b> reported retroactively by restating prior periods</p>	

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### Implementations For This Year

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024
<p><b>Note Disclosures include:</b></p> <ul style="list-style-type: none"> <li>A. Nature of the change or error and its correction</li> <li>B. Reason for the change</li> <li>C. Effects on beginning net position, fund balance, or fund net position as applicable – presented in tabular form</li> </ul>	

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**Implementations For This Year**

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024

**Display:**  
*Shown separately – aggregate amount of adjustments to and restatements of beginning balances for each reporting unit*



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**Implementations For This Year**

GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024

**RSI and SI:**  
 A. *Changes -- Periods earlier than presented should NOT be restated*  
 B. *Error Corrections – Periods earlier than those presented in basic financials should be restated, if practicable*

*RSI = Required Supplementary Information – includes MD&A*  
*SI = Supplementary Information – includes the Statistical Section*



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**Implementations For This Year**


GASB Statement Number and Topic	Description
100, Accounting Changes and Error Corrections	Changes how to implement changes in standards – FY 2024

**What do you need to know ?**  
 1. *Look for these events and occurrences of Changes and Error Corrections*  
 2. *Take a closer look at the details*  
 3. *Revisit the standard*

Error

An error occurred.

OK Cancel



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### GASBS summary chart

Event	Description	Accounting	Disclosure	RSI & SI
<b>Change in Accounting Principle</b>	Implementing a new GASB or preferable one.	Restate beginning fund balance for cumulative effect for all periods covered.	Nature and reason for change and reconcile previously reported balances.	Make the same restatements for the years included in the financial statements. Do not restate earlier years.
<b>Change in Accounting Estimate</b>	A change in inputs or methodology to an estimate.	Report prospectively in the period the change occurs.	Nature of the change, affected line items and the reason for the change.	Not applicable -- only prospective reporting.
<b>Change to within Reporting Entity</b>	1. Add or remove a component unit or fund. 2. Change between blended and discrete presentation. 3. Change between major and nonmajor fund.	Adjust the current reporting period's beginning balances as if the change occurred at the start of the period.	Nature of and reason for the change and balances in tabular form.	Make the same restatements for the years included in the financial statements. Do NOT restate earlier years.
<b>Error Correction</b>	Resolving math errors, oversight or misuse of facts, mistakes in application of accounting principles.	Restate beginning fund balance for cumulative effect for all periods covered.	Nature of the error and its correction affected line items and periods, effects on beginning balances.	Correct all years affected if practicable, identify information as restated or not restated. If not practicable, explain why not.

For example – RSI includes MD&A and Supplementary Information includes the Statistical section.



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## My favorite provision . . .

GASB 100

- *It's at the back of every statement*
- *It's often overlooked*

The provisions of this Statement need not be applied to immaterial items.

What's the meaning of . . .

immaterial

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## GASB Statement # 101

Compensated Absences

Not just vacation any more . . . ➔



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**Why?** GASB 101

*Update Recognition Guidance:*

reed.com  
https://www.reed.com › Articles

**'Pawternity leave': a reasonable request or barking mad? | Reed**

Oct 31, 2023 — Pawternity leave gives pet owners time off to settle their new pets into their homes, similar to parental leave. But is it a good idea for ...

Missing: definition | Show results with: definition

**steps and payout schedules than ever before!**

**Pawternity Policy**

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**Currently:** GASB 101

*Before Statement #101*

*Most jurisdictions accrue vacation but NOT sick leave for the government-wide statements only.*

*Fund financials recognize expenditures as they are paid.*



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**Remind me again . . .** GASB 101



*Under current guidance:*

*traditional vacation leave is already accrued (on government wide statements),*

*but sick leave is not – because it is dependent on future events: sickness and claiming a sick day.*

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GASB 101

**Details?**

*Statement #101 definition of Compensated Absences begins with all the categories of compensated leave.*



**Plus!**

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GASB 101

**Details?**

*What about Governmental Fund Statements?*

*GASB Interpretation 6 still applies – recognize liabilities and expenditures as they mature each period.*



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GASB 101

**Details?**

*Critical tests:*

- 1. Does the leave accumulate?*
- 2. Does the leave arise from services already rendered?*
- 3. Is it more likely than not to be paid or settled?*

**General Rule: Accrue on Government-wide statements**



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GASB 101

### Details?

*How should you measure the liabilities?*

**Salary** – measured at pay rates as of the date of the financial statements – unless paid out at a different rate (i.e. sick pay paid at 30%)



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GASB 101

### Details?


*How should you measure the liabilities?*

**Salary** – measured at pay rates as of the date of the financial statements – unless paid out at a different rate (i.e. sick pay paid at 30%)

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*This simplifies the calculation in several ways:*

- > No projections are needed for future pay increases.
- > No projections are needed for when leave is taken.
- > No present value calculations are needed.



