


**The Comptroller's Office**  
**CMFO & CCFO Training**  
**CPE 16 hours**

CERTIFIED COUNTY FINANCE OFFICER PROGRAM

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

John M. Troyer, CPA  
 Administrator of Standards Research and Compliance  
 Division of Local Government Audit  
 John.Troyer@cot.tn.gov



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CERTIFIED COUNTY FINANCE OFFICER PROGRAM  
 CERTIFIED MUNICIPAL FINANCE OFFICER PROGRAM

**GASB Update**  
 September 5<sup>th</sup> and 6<sup>th</sup>, 2024

John M. Troyer, CPA  
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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**

*Congratulations on your Certification!*

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*"Your certification says a lot about your desire  
to perform at a high professional level."*



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

*A moment about your presenter . . .*

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*"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!"*



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

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*"If you can't explain it simply, you don't understand it well enough."*

Albert Einstein



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

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*"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**

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*"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."*

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**Tony Vitello, UT Baseball Coach**  
**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**

*"There can be a tug of war on how to approach your jurisdiction's business."*

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**Tug of War – or find a solution . . .**

-- together?





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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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## Session Objectives

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

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

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### Mgmt Representation Letter

- Who has signed this?
- “Who is supposed to sign this”

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### Management Rep. Letter

- “The representation 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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**Mgmt Representation Letter**

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

**Management Representation Letter**



**What is the purpose of a “rep” letter?**

A “rep” letter is the audit teams’ formal evidence that management understands their responsibilities and that management has performed all of their responsibilities.

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**Management Rep. Letter**

- Components of the Representation Letter

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**Management Rep. 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

- "... 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

- "... 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

- " 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

- “ 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

- “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

- “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

- “Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements . . . “




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### Management Rep. Letter

- “Adjustments or disclosures have been made for **all events**, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements . . . “




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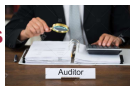
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### Management Rep. Letter

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
- will include tests of accounting records
- conclude based on the audit evidence




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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



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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
- we will issue a written report



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### GASB section overview

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



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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)
- IG 2023-1 –

**June 30: Fiscal Year 2025**

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



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## GASB Statement 100

### Accounting Changes and Error Corrections



**Accounting Change**  
A change in accounting principle, accounting estimate, or the reporting entity.



**ERRORS**

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## Background

GASB 100

- *History of GASB Statement No. 62*
- *Need for Updating*



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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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### 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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### Key Definitions

GASB 100

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



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



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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>What do you need to know ?</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
<p><u><b>Accounting Changes:</b></u>  <b>1. in Accounting Principle</b>  <b>2. in Accounting Estimate</b>  <b>3. to or within the Reporting Entity</b></p>	<p><u><b>Error Corrections:</b></u>  <b>in previously issued financial statements</b></p>
<p><i>We have guidance in GASBS #100</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
<p><b>1. Change in Accounting Principle</b></p> <p>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)</p> <p>B. Implementation of new pronouncements (assumed to be preferable)</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</li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p><i>"What do we think of when we see these characteristics?"</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>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><i>"What do we think of when we see these characteristics?"</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>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><i>"What do we think of when we see these characteristics?"</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>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; font-size: small;">Why it matters or how it is important</span></li> <li>D. Timeliness</li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p>"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</li> <li>D. Timeliness <span style="color: red; font-size: small;">Being at the right time</span></li> <li>E. Consistency</li> <li>F. Comparability</li> </ul>	
<p>"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</li> <li>D. Timeliness</li> <li>E. Consistency <span style="color: red; font-size: small;">Uniformity, dependability, in accordance with the facts</span></li> <li>F. Comparability</li> </ul>	
<p>"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
<i><b>Preferability – must be based on qualitative characteristics of financial reporting:</b></i>	
<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>	
<p><i>Similar in character or nature, i.e. from report to report</i></p> <p><small>"What do we think of when we see these characteristics?"</small></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
<i><b>Preferability – must be based on qualitative characteristics of financial reporting:</b></i>	
<ul style="list-style-type: none"> <li>A. <i>Understandability</i>    <i>Readability, clarity, clearness</i></li> <li>B. <i>Reliability</i>        <i>Dependable, trustworthy, consistent to rely upon</i></li> <li>C. <i>Relevance</i>         <i>Why it matters or how it is important</i></li> <li>D. <i>Timeliness</i>         <i>Being at the right time</i></li> <li>E. <i>Consistency</i>       <i>Uniformity, dependability, in accordance with the facts</i></li> <li>F. <i>Comparability</i>     <i>Similar in character or nature, i.e. from report to report</i></li> </ul>	
<p><small>"How do others describe your communications? Written or verbal?"</small></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>For a change in Accounting Principle –</b>  <i>--such as a new GASBS should be reported or a change in estimate method</i></p> <p style="text-align: right;"><small>"General rule – unless they say otherwise . . ."</small></p>	
<ul style="list-style-type: none"> <li>1. <i>Must be preferable -- for financial reporting</i></li> <li>2. <i>Report retroactively</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><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>3. Change in Reporting Entity –</b>	
<ul style="list-style-type: none"> <li>A. Addition or removal of a fund from the movement of continuing operations</li> <li>B. A change in a fund's presentation as major or non-major</li> <li>C. The addition or removal of a component unit</li> <li>D. A change in a component unit's presentation as blended or discretely 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
<b>Correction of an Error –</b>	
<ul style="list-style-type: none"> <li>A. <i>Mathematical mistakes</i></li> <li>B. <i>Misapplication of accounting principles</i></li> <li>C. <i>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)</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>2. Correction of an Error –</b>	
<ul style="list-style-type: none"> <li>A. <i>Report retroactively (restate prior periods -- if practicable)</i></li> <li style="border: 1px solid red;">B. <i>Inconvenient does NOT mean not practicable!</i></li> <li>C. <i>For RSI (including MD&amp;A) for periods presented</i></li> </ul>	



