


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

CERTIFIED COUNTY FINANCE OFFICER PROGRAM

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


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Disclaimer

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



Disclaimer



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CMFO and CCFO Comptroller's Training Conference Local Government Update

A moment about your presenter . . .

"I understand."

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

A moment of appreciation . . .



"Thank you for what you do!"





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

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



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





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

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



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





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CMFO and CCFO
Comptroller's Training Conference
Local Government Update

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

Bill Crisp, former Blount County Mayor



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You may need this:



- Subsequent Events
- Asset Impairments


Latest on Hurricane Helene's impacts




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Session Objectives

- Management Representation Letter
- Recent GASB guidance:
 - 
- Other current GASB projects:
 - 



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Management Rep. Letter

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



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Management Rep. Letter



- “. . . should be signed by current management, normally including the chief executive and chief financial officers;




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Management Rep. Letter

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

- understands 
- has performed 



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Management Rep. Letter

- “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

- “ 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

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




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Management Rep. Letter

Auditor's responsibilities include, **We will:**

- conduct our audit in accordance GAAS
- exercise professional skepticism
- obtain an understanding of the government
- inform mgmt. of material errors that came to our attention
- conclude based on the audit evidence




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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



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Management Rep. Letter

?

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Infrastructure as a Service



?



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Infrastructure as a Service



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



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Infrastructure as a Service

- Does anyone remember the phrase:
- “Substance over form?”**






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Infrastructure as a Service

- “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.”*


Governmental Accounting, Auditing, and Financial Reporting (GAAFR) 26-4

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Infrastructure as a Service

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






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Session Objectives

➤ Discuss GASB Statement issues:



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

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GASB Statement 100


Accounting Changes and Error Corrections

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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"> ◆ Prior Guidance for GASBS 100: <ul style="list-style-type: none"> ■ APB #20 ■ FASBS # 16 ■ GASBS # 62 ■ (Three different entities weighed in on this topic) 	




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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>1. Change in Accounting Principle</p> <p>A. A change from one GAAP principle to another – (the change must be preferable 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
<p>Preferability – must be based on qualitative characteristics of financial reporting:</p> <ul style="list-style-type: none"> A. Understandability B. Reliability C. Relevance D. Timeliness E. Consistency F. Comparability 	
	
<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
Preferability – must be based on qualitative characteristics of financial reporting:	
A. Understandability	<i>Readability, clarity, clearness</i>
B. Reliability	<i>Dependable, trustworthy, consistent to rely upon</i>
C. Relevance	<i>Why it matters or how it is important</i>
D. Timeliness	<i>Being at the right time</i>
E. Consistency	<i>Uniformity, dependability, in accordance with the facts</i>
F. Comparability	<i>Similar in character or nature, i.e. from report to report</i>

Would these describe your 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
For a change in Accounting Principle – --such as a new GASBS or a change in estimate method	
<ol style="list-style-type: none"> 1. Must be preferable -- for financial reporting 2. Report retroactively 	<p style="font-size: small; color: red;"><i>"General rule – unless they say otherwise . . ."</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
Accounting Estimates are amounts subject to measurement uncertainty that are recognized or disclosed in basic 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>Change in Accounting Estimate when inputs change such as:</p> <ul style="list-style-type: none"> A. Data B. Assumptions C. Measurement methodologies <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;">   </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>Change in inputs result from</p> <ul style="list-style-type: none"> A. Change in circumstance B. New information C. More experience <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;">   </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>Change in measurement methodology (from straight line to DDB depreciation or from years owned to miles driven)</p> <ul style="list-style-type: none"> A. Should be justified B. New methodology is preferable C. Based on qualitative characteristics of financial reporting <div style="display: flex; justify-content: space-between; align-items: center; margin-top: 10px;">   </div> <p style="font-size: small; margin-top: 10px;">Qualitative characteristics of financial reporting: Understandability, Reliability, Relevance, Timeliness, Consistency and Comparability</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
3. Change to -- or within -- the Financial Reporting Entity	
<ul style="list-style-type: none"> A. Addition or removal of a fund from the movement of continuing operations of the primary gov't (incl. blended component units) B. Change in fund's presentation as major/nonmajor C. Addition/removal of a component unit (usually) D. Change in component unit's presentation as blended or discrete 	
<div style="display: flex; justify-content: space-between; align-items: center;">    </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
Correction of an Error –	
<ul style="list-style-type: none"> A. Mathematical mistakes B. Misapplication of accounting principles C. Oversight or misuse of facts that existed at the time the financial statements were issued (facts that should have reasonably been taken into account) 	
<div style="display: flex; justify-content: space-between; align-items: center;">   </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
2. Correction of an Error –	
<ul style="list-style-type: none"> A. Report retroactively (restate prior periods -- if practicable) <li style="border: 1px solid red; padding: 2px;">B. Inconvenient does NOT mean not practicable! C. For RSI (including MD&A) for periods presented 	
<div style="display: flex; justify-content: space-between; align-items: center;">  </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>Accounting Changes:</p> <ul style="list-style-type: none"> A. Principles – reported retroactively if practicable or if not, restate beginning balances B. Estimates – Report prospectively in current period flows C. Entity – Report by adjust current period beginning balances <p>Error Corrections: reported retroactively by restating prior periods</p>	
 	