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GASB 101

### Details?

*Should we include benefits?*

**Yes.** The statement calls for “salary related payments” that are directly related to salary – like FICA and payments to defined contribution plans which are based on pay.



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## Slide 64

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**JTO** John Troyer, 2024-07-18T18:09:22.219


GASB 101

### Details?

*Liability = Salary + Salary Related Payments*

*Based on policies, experience, historical information –*

*“more likely than not” . . . (> 50% likelihood)*



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GASB 101

### Is the calculation prescribed?

*No. There are some optional examples provided,*



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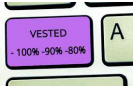
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GASB 101

### What about vesting?

*Vesting can help contribute to expectations of future use, but the “more likely than not” is the criteria be used for measurement.*

*So even if a benefit is not vested – if it is more likely than not to be used or settled, accrue.*



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GASB 101

### What about sick leave pools?

*Yes, accrue.*

*If leave is "more likely than not" expected to be used.*

*Use a representative pay rate as of the financial statement date.*

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GASB 101

### What about converting or crediting to defined benefit postemployment benefits (pensions or OPEB)?

*If leave is "more likely than not," expected to be converted to defined postemployment benefits, (either pension or OPEB) the Board considered that liability already appropriately measured.*

*Don't double count.*

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GASB 101

### How about a sample calculation?

*Sure. The Governmental Accounting, Auditing and Financial Reporting (GAAFR) Blue Book presents two optional methods in Chapter 28. (Days paid or Dollars paid approaches)*

*You are NOT required to use either method.*

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GASB 101

## How about a sample calculation?

*Sample Days Paid method*



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GASB 101

## How about a sample calculation?

*Sample Days Paid method*



Total Sick Days  
Accumulated

*Apply history,  
policies,  
experience  
and expectations*

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GASB 101

## How about a sample calculation?

*Sample Days Paid method*



Total Sick Days  
Accumulated

Sick Days expected  
to be taken (used)

Total Sick Days expected to  
be paid out (not by DB)

75

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GASB 101

### How about a sample calculation?

*Sample Days Paid method*

```

    graph TD
      A((Total Sick Days Accumulated)) --> B((Sick Days expected to be taken (used)))
      A --> C((Total Sick Days expected to be paid out (not by DB)))
      D((Total Sick Days lost))
      style D stroke-dasharray: 5 5
  
```

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GASB 101

### How about a sample calculation?

*Sample Days Paid method*

```

    graph TD
      A((Total Sick Days Accumulated)) --> B((Sick Days expected to be taken (used)))
      A --> C((Total Sick Days expected to be paid out (not by DB)))
      B --- D[X price per day = ]
      C --- E[X price per day = ]
  
```

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GASB 101

### How about a sample calculation?

*Sample Days Paid method*

```

    graph TD
      A((Total Sick Days Accumulated)) --> B((Sick Days expected to be taken (used)))
      A --> C((Total Sick Days expected to be paid out (not by DB)))
      B --- D[X price per day = $ Amt Days Taken]
      C --- E[X price per day = $ Amt Days Paid Out]
  
```

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GASB 101

### How about a sample calculation?

*Sample Days Paid method*

Sick Days expected to be taken (used) X price per day = \$ Amt Days Taken

Total Sick Days Accumulated

Total Sick Days expected to be paid out (not by DB) X price per day = \$ Amt Days Paid Out

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= Estimated Liability

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GASB 101

### How about a sample calculation?

*Sure, samples are allowed to develop an estimate.*

Sample 10 employees over 5 years gives an average 5 sick days taken per year. The 5 days taken is of the 12 sick days awarded each year is 41.8%.

*Note the use of a sample over 5 years.*

**SAMPLE**

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GASB 101

### How about a sample calculation?

*Start with the total sick days accumulated . . .*

There are 1,644 sick days accumulated for the organization.

Use the 41.8% usage rate to expect 688 days taken and, 58.2% not taken or expect 956 days not taken.