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

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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>Accounting Changes:</b>	
<ul style="list-style-type: none"> <li>A. <i>Principles – reported retroactively if practicable or if not, restate beginning balances</i></li> <li>B. <i>Estimates – Report prospectively in current period flows</i></li> <li>C. <i>Entity – Report by adjust current period beginning balances</i></li> </ul>	
<b>Error Corrections:</b> <i>reported retroactively by restating prior periods</i>	

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

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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>Accounting Changes:</b>	
<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>	
<b>Error Corrections:</b> reported retroactively by restating prior periods	
 	

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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>Note Disclosures include:</b>	
<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
<b>Display:</b>	
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
<p><b>RSI and SI:</b></p> <ul style="list-style-type: none"> <li>A. Changes -- Periods earlier than presented should NOT be restated</li> <li>B. Error Corrections – Periods earlier than those presented in basic financials should be restated, if practicable</li> </ul> <p style="font-size: small; color: red; margin-top: 10px;"> <b>RSI = Required Supplementary Information – includes MD&amp;A</b>  <b>SI = Supplementary Information – includes the Statistical Section</b> </p> <div style="text-align: right; font-size: x-small;">  </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
<div style="display: flex; justify-content: space-between;"> <div style="width: 60%;"> <p><b>What do you need to know ?</b></p> <ol style="list-style-type: none"> <li>1. Look for these events and occurrences of Changes and Error Corrections</li> <li>2. Take a closer look at the details</li> <li>3. Revisit the standard</li> </ol> </div> <div style="width: 35%; border: 1px solid gray; padding: 5px; font-size: x-small;"> <div style="text-align: right; border-bottom: 1px solid gray; padding-bottom: 5px;">Error <span style="float: right;">×</span></div> <div style="text-align: center; color: red; font-weight: bold; font-size: 2em;">✘</div> <p style="text-align: center; font-size: x-small;">An error occurred.</p> <div style="display: flex; justify-content: center; gap: 10px; font-size: x-small;"> <span>OK</span> <span>Cancel</span> </div> </div> </div> <div style="text-align: right; font-size: x-small; margin-top: 10px;">  </div>	

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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 change occurs.	Nature of the change, affected line items and the reason for the change.	Not applicable -- only prospective reporting.
<b>Change to or within Reporting Entity</b>	1. Add or remove a component unit or fund from continuing operations 2. Change between blended and discrete presentation 3. Change between major and nonmajor fund.	Adjust the current reporting period beginning balances as if the change occurred at the start of the period.	Nature of and reason for the change and the effects on beginning balances in tabular form.	Make the same restatements for the years included. 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. Correct all years affected if practicable. Affected line items and periods, identify information as restated or not restated. If not practicable, explain why not.	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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**Types of Accounting Changes** GASB 100