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Implementations For This Year

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


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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>Display:</p> <p>Shown separately – aggregate amount of adjustments to and restatements of beginning balances for each reporting unit</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>RSI and SI:</p> <ul style="list-style-type: none"> A. Changes -- Periods earlier than presented should NOT be restated B. Error Corrections – Periods earlier than those presented in basic financials should be restated, if practicable <p style="font-size: small; color: red; margin-top: 10px;">RSI = Required Supplementary Information – includes MD&A SI = Supplementary Information – includes the Statistical Section</p> <div style="text-align: right; font-size: x-small; color: #0056b3;">  </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>What do you need to know ?</p> <ol style="list-style-type: none"> 1. Look for occurrences of Changes and Error Corrections 2. Take a closer look at the details 3. Revisit the standard <div style="border: 1px solid gray; padding: 5px; margin-top: 10px; font-size: x-small;"> <p>Error</p> <p> An error occurred.</p> <p style="text-align: left; margin: 0;"> <input type="button" value="OK"/> <input type="button" value="Cancel"/> </p> </div> <div style="text-align: right; font-size: x-small; color: #0056b3; margin-top: 10px;">  </div>	

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GASBS summary chart

Event	Description	Accounting	Disclosure	RSI & SI
Change in Accounting Principle	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 year included in the financial statements. Do not restate earlier years.
Change in Accounting Estimate	A change in inputs or methodology to an estimate.	Report prospectively in the period change occurs.	Nature of the change, affected items and the reason for the change.	Not applicable -- only prospective reporting.
Change to or within Reporting Entity	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 year included. Do NOT restate earlier years.
Error Correction	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 and effects on beginning balances.	Correct all years affected if practicable. If not restated, explain why not. If not practicable, explain why not.

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



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My favorite provision . . . GASB 100

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

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

What's the meaning of . . .


immaterial

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GASB Statement # 101

Compensated Absences

Not just vacation any more . . . ➔



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Why? GASB 101

Update Recognition Guidance:


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

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

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

Missing: definition | Show results with: definition

schedules than ever before!




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GASB 101

Currently, most jurisdictions:

Accrue vacation but NOT sick leave for the government-wide statements only.

Fund financials recognize expenditures as they are paid.



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GASB 101

Remind me again . . .



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

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GASB 101

Details?

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




Plus!

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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

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

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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Slide 54

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

GASB 101


Details?

How should you measure the liabilities?

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

This keep it simple:

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




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GASB 101

Details?

Should we include benefits?

Yes. The statement calls for “salary related payments” that are directly related to salary – like FICA and payments 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 . . . but “more likely than not” is **the** criteria to be used for measurement.*



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GASB 101

What about sick leave pools?

If leave is “more likely than not” expected to be used . . .
Yes, accrue.

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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) . . .

Don't double count.

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GASB 101

How about a sample calculation?

*Sure. GAAFR (the Blue Book) presents two optional methods in Chapter 28.
(Days paid or Dollars paid approaches)*


You are NOT required to use either method.

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GASB 101

How about a sample calculation?

Sample Days Paid method




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GASB 101

How about a sample calculation?

Sample Days Paid method



Total Sick Days Accumulated


Apply history, policies, experience and expectations

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GASB 101

How about a sample calculation?

Sample Days Paid method



Total Sick Days Accumulated

Sick Days expected to be taken (used)


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

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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)

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

~~Sick Days lost~~

~~Sick Days converted to DB~~

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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

+

= Estimated Liability

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GASB 101

How about a sample calculation?

Sure, samples are allowed to develop an estimate.