*Apply the sample usage rate to the total.*

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**How about a sample calculation?** GASB 101

*From a representative sample of employees . . .*

Average pay at year end is \$37.36/hr or \$298.88/ day

*Use the sample average pay at year end.*

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**How about a sample calculation?** GASB 101

*Sure, but it is NOT required to use this method.*

For days expected to be taken (used)  
688 days x \$298.88/day = \$205,629

*Apply average pay rate per day times expected days paid.*

83

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**How about a sample calculation?** GASB 101

*Sure, but it is NOT required to use this method.*

82% of the 956 days expected to be settled = 784 days.  
784 days x 298.88 per day x 30% limit = \$70,297

*A sample of former employees gave us an 82% expected settlement rate.  
Settlements are limited by policy to 30% of pay.*

84

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**How about a sample calculation?** GASB 101  
*Sure, but it is NOT required to use this method.*

82% of the 956 days expected to be settled = 784 days.  
 784 days x 298.88 per day x 30% limit = \$70,297

*A sample of former employees gave us an 82% expected settlement rate.  
 This could be 18% forfeited or not eligible for settlement.*

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**How about a sample calculation?** GASB 101  
*Sure, but it is NOT required to use this method.*

Days taken has 12.65% salary related costs = \$26,012  
 Days settled has 7.65% salary related costs = \$5,378

*Days taken applies FICA at 7.65% and DC contribution of 5.0% = 12.65%  
 Days settled applies FICA only at 7.65% by policy.*

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**Summary calculation** GASB 101

	Salary	Related	Total
\$ from days taken	205,629	26,012	231,641
\$ from days settled	70,297	5,378	75,675
<b>Total expected liability</b>	<b>275,926</b>	<b>31,390</b>	<b>307,316</b>

*Days taken + Days settled  
 with salaries and benefits.*

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GASB 101

### Are there exceptions to the general recognition approach?

*Yes, exclude the liability for leave likely to be settled through defined benefits.*

*Recognize liability when leave is used*

- Unlimited leave*
- Holiday leave*



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GASB 101

### Are there exceptions to the general recognition approach?

*Yes, (continued).*

*Recognize leave as it is taken if it is for a sporadic event for a small portion of employees, like:*

- Jury duty*
- Military leave*
- Parental leave*
- Bereavement*
- Worker's Comp.*



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GASB 101

### Should we still report amounts due within one year?

*Yes.*

*An estimate is expected.*



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GASB 101

### If a raise is granted after year-end, should we update the calculation?

*No, the standard says to use the pay rate at year-end.*

*The Board considered future COLAs would somewhat offset present value calculations, and based on a cost-benefit perspective – opted to keep it simple.*

*Changes to each year's estimate should be expensed to the current year.*



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GASB 101

### Are there any options?

Yes.

- *You can report either increases and decreases or the net difference in amounts.*
- *You no longer need to report which funds will pay for the liability.*
- *You can implement in FY 2024 or FY 2025.*



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GASB 101

### The effects of GASBS #101 information

*In summary:*

- *Better recognize liabilities as they are incurred.*
- *Apply the statement to all types of absences.*
- *Enhance comparability between jurisdictions*
- *Achieve more robust estimates*



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GASB 101

### Do we need an actuary?

**No.**  
*The GASB thinks a vast majority of jurisdictions can perform this calculation without the help of an actuary.*



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GASB 101

### Now what?

*The Accounting Department, Payroll and HR all probably have components of this calculation.*

*Determine who will provide what – in order to perform this calculation.*

*Follow GASBS #101 for disclosures*



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GASB 101

### Comments or Questions?

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## GASB Statement 102

*Certain Risk Disclosures*

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**Future Statement Implementations**

GASB Statement Number and Topic	Description
102, Certain Risk Disclosures	Tell us more! -- FY 2025
<b><i>Governments should report some concentrations and constraints.</i></b>	
<p><i>A government may be vulnerable to risks from concentrations or constraints that limit its ability to <b>acquire resources or control spending.</b></i></p>	



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**Future Statement Implementations**

GASB Statement Number and Topic	Description
102, Certain Risk Disclosures	Tell us more! -- FY 2025
<b><i>Governments should report some concentrations and constraints.</i></b>	
<p><b><u>Concentration:</u></b> <i>A lack of diversity related to inflow or outflow of significant resources (i.e. one very large taxpayer or one industry).</i></p> <p><b><u>Constraint:</u></b> <i>A limitation imposed on a government (i.e. a tax cap, a debt cap or a spending cap).</i></p>	



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**Certain Risk Disclosures GASBS 102**

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1. Concentration or constraint is known prior to financial statements.  
 2. The concentration or constraint makes the government vulnerable to the risk of substantial impact.