*Change in Accounting Principle*

*Change in Accounting Estimate*

*Change to or within the Financial Reporting Entity*

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**Examples** GASB 100

*Example of Error Correction*

*Impact on Financial Statements*

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**GASB Statement # 101**

*Compensated Absences*



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**GASB Statement # 101**

*Compensated Absences*

*Not just vacation any more . . .* ➔ 

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**What?** GASB 101

*GASBS #101 Updates:*

- *Recognition Guidance*
- *Measurement Guidance*
- *Disclosures*



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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

*expenses and payout*

*schedules than ever before!*



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GASB 101

### Why?

*Update Recognition and Measurement Guidance:*  
*There has been considerable range of recognition in practice.*

*The GASB was seeking more comparability between jurisdictions by standardizing definitions and measurements.*

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GASB 101

### Details?

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



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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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**Details?** GASB 101

*What about Governmental Fund Statements?*

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



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**Details?** GASB 101

*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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**Details?** GASB 101

*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%)*

*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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## Slide 77

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

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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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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GASB 101

**What about vesting?**

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

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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?



*Under current guidance: traditional vacation leave is already accrued, but sick leave is not – because it is dependent on future events: sickness and claiming a sick day.*

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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)

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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)

~~Total Sick Days lost~~

90

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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 =

Total Sick Days Accumulated

Total Sick Days expected to be paid out (not by DB) X price per day =

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

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

Sample 10 employees over 5 years gives an average 5.02 sick days taken per year. The 5.02 days taken is of the 12 sick days awarded each year is 41.83%.

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

**SAMPLE**

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

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

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

Use the 41.83% usage rate to expect 688 days taken and, 58.17% 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.*

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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.*

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

Expected cost of days taken is \$205,629 + 26,012 = \$231,641  
 Expected cost of days settled is \$70,297 + 5,378 = \$75,675

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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.*



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GASB 101

## Now what(continued)?

*Follow GASB Statement #100 for implementation methods and disclosures.*



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GASB 101

**Comments or Questions?**



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**GASB Statement 102**

*Certain Risk Disclosures*

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GASB 102

**Introduction to GASB 102**

*Purpose and importance of GASB 102*

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GASB 102

### Objective of GASB 102

*Provide essential information about risks*  
*Enhance transparency and decision-making*

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GASB 102

### Scope and Applicability

*Applicable entities*  
*Types of risks covered*

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

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

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Future Statement Implementations	
GASB Statement Number and Topic	Description
102, Certain Risk Disclosures	Tell us more! -- FY 2025
<b>Governments should report some concentrations and constraints.</b>	
<p><b>Concentration:</b> Examples provided include: employers, industries, inflows of resources, workforce (collective bargaining units) Providers of financial resources, suppliers of materials, labor or services.</p> <p><b>Constraint:</b> Examples provided include: limitations on raising revenue, limitations on spending, limitations on the occurrence of debt, mandated spending</p>	
	

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Certain Risk Disclosures GASBS 102
<ol style="list-style-type: none"> <li>Concentration or constraint is known prior to financial statements.</li> <li>The concentration or constraint makes the government vulnerable to the risk of substantial impact.</li> <li>An <b>event</b> that <b>could cause</b> a substantial impact:               <ol style="list-style-type: none"> <li>has occurred</li> <li>has begun to occur</li> <li>is more likely than not to occur within 12 months of the date of the financial statements.</li> </ol> </li> </ol>


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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)*



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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. *Benefits from disclosure about risks are significant and the information reported is more **understandable, reliable, relevant, timely, consistent and comparable***



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But wait, there's more!	
GASB Major Projects	Comments
Going Concern uncertainties & severe financial distress	When & what to report
Infrastructure Assets	Classifications and clarifications
<i>Both projects are in initial deliberations.</i>	
	
	

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GASB 102

### Mitigation Efforts and Their Effects

- *Government Mitigants*
- *Types of Mitigants*
- *Planned vs. Undertaken Actions*
- *Effect of Planned Mitigants*
- *Effect of Undertaken Mitigants*

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### Questions?

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**GASB Statement 103**

*Financial Reporting Model Improvements*

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GASB 103

**GASB Statement 103**

*Financial Reporting Model Improvements*



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GASB 103

**What?**

- *Improve key components of Financial Reporting*
- *Enhance effectiveness of Financial Reporting*
- *Provide information – for decision making*  
*– to assess accountability*
- *Address certain application issues*

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GASB 103

### Some provisions:

- *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
• MD&A	Quality and Relevance
• Separate Unusual/Infrequent	Clarity
• Operating/Nonoperating	Proprietary Fund Stmtns.
• Present Major Component Units	Better Information
• Budgetary Comparisons	Decision-making and Accountability

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GASB 103

### When?

*GASB adopted Statement #103 in April 2024*

*The Statement is 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):**

Updates the MD&A From GASBS #34

MD&A should be:

- Objective
- Easily readable analysis
- 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 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 to aid understanding*
- *Charts and graphs used to enhance understandability*
- *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*

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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)*

synonym for infrequent: rare, uncommon, sporadic, sporadic, occasional, irregular, isolated, sparse, scattered




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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*



PROPRIETARY: FOR ACCOUNTANTS  
 STATE, COUNTY, TERRITORY, MUNICIPAL, DISTRICT, SCHOOL, SPECIAL DISTRICT, COUNTY, FEDERAL, STATE, MUNICIPAL

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GASB 103

**Some provisions (details):**

*Standardizes Proprietary Fund Statements*



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GASB 103

**Some provisions (details):**

*Standardizes Proprietary Fund Statements*

*“The statement of revenues, expenses, and changes in fund net position should distinguish between operating and nonoperating revenues and expenses, as well as report noncapital subsidies (a type of nonoperating revenue and expense).”*



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**Some provisions (details):**

GASB 103

**Standardizes Proprietary Fund Statements**

“The statement of revenues, expenses, and changes in fund net position should distinguish between **operating** and **nonoperating revenues and expenses**, as well as **report noncapital subsidies** (a type of nonoperating revenue and expense).”

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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, 20XX  
(amounts expressed in thousands)

GASB 103

	Employee Insurance	Facilities and Equipment Management	Total (See Exhibit B)
<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	17,687	44,620
Operating (loss)	(747)	(1,272)	(1,939)
<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	134	(972)	(738)
<b>OTHER NONOPERATING REVENUES</b>			
Interest earnings	443	3	446
Gain from sale of capital assets	-	9	9
Transfers in—restricted for capital assets	-	1,215	1,215
Total other nonoperating revenues	443	1,224	1,667
Increase in fund net position	557	349	906
Fund net position—beginning of period	5,846	6,941	12,787
Fund net position—end of period	\$ 6,403	\$ 7,290	\$ 13,693

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**Standardizes Proprietary Fund Statements**

Sample City  
Combining Statement of Revenues, Expenses,  
and Changes in Fund Net Position  
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GASB 103

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GASB 103

**Some provisions (details):**

*Provides Major Component Unit Information*



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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)*



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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*

*Budgetary Comparison –*

*Should be presented as RSI for General Fund and Major Special Revenue funds with a legally adopted budget*



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

*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	3,552	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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**Some provisions (continued):** GASB 103

*Standardizes Financial Trends in the Statistical Section*



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

*Standardizes Financial Trends in the Statistical Section*

*If – only business type or business type and fiduciary activities;*

*Then – Present revenues by major source;*

- Operating*
- Noncapital subsidy*
- Other nonoperating revenues and expenses*

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GASB 103

**Some provisions did not make the cut:**

- Debt Service Fund information*
- Government Wide Expenses by natural classification*
- Statement of Cash Flows – either GW or Fund Financial*
- Government Fund changes – Oh No!*
- Small Government considerations*



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GASB 103

**Some provisions did not make the cut:**

- Debt Service Fund information*
- Government Wide Expenses by natural classification*
- Statement of Cash Flows – either GW or Fund Financial*
- Government Fund changes – Oh No!*
- Small Government considerations*
- Based on cost benefit considerations*



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GASB 103

**Other information:**

- GASBS #103*
- Appendix C*
- Exhibits 1 – 22 provide template examples of MD&A, Statements and more!*

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**My favorite provision:** GASB 103

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



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

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Future GASB projects

## Going Concern Uncertainties

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

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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

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

Going Concern is an accounting concept that considers 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**  
an account  
 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 by the GASB . . .*



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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?

*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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**Possible Outcomes:** Future GASB projects

- *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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**Questions?** Future GASB projects

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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 brinksmanship?