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3. An **event that could cause** a substantial impact:  
 a. has occurred  
 b. has begun to occur  
 c. is more likely than not to occur within 12 months of the date of the financial statements.



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**Certain Risk Disclosures GASBS 102**

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Disclosures should include:

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1. The concentration or constraint
2. Each event that could cause a substantial impact
3. **Actions** taken by the government to mitigate risk (prior to the issuance of the financial statements)



101

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**Certain Risk Disclosures GASBS 102**

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Q: What if the mitigating actions of the government are successful?

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A: If the disclosure criteria is later not met, **then none** of the note disclosures are required.



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**Certain Risk Disclosures GASBS 102**

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*GASB stated that by implementing this standard:*

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1. *In general, the facts and circumstances are already known by the government*
2. *Costs are limited to the government's judgment*
3. *Information is more **understandable, reliable, relevant, timely, consistent and comparable***



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**Questions?**

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GASB 103

**GASB Statement 103**

*Financial Reporting Model **Improvements***



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GASB 103

## What?

- *Updates the MD&A*
- *Defines Unusual OR Infrequent items*
- *Standardizes Proprietary Fund Statements*
- *Provides Major Component Unit Information*
- *Presents Comparable Budgetary Information*
- *Standardizes Financial Trends in the Statistical Section*

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GASB 103

## Why?

Provision-- Standard Presentation	Will Improve Comparability and
<ul style="list-style-type: none"> <li>• <b>MD&amp;A</b></li> <li>• <b>Separate Unusual/Infrequent</b></li> <li>• <b>Operating/Nonoperating</b></li> <li>• <b>Present Major Component Units</b></li> <li>• <b>Budgetary Comparisons</b></li> </ul>	<ul style="list-style-type: none"> <li><b>Quality and Relevance</b></li> <li><b>Clarity</b></li> <li><b>Proprietary Fund Stmts.</b></li> <li><b>Better Information</b></li> <li><b>Decision-making and Accountability</b></li> </ul>

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GASB 103

## When?

*GASB adopted Statement #103*

*To be effective for fiscal years beginning after June 15, 2025*

*(year end June 30, 2026)*

*Earlier application is encouraged*

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GASB 103

### Some provisions (details):

Updates the MD&A:



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GASB 103

### Some provisions (details):

Limits the MD&A to five sections:

1. *Overview of the Financial Statements*
2. *Financial Summary*
3. *Detailed Analysis*
4. *Significant Capital Asset and LT Financing*
5. Currently known facts, decisions or conditions



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GASB 103

### Some provisions (details):

MD&A should be:

- *Objective*
- *Easily readable*
- *Based on currently known facts, decisions, or conditions.*



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GASB 103

**Some provisions (details):**

Financial Managers of Governments should be:

Knowledgeable about:

- Transactions and Events in the report
- Fiscal Policies that govern operations and decision-making
- Conditions that may affect financial position or operations



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GASB 103

**Some provisions (details):**

MD & A provides opportunities to present:

- Short-term analysis of the government's activities
- Long-term analysis of the government's activities
- Include explanations and interpretations to aid understanding
- Written in a manner for users who may not have detailed knowledge of governmental accounting & financial reporting



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GASB 103

**Some provisions (details):**

MD & A should be fact-based and discuss:

- Current-year balances and results of operations
- Activities with a significant positive OR negative impact
- Include explanations and interpretations
- Charts and graphs
- Assist users understanding why there were changes rather presenting what changed



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GASB 103

### Some provisions (details):

***MD & A should:***

- *Avoid unnecessary duplication*
- *Focus on the Primary Government*
- *Use judgment for discretely presented component units*



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GASB 103

### Some provisions (details):

***MD&A requirements (continued):***

- *Overview of the Financial Statements (basic financials)*
- *Financial Summary (GASB supplies a list of 17 items)*
- *Detailed Analysis (facts, decisions, conditions, policies and more)*
- *Significant Capital Asset and Long-Term Financing Activity during the year*
- *Currently Known Facts, Decisions, or Conditions (as of the financial statement issue date – see list)*



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GASB 103

### Some provisions (details):

***MD & A requirements (continued):***

***Currently Known Facts, Decisions, or Conditions:***

- ◊ *Trends in relevant economic and demographic data*
- ◊ *Relevant factors used to develop the budget*
- ◊ *Expected changes in net position or fund balance*
- ◊ *Actions that will affect future periods (debt, OPEB etc.)*
- ◊ *Actions other parties have taken that will affect the gov't.*