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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



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**Status?**  
*Working towards a Preliminary Views document*



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**Recent activities?**  
*Tentative decisions made*



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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?**

*Tentative decisions made:  
Severe financial stress will include  
“Near Insolvency” will be described by a  
combination of description and a list of  
examples*



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**Recent activities?**

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

**What are ... ?**

**Economic Indicators**

Economic indicators are measurements that track trends in the economy and help predict future economic activity. They are used to assess the health of the economy and to guide policy decisions.



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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 . . .*

**Key Financial Indicators**



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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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**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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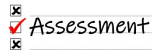
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**Recent activities?**

*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)*



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**Questions?**



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**Subsequent Events**



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**Subsequent Events**

<b>What?</b>	<b>Why?</b>	<b>When?</b>
The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments	Existing guidance is based on other literature dating back to 1972 and generally has not been reevaluated	The Board added the pre-agenda research in December 2021



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## Topics to Be Considered

- How prevalent are recognized and nonrecognized subsequent events?
- How prevalent are subsequent event disclosures?
- What types of subsequent 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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## Topics to Be Considered (cont.)

- How are the standards applied to events occurring after the issuance of the financial statement when a government reissues the financial statements?
- What impact might the proposed changes to MD&A in the Financial Reporting Model project have on subsequent events reporting?
- What information are governments disclosing about subsequent events? Is that information essential to users for making decisions and assessing government accountability?
- What disclosures do users need, if any, about subsequent events that they are not currently receiving? How would they use that information?
- What essential information, if any, do users need regarding recognized subsequent events?

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## What was decided so far?

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

*Developing a definition of severe financial stress*

*Identifying what is necessary to disclose*

re-examine

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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*



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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 distinguishment between conditions that do and do not exist as of the F/S date.*

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215

**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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216

**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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217

**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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218

**Recent activities?**  
*Specific guidance should not be:*

1. Financial statement reissues
2. Prior Year disclosures beyond GASBS # 62 Paragraph 52

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219

### Recent activities?

*Specific guidance should be:*

1. *by reporting unit (see GASBS #14 pp 63)*
2. *Combined to prevent unnecessary duplication.*

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220

### Questions?



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221

### GAAP Structure



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222

**What?**

*Hierarchy of GAAP for state and local governments.*

223

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**What?**

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

224

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**What now?**

*Evaluate the effectiveness of GASB's dual-authority approach to communicating GAAP for state and local governments.*

225

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**What?**  
*Original Pronouncements and Codification have equal authoritative status.*



Original Pronouncements      Codification of GASB Statements

226

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



227

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**Why?**  
*To consider a single authority structure –*

- *Whether it could be operationalized?*
- *How it could be operationalized?*



228

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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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229

**Recent activities?**

*Tentative decisions made:*

*GAAP structure was added to the research agenda August 2023.*




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230

**Quick review:**

*GASBS #76 established GAAP hierarchy for state and local governments*

*This statement updated GASBS #55, and was adopted in June, 2015.*




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231

**Quick review:**

*GASBS #76*

- Category A – GASB Statements*
- Category B*
  - GASB Technical Bulletins*
  - GASB Implementation Guides*
  - Literature of the AICPA cleared by GASB*

232

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**Quick review:**

*GASBS #76*

*Category A – also includes the Codification of Governmental Accounting and Financial Reporting Standards (Codification) along with GASB Statements as authoritative*



233

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**Quick review:**

*GASBS #76*

*The standard says to start with Category A – if not specified, consider Category B*



234

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**Quick review:**

*If not **Category A or B**, then consider non-authoritative literature:*

- GASB Concepts Statements
- FASB Statements
- Federal Accounting Standards Advisory Board Statements
- International Public Sector Accounting Standards Board
- International Accounting Standards Board
- AICPA literature not cleared by the GASB
- Widely recognized and prevalent practices of state and local government, literature of professional associations or regulatory agencies accounting textbooks, handbooks and articles

**IF NOT  
THEN**

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235

**Quick review: GASBS #76**

*When considering non-authoritative literature:*

- Consistency of the literature with GASB Concepts Statements
- Relevance of the literature to particular circumstances
- The specificity of the literature
- General recognition of the issuer or author as an authority