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GASB 103



**Some provisions (details):**

*Defines Unusual OR Infrequent items*

**Stmt #62**

*defines: Unusual in nature*

*Infrequent in occurrence*

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GASB 103

**Some provisions (details):**


*Present Unusual OR Infrequent items LAST on:*

**Government-wide**

**Governmental Fund**

**Proprietary Fund Statements**

*(Individually, not netted)*



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GASB 103

**Some provisions (details):**

*Disclose Unusual OR Infrequent items in the notes and include:*

- 1. Program, function or identifiable activity which are related to the items (if any)**
- 2. Whether the item is within the control of management**



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**Some provisions (details):** GASB 103

*Standardizes Proprietary Fund Statements*



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**Standardizes Proprietary Fund Statements should distinguish:** GASB 103

*Operating / Nonoperating Revenues*

*Operating / Nonoperating Expenses*

*Subtotal for operating income or loss*

*Operating = not nonoperating revenue or expense.*



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**Standardizes Proprietary Fund Statements should distinguish:** GASB 103

*Nonoperating revenue or expense includes:*

1. *Subsidies received or provided*
2. *Contributions to endowments*
3. *Financing transactions*
4. *Disposals of inventory or capital assets*
5. *Investment income and expenses*



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Standardizes  
Proprietary  
Fund  
Statements

Sample City  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
for the Year Ended June 30, 20X6  
(amounts expressed in thousands)

GASB 103

	Employee Insurance	Facilities and Equipment Management	Total (See Exhibit 8)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 26,174	\$ 16,349	\$ 42,523
Miscellaneous	12	66	78
Total operating revenues	26,186	16,415	42,601
<b>OPERATING EXPENSES</b>			
Personnel services	146	5,640	5,786
Contractual services	394	3,723	4,117
Insurance claims and expenses	26,368	-	26,368
Depreciation	25	390	415
Other	-	7,834	7,834
Total operating expenses	26,933	17,587	44,520
Operating losses	(747)	(1,172)	(1,919)
<b>NONCAPITAL SUBSIDIES</b>			
Intergovernmental revenue	881	-	881
Transfers in	-	300	300
Total noncapital subsidies	881	300	1,181
Operating income (loss) and noncapital subsidies	114	(872)	(758)
<b>OTHER NONOPERATING REVENUES</b>			
Interest earnings	443	3	446
Gain from sale of capital assets	-	3	3
Transfers in—restricted for capital assets	-	1,215	1,215
Total other nonoperating revenues	443	1,221	1,664
Increase in fund net position	557	349	906
Fund net position—beginning of period	5,846	6,541	12,387
Fund net position—end of period	\$ 6,403	\$ 6,890	\$ 13,293

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Standardizes  
Proprietary  
Fund  
Statements

Sample City  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
Internal Service Funds  
for the Year Ended June 30, 20X6  
(amounts expressed in thousands)

GASB 103

	Employee Insurance	Facilities and Equipment Management	Total (See Exhibit 8)
<b>OPERATING REVENUES</b>			
Charges for services	\$ 26,174	\$ 16,349	\$ 42,523
Miscellaneous	12	66	78
Total operating revenues	26,186	16,415	42,601
<b>OPERATING EXPENSES</b>			
Personnel services	146	5,640	5,786
Contractual services	394	3,723	4,117
Insurance claims and expenses	26,368	-	26,368
Depreciation	25	390	415
Other	-	7,834	7,834
Total operating expenses	26,933	17,587	44,520
Operating losses	(747)	(1,172)	(1,919)
<b>NONCAPITAL SUBSIDIES</b>			
Intergovernmental revenue	881	-	881
Transfers in	-	300	300
Total noncapital subsidies	881	300	1,181
Operating income (loss) and noncapital subsidies	114	(872)	(758)
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Interest earnings	443	3	446
Gain from sale of capital assets	-	3	3
Transfers in—restricted for capital assets	-	1,215	1,215
Total other nonoperating revenues	443	1,221	1,664
Increase in fund net position	557	349	906
Fund net position—beginning of period	5,846	6,541	12,387
Fund net position—end of period	\$ 6,403	\$ 6,890	\$ 13,293

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Some provisions (details):

Provides Major Component Unit Information –  
In basic financial statements present EACH  
major component unit separately  
for statements of net position and activities  
(if it does not reduce the readability of statements)



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GASB 103

**Some provisions (details):**

*Provides Major Component Unit Information –*  
*In basic financial statements present each major component unit separately for statements of net position and activities (if it does not reduce the readability of statements)*  
*Otherwise, include combining statements of major component units after fund financials.*