**76**

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236

**Questions?**

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**GASB**

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237





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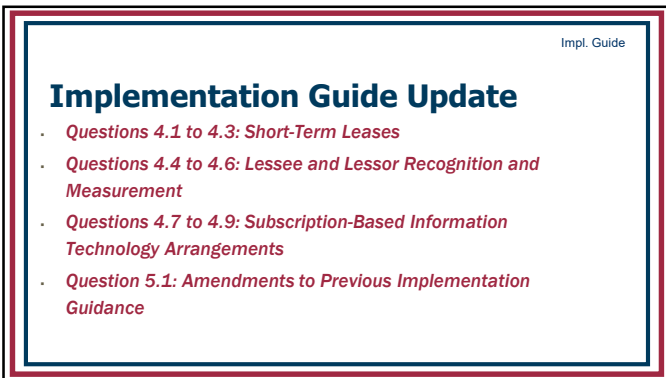
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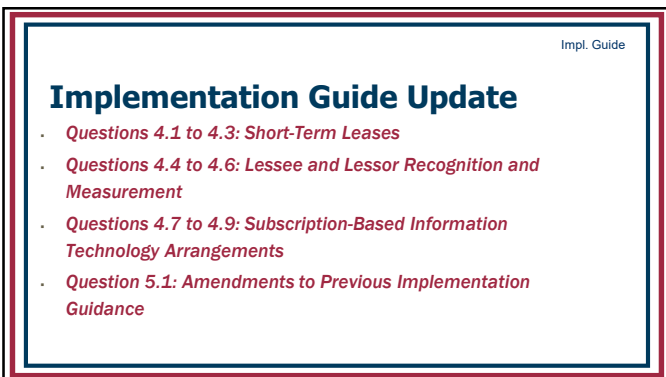
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Impl. Guide

### Short-Term Lease Classification

Q 4.1

*Question: Is a lease with an option for the lessee to terminate with 60 days' notice and the lessor to terminate only on lessee default a short-term lease?*

*Answer: No, it's not a short-term lease.*

241

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Impl. Guide

### Lease Extension Options

Q 4.2

*Question: Does exercising an extension option change the maximum possible term?*

*Answer: No, the maximum possible term remains the same.*

242

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Impl. Guide

### Lease Modification and Short-Term Lease

Q 4.3

*Question: When does a lease modification result in a short-term lease?*

*Answer: Two specific circumstances.*

243

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Impl. Guide

### Lessee Recognition of Interest Expense

**Q 4.4**  
*Question: Should interest expense be recognized during non-payment years?*  
*Answer: Yes, interest expense should be recognized throughout the lease term.*

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Impl. Guide

### Lease Payments in Foreign Currency

**Q 4.5**  
*Question: Are lease payments in foreign currency considered variable payments?*  
*Answer: No, they are considered fixed payments.*

245

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Impl. Guide

### Lessor Revenue Recognition

**Q 4.6**  
*Question: Should deferred inflows from leases be recognized as operating revenue?*  
*Answer: Depends on the government's policy defining operating revenue.*

246

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Impl. Guide

### Perpetual Licensing Agreement

**Q 4.7**  
*Question: Does an automatically renewing software license provide a perpetual license?*  
*Answer: No, it does not.*

247

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Impl. Guide

### IT Software and Tangible Capital Assets

**Q 4.8**  
*Question: Do SaaS, PaaS, and IaaS contain IT software and tangible capital assets?*  
*Answer: Yes, they do.*

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Impl. Guide

### Subscription Term for SBITA

**Q 4.9**  
*Question: How is the subscription term determined when implementation takes two years?*  
*Answer: The subscription term starts after the implementation stage.*

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Impl. Guide

## Lease Term and Cancellation Penalties

**Q 5.1**  
*Question: Should periods covered by a lessee's option to terminate be excluded from the lease term?*  
*Answer: No, if it's reasonably certain the lessee won't exercise the option.*

250

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## Classification of Nonfinancial Assets

Board Developing a Final Statement

251

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Nonfin

## Introduction

252

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Nonfin

### Project Description

*Capital assets (including intangible assets)*  
*Not looking at recognition or measurement*

253

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Nonfin

### Scope of the Project

*Investments not included*

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Nonfin

### Key Considerations

*Impact on financial statements*  
*Existing classifications*  
*Financial statement users*

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Nonfin

### Recent Board Meeting Decisions

- Clarity of classifications*
- Purpose of asset acquisition versus their classification*
- Timing for finalizing sales*

256

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Nonfin

### Recent Board Meeting Decisions

- No explicit exclusion of investments in language of guidance*
- Further discussion on irrelevance of purpose*