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GASB 103

**Some provisions (continued):**

*Presents Comparable Budgetary Information*



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GASB 103

**Some provisions (details):**

*Presents Comparable Budgetary Information which includes:*

- 1. Original, Final Budget and variances*
- 2. Final budget, Actual and variances*
- 3. Explanation of significant variations in the notes to the RSI – emphasis on “why” instead of “what”*



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GASB 103

### Some provisions (details):

*Presents Comparable Budgetary Information*

	Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
	Original	Final			
<b>BUDGETARY REVENUES</b>					
Taxes	\$ 157,715	\$ 157,715	\$ -	\$ 161,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
Total budgetary revenues	208,179	208,764	585	213,376	4,612

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GASB 103

### Some provisions (continued):

*Standardizes Financial Trends in the Statistical Section*



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GASB 103

### Other information:

**GASBS #103 Appendix C**

*Exhibits 1 - 22 provide template examples of MD&A, Statements and more!*

[www.gasb.org](http://www.gasb.org)




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**Questions?** GASB 103

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**Future GASB projects**

- **Going Concern Uncertainties**
- **Infrastructure Classification**
- **Severe Financial Stress**
- **Revenue and Expense Recognition**
- **Subsequent Events**



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**Future GASB projects**

Project	Next Step	Expected Date
• <b>Going Concern Uncertainties</b>	Prelim. Views	4 Qtr 2024
• <b>Rev. and Exp. Recognition</b>	Exp. Draft	1 Qtr 2025
• <b>Severe Financial Stress</b>	Prelim. Views	4 Qtr 2024
• <b>Infrastructure Classification</b>	Final Stmt.	3 Qtr 2024
• <b>Subsequent Events</b>	Exp. Draft	4 Qtr 2024

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**Other GASB projects**

- Post-Implementation Review
- GAAP Structure
- Implementation Guide 2023-1

**REVIEW**

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Future GASB projects

**Going Concern Uncertainties**

What do we think of when we hear “Going Concern?”

Going ? . . . Concerned?”

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Future GASB projects

**Going Concern Uncertainties**

Going Concern: the entity has the ability and willingness to continue to operate for the foreseeable future and provides an accounting basis as opposed to liquidation basis

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Future GASB projects

**What?**

*Improvements to existing guidance*

*Developing a definition of severe financial stress*

*Identifying what is necessary to disclose*



**Going Concern**  
or distress  
 An accounting term for a company that has the resources needed to continue operating indefinitely until it provides evidence to the contrary.

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Future GASB projects

**What?**

*Developing a definition of severe financial stress*

a : causing discomfort or hardship : **HARSH**  
 | severe winters

**b** : very painful or harmful  
 | a severe wound

: requiring great effort : **ARDUOUS**  
 | a severe test

: of a great degree  
 | severe depression

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Future GASB projects

**What?**


*Developing a definition of severe financial stress*

Stress /stres/ noun

A state of mental or emotional strain or tension resulting from adverse or very demanding circumstances.

"he's obviously under a lot of stress"

Similar: strain, pressure, tension, nervous, worry, anxiety, trouble, difficulty, distress, trauma, suffering or pain



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Future GASB projects

## Why?

*Improvements to existing guidance –*

- *due to diversity in practice*
- *to add clarity to circumstances where disclosure is appropriate*

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Future GASB projects

## Recent activities?

*Tentative decisions made:*

*Going Concern Uncertainty – defined as “substantial doubt about whether a governmental entity will continue to exist as the same legally separate entity, regardless of financial condition”*



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Future GASB projects

## Recent activities?

*Two types of factors that should be separately identified:*

- 1. Dissolution triggering event*
- 2. Factors that may impact the outcome of a dissolution triggering event – either to increase OR decrease the likelihood that a triggering event would ultimately end up in dissolution.*



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Future GASB projects

### Examples of Triggering Events:

*Initiation of dissolution legal proceeding by:*

1. Citizens
2. A higher authority (e. g. county or state)
3. The government itself



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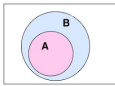
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Future GASB projects

### Recent activities?

*Relevant factors that may lead to a potential governmental dissolution should include **all** factors that indicate a likelihood that a government may cease to exist as a legally separate entity, regardless if related to a government's financial condition"*



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Future GASB projects

### Recent activities?

*Tentative decisions made*

*GASB should develop a two-step process –*

- > *Guidance for Going Concern Uncertainties, then*
- > *Guidance for Severe Financial Stress*



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Future GASB projects

### Recent activities?

*Tentative decisions made:*  
*The new guidance should include . . .*

Scenarios of Going Concern Uncertainties

- *Caused by Severe Financial Stress*
- *Not caused by Severe Financial Stress*



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Future GASB projects

### Possible Outcomes:

- *Government closes down*
- *Government merges with another government*
- *Curtailing of services provided*
- *Dissolution without replacement*
- *Services are absorbed into another government*



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Future GASB projects

### Questions?

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**Severe Financial Stress**

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**Severe Financial Stress**

What do you think of when you think of severe financial stress for a government?