257

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Nonfin

### Recent Board Meeting Decisions

- Definition of "held for sale": paragraphs 5 and 6 in ED*
- Level of authority*
- Formal approval*
- "Pursuing a sale" notion*

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Nonfin

## Recent Board Meeting Decisions

*Periodic evaluations of held for sale*  
*Liens and liabilities*  
*Level of detail*

259

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Nonfin

## Exposure Draft Highlights

*Objective*  
*Key Requirements*  
*Effective Date*

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Nonfin

## Disclosure Requirements

*Capital assets by type and major class*  
*Capital assets held for sale*

261

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Nonfin

**Held for Sale**

*Basic definition*

*Factors to consider*

262

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Nonfin

**Tentative Board Decisions – Held for Sale**

*Note disclosures for historical cost and accumulated depreciation*

*Not required: expected proceeds*

*Not required: sales process description*

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Nonfin

**Tentative Board Decisions – Classification**

*Lease and Subscription Assets*

*Intangible Right-to-Use Assets (and RTUs for intangibles)*

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Nonfin

### Tentative Board Decisions – Held for Sale Criteria

*Decided to pursue sale*  
*“Probable”*  
*Timeframe*

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Nonfin

### Tentative Board Decisions – Reevaluation and Guidance

*Previously classified as held for sale*  
*Fair value disclosure*  
*Depreciation policy*

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Nonfinancial Assets

### Tentative Board Decisions – Basis for Conclusions and Exclusions

*Number and types of users*  
*Investments language*  
*Idle assets*  
*Equipment*  
*Reevaluation*

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**Infrastructure Assets**

**Board Developing a PV Document**

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Infra

**Infrastructure Assets**

*Brief background on GASB Statement 34*

*Need for updates in infrastructure asset reporting*



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Infra


**Definition of Infrastructure Assets**

*Definition*

*Examples*

*Inclusion of buildings*

*Recognition in statements*



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Infra

## Measurement

*Historical cost depreciation*  
*Preservation method*

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Infra

## Historical Cost Method

*-Familiar?*

WHAT IS A HISTORICAL COST?



272

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Infra

## Preservation Method

*-Processes required for the preservation method:*

- *Maintain an up-to-date inventory*
- *Perform and summarize condition assessments*
- *Document estimates of annual amounts for maintenance and preservation*



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Infra

## Condition Assessment System Requirements

- No standardized condition assessment system should be used to assess infrastructure assets measured using the preservation method
- Insight from March 2024 meeting: Flexibility and practicality emphasized



The diagram is a pyramid titled "Types of Condition Assessment Methods" with six levels. From top to bottom, the levels are: 1. Visual Inspection, 2. Non-destructive Testing, 3. Structural Analysis, 4. Material Sampling, 5. Instrumentation, and 6. Destructive Testing.

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Infra

## Minimum Condition Level

A minimum condition level should not be prescribed for infrastructure assets measured using the preservation method



The image shows a hand holding a white sign with the word "MINIMUM" written on it in black capital letters.

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Infra

## Frequency of Condition Assessments

- Complete condition assessments should be performed over three years for infrastructure assets measured using the preservation method
- Rationale for three-year cycle



The illustration shows an hourglass on the left with sand falling into three small pots containing green plants. The text "In good condition" is written above the plants.

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Infra

## Condition Level Requirement

*Preservation method should not be allowed if the condition level of infrastructure assets is below the condition established in a government's policy*



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Infra

## Replacement Cost Tracking

*Tracking of the replacement cost of infrastructure assets should not be a requirement for using the preservation method*



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Infra

## Useful Lives and Salvage Values

*Review of estimated useful lives and salvage values used to depreciate infrastructure assets should be required periodically and addressed in Category A guidance*



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Infra

## Component Depreciation

*Each component of an infrastructure asset with significant cost should be depreciated separately if the useful lives of those components are different*



Components

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Infra

## Deferred Maintenance

*Deferred maintenance should not be recognized as a liability in financial statements*



The Dangers of Deferred Maintenance

281

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Infra

## Deferred Maintenance

*Deferred maintenance should not be recognized as a liability in financial statements*

*Information related to deferred maintenance should not be disclosed in the notes to financial statements*

*Information related to deferred maintenance should not be presented as required supplementary information*



The Dangers of Deferred Maintenance

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Infra

### Condition Level Assessment Period

*Period to assess whether infrastructure assets are being preserved at least approximately at the established condition level should be the three most recent complete condition assessments*

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Infra

### Modified Approach

*Modified approach from Statement 34 should be allowed as an alternative to historical cost depreciation*

284

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Infra

### RSI Presentation of Assessed Condition

*Assessed condition for infrastructure assets using the modified approach should be presented as RSI*

*The three most recent condition assessments should be presented in RSI for infrastructure assets using the modified approach*

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Infrastructure

## RSI: Estimated vs. Actual Maintenance Costs

*Comparison of estimated annual maintenance costs to actual expenses should be presented as RSI*

*Ten-Year Reporting*

*Factors Affecting Trends in RSI*

286

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Infrastructure

## Historical Cost Depreciation Disclosures

*Governments using historical cost depreciation should present estimated vs. actual maintenance costs in RSI*



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Infrastructure

## Encouragement for Additional SI

*No encouragement for governments to provide the same disclosures in SI as required in notes to RSI for infrastructure assets using the modified approach*



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Infra

## Maintenance vs. Preservation

*Clear definitions and distinctions between maintenance (routine expenses) and preservation (costs related to the modified approach)*



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Infra

## Asset Management System

*Emphasis on flexibility in asset management systems to accommodate diverse government processes*

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Infra

## Target Condition Level Changes

*Changes in target condition level are not considered accounting changes but should be disclosed*

291

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**Revenue and Expense Recognition**

Redeliberating Feedback on PV Document



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RER

**Project Objective**

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

*Objectives*



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RER


**Scope of the Project**

*Broad scope for recognition and measurement of revenue and expense*

*Exclude guidance for capital assets and inventory*

*Exclude guidance for financial instruments (with some exceptions)*

*Exclude guidance for postemployment benefits, compensated absences, termination*



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RER

## Scope of the Project

*Objective: Define a broad, positive statement for recognition and measurement of revenue and expense.*

*Scope Exclusions:*

- Capital assets and inventory
- Financial instruments (with exceptions)
- Postemployment benefits, compensated absences, and termination benefits

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RER

## Scope of the Project

*Included Topics:*

- Exchange Transactions
- Nonexchange Transactions
- Transactions with characteristics of loans and grants
- Revenue and expense recognition for special assessments
- Pass-through grants



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RER

## Categorization Methodology

*Steps for recognizing revenue and expense transactions based on the hierarchy of recognition.*

297

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RER

## Imposed Transactions

*Recognition of imposed transactions such as property taxes, special assessments, and regulatory fees.*

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RER

## Revenue Recognition Steps

- 1. Increase in net assets.*
- 2. Related liability.*
- 3. Inflow of resources applicable to a future period.*
- 4. Recognize revenue.*

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RER

## Expense Recognition Steps

- 1. Decrease in net assets.*
- 2. Related asset.*
- 3. Outflow of resources applicable to a future period.*
- 4. Recognize expense.*

300

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RER

### Applicability to Reporting Period

*Criteria for determining applicability to a reporting period for deferred inflows and outflows.*

301

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RER

### Transfer of Control

*Recognition of revenue and expenses when control of resources is transferred.*

302

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RER

### Importance of Categorization

*Proper categorization ensures accurate application of recognition and measurement provisions, leading to consistent and reliable financial reporting.*

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RER

### Binding Arrangement

*Transactions must be evidenced by a binding arrangement that creates rights and obligations among parties.*

*Can be written, oral, or implied by existing practices; examples include contracts, grant agreements, and legislation.*

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RER

### Economic Substance

*Binding arrangements should result in an expected change in cash flows or service potential.*

305

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RER

### Identifiable Rights and Obligations

*Assessment of terms and conditions to determine substantive rights and obligations.*

306

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RER

## Substantive Rights and Obligations

*Transactions should include rights and obligations that are substantive in relation to each other.*

307

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RER

## Substantive vs. Non-Substantive

*Determination of whether rights and obligations are significant and enforceable.*

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RER

## Infrastructure as a Service

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RER

### Infrastructure as a Service

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

310

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RER

### 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."

311

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RER

### Infrastructure as a Service

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

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RER

## 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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RER

## Post-Implementation Review (PIR)

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



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## Takeaways:



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  - John.Troyer@cot.tn.gov

*"Thank you for what you do!"*

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**Thank you!**



- John M. Troyer, CPA
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*"Thank you for what you do!"*

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