Locations like:  
 Detroit, Michigan;  
 Orange County, California;  
 State of Illinois pension plans;  
 Jefferson County, Alabama;  
 New Orleans after Hurricane Katrina

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**Severe Financial Stress**

What do you think of when you think of severe financial stress for a government?

Annual budget battles?;      Political brinkmanship?

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**What?**

- *GASB is considering improvements to existing guidance*
- *Developing a definition of severe financial stress*
- *Identifying when and what is necessary to disclose*
- *Working towards a Preliminary Views Doc.*



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**Recent activities?**

*GASB should include:*

*Scenarios of Severe Financial Stress:*

- *Not to the point of Going Concern Uncertainties*
- *To the point of Going Concern Uncertainties*



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**Recent activities?**

*Tentative decisions made(continued):*

*Severe financial stress guidance is regardless of uncertainties of its continued existence*



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**Recent activities?**

*Tentative decisions made (continued):  
Among the ranges of Financial stress –  
this category will fit the description  
“Severe Financial Distress”*



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**Recent activities?**

*“Indicators” and will be used to describe the list  
of items used to evaluate whether a  
government is  
“Near Insolvency”*



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**Recent activities?**

*Some examples of “Indicators”*

- *Need to restructure debt*
- *Need to dispose of assets*
- *Recurring periods of spending exceeding revenues*
- *Defaults on bonds or obligations*
- *Need to reduce services*
- *Adverse legal proceedings or legislation*
- *Increased short-term borrowings for operations*
- *Consistent working capital deficiencies*
- *Recurring structural budgetary imbalances*

*I am sure you can add to the list . . .*



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**Recent activities?**

*Not to be used as examples of "Indicators"*

- Adverse key financial ratios
- Continuing negative operating cash flows
- Proximity to debt and tax limitations
- Denial of usual trade credit from suppliers
- Labor difficulties
- Substantial dependence on the success of a particular project or program
- Uneconomic long-term commitments (overly burdensome)
- Uninsured or underinsured catastrophe
- Population decline
- Commencement of financial supervision by another government

**For the Board to consider . . .**

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**Recent activities?**

*Guidance should be issued when considering the examples of indicators related to the*

- **Timing** 
- **Relationship** 
- **Severity** 

**For the Board to consider . . .**

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161

**Recent activities?**

*Governments should be required to assess whether they meet the Severe Financial Stress condition as of the statement date.*

*For Tennessee governments this is June 30<sup>th</sup>.  
(This is NOT during the reporting period NOR as of the financial statement availability)*

Assessment

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### Recent activities?

*GASB Guidance should emphasize that the eventual list of indicators are just examples of indicators and NOT a comprehensive or exhaustive list*

*This guidance provided by a lead-in paragraph to the examples of indicators.*



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### Recent activities?

*The concepts of insolvency should NOT apply to reporting units less than a legally separate entity such as a fund.*



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### Recent activities?

*The assessment should be for the primary government AND each blended component unit separately.*



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**Recent activities?**

*GASB will NOT explicitly require or prohibit the assessments of Severe Financial Stress or Going Concern Uncertainty for discretely presented component units.*



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**Questions?**



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**Subsequent Events**



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**Subsequent Events Topics to Be Considered**

- How prevalent are recognized and non-recognized events?
- How prevalent are disclosures?
- What types of events are disclosed in practice?
- What difficulties do governments have, if any, distinguishing between subsequent events that require adjustments to the financial statements and those that are limited to disclosure?
- What difficulties do governments have, if any, determining whether information that became available prior to the issuance of the financial statements reflects conditions that existed as of the date of the financial statements?

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**Subsequent Events Topics to Be Considered (cont.)**

- How are the standards applied when a government reissues financial statements?
- What impact might the proposed changes to MD&A have on subsequent events reporting?
- What information are governments disclosing? Is that information essential for making decisions and assessing government accountability?
- What disclosures do users need they are not currently receiving? How would they use that information?
- What essential information do users need?

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**Why?**

*Improvements to existing guidance –*

- *Confusion about existing standards*
- *Challenges with applying existing standards*
- *Inconsistency in practice*
- *Usefulness of information provided*

**IMPROVE** 

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### How is it now?

Reexamination of GASBS #56 (Codification of Guidance in AICPA Statements on Auditing Standards)

Recognized event – in the financials at year-end

Non-recognized event – not booked at year-end

re-examine

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### How is it now?

Recognized event – suppose a major customer declares bankruptcy after June 30<sup>th</sup> – the allowance for uncollectible may need an adjustment – or a lawsuit was settled for an amount different than what was accrued – may also require an adjustment.

Nonrecognized event – suppose a fire or flood happens after the financial statement date. It does not change June 30<sup>th</sup> amounts, however the event may need to be disclosed in the notes.

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### Recent activities?

Tentative decisions made by GASB:



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**Recent activities?**

*Tentative decisions made:*

- > Any new standard should be *broad in nature and more specific* than current guidance
- > Principles and related terms should be developed *holistically*
- > Evaluate "through the *date financials are available*" - is similar to FASB literature



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**Recent activities?**

*Tentative decisions made:*

- > *Recognized events*
- > *Non-recognized events*

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**Recent activities?**

*Recognized events –*

*indicative of conditions as of the financial statement date (e.g. June 30<sup>th</sup>) and should be incorporated into inputs to accounting estimates as of the Financial Statement date.*

*If you are familiar with GASBS #56, GASB should keep the distinction between conditions that do and do not exist as of the F/S date.*

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**Recent activities?**

*Nonrecognized events are identified by:*

- *The event does not inform the measurement of accounting estimates financial statement date*
- *Has a significant effect (favorable or unfavorable) on the basic financial statements of the period in which it occurs.*

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**Recent activities?**

*Nonrecognized events (continued)*

1. *One of the following:*
  - a) *Debt-related transaction*
  - b) *Government combination or disposal*
  - c) *Change to entities w/i the reporting entity*
  - d) *New tax rate in a subsequent period* OR;
2. *Event or transaction essential to making decisions or assessing accountability*

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**Recent activities?**

*Nonrecognized events – should be disclosed in the notes and include:*

1. *Description of the transaction or event(s)*
  2. *An **estimate** of the effect on the financial statements*
- OR**
- a reason why an **estimate** cannot be made.*

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**Questions?**

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**GAAP Structure**

*Hierarchy of GAAP for state and local governments.*



The graphic shows the letters G, A, A, and P in a row. Each letter is inside a colored house-shaped icon. Below each letter is a small icon: a scale for G, a gear for A, a calculator for A, and a tree for P.

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**What?**

*Hierarchy of GAAP for state and local governments – was most recently established with GASBS # 76.*



The logo consists of the number 76 in a bold, blue font, centered within an orange circle.

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**Quick review:**

*GASBS #76*

*Category A – GASB Statements & Codification*

*Category B*

*GASB Technical Bulletins*

*GASB Implementation Guides*

*Literature of the AICPA cleared by GASB*

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**Evaluate the dual approach:**

*Original Pronouncements and Codification have equal authoritative status.*



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**How?**

*Include a research focus on how do stakeholders engage with GASB literature.*



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**So far?**



*The GASB has found, the general approach is:*

- *When a standard is new – use the pronouncements.*
- *After a standard has been in place – use the codification.*



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**Questions?**



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**Classification of Nonfinancial Assets**

**Board has just voted in a Final Statement  
GASBS # 104**

*Capital assets*  
*Intangible assets – leases, SBITAs & more*  
*Assets Held for Sale*

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Nonfinancial

**The Project Includes Description of:**

- Capital assets*
- Intangible assets – leases and SBITAs*
- Assets Held for Sale*

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**Infrastructure Assets**

Board Developing a Preliminary Views (PV) Document  
To update GASBS #34

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Infra

**Definition of Infrastructure Assets**

*Examples*

*Recognition in statements*

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## Revenue and Expense Recognition

**Redeliberating Feedback on PV Document**

*Objective: Develop a principles-based model for categorizing, recognizing, and measuring revenue and expense transactions.*



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RER

## Post-Implementation Review (PIR)

- 1. *This is a normal part of the process*
- 2. *Evaluation on how the statement was adopted and implemented and "lessons learned"*



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## Thank you!



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- Division of Local Government Audit
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  - John.Troyer@cot.tn.gov

*"Thank you for what you do!"*

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