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

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GASB 101

How about a sample calculation?

Start with the total sick days accumulated . . .

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

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

Apply the sample usage rate to the total.

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How about a sample calculation? GASB 101

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

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

*A sample of former employees gave us an 82% expected settlement rate.
Settlements are limited to 30% by policy
(18% forfeited or not eligible for settlement).*

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

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How about a sample calculation? GASB 101

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.

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

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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
Total expected liability	275,926	31,390	307,316

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Are there exceptions to the general recognition approach? GASB 101

Yes.

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 – opted to keep it simple.




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GASB 101

Do we need an actuary?

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



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GASB 101

Now what?

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

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

Follow GASBS #101 for disclosures



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GASB 101

Comments or Questions?


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GASB Statement 102

Certain Risk Disclosures


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

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


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Certain Risk Disclosures GASBS 102
Disclosures should include:
<ol style="list-style-type: none"> The concentration or constraint Each event that could cause a substantial impact Actions taken by the government to mitigate risk (prior to the issuance of the financial statements)


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Questions?




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GASB 103

GASB Statement 103

Financial Reporting Model Improvements



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GASB 103

What?

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

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GASB 103

Some provisions (details):

Updates the MD&A:




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GASB 103

Some provisions (details):

Limits the MD&A to five sections:

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




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GASB 103

Some provisions (details):

MD&A should be:

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




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GASB 103

Some provisions (details):

Financial Managers should be Knowledgeable about:

- Transactions and Events in the report
- Fiscal Policies to 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 and long-term analysis
- Offer explanations and 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:

- Significant positive or negative impact activities
- Explanations and interpretations
- Charts and graphs
- Assist users understanding why there were changes rather presenting what changed



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Some provisions (details): GASB 103

MD&A requirements (continued):

- Overview of the Financial Statements (basic financials)
- Financial Summary (GASB lists 17 items)
- Detailed Analysis
- Significant Capital Asset and Long-Term Financing Activity
- Currently Known Facts, Decisions, or Conditions (as of the financial statement date – see list)




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Some provisions (details): GASB 103

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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Some provisions (details): GASB 103

Defines Unusual OR Infrequent items

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)

Options for Infrequent:
 rare, atypical, sporadic, unusual, scarce, occasional,
 irregular, isolated, sparse, scattered



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GASB 103

Some provisions (details):

Disclose Unusual OR Infrequent items and include:

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

Options for Infrequent:
 rare, atypical, sporadic, unusual, scarce, occasional,
 irregular, isolated, sparse, scattered



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GASB 103

GASBS 103 Some provisions:

Standardizes Proprietary Fund Statements



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Standardizes Proprietary Fund Statements should: GASB 103

Revenues – Operating / Nonoperating

Expenses – Operating / Nonoperating

Subtotal for operating income or loss

Operating = not nonoperating revenue or expense.

proprietary

100

Standardizes Proprietary Fund Statements should distinguish: GASB 103

Nonoperating revenue or expense includes:

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

proprietary

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Standardizes Proprietary Fund Statements GASB 103

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)

	Employee Insurance	Facilities and Equipment Management	Total (See Exhibit B)
OPERATING REVENUES			
Charges for services	\$ 26,174	\$ 16,349	\$ 42,523
Miscellaneous	12	66	78
Total operating revenues	26,186	16,415	42,601
OPERATING EXPENSES			
Personnel salaries	146	6,640	6,786
Contractual services	394	3,723	4,117
Insurance claims and expenses	26,368	-	26,368
Depreciation	25	390	415
Other	26,053	7,834	33,887
Total operating expenses	53,686	17,607	71,293
Operating (loss)	(27,500)	(1,192)	(28,692)
NONCAPITAL SUBSIDIES			
Intergovernmental revenue	881	-	881
Transfers in	-	300	300
Total noncapital subsidies	881	300	1,181
Operating income (loss) and noncapital subsidies	111	(892)	(781)
OTHER NONOPERATING REVENUES			
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	1,227	1,670
Increase in fund net position	567	349	916
Fund net position—beginning of period	5,848	6,941	12,789
Fund net position—end of period	\$ 6,415	\$ 7,290	\$ 13,705


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GASB 103

Some provisions (details):

*Provides Major Component Unit Information –
In basic financial statements present EACH major component unit separately*

(if it does not reduce the readability of statements)




103

GASB 103

Some provisions (details):

Presents Comparable Budgetary Information



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

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GASB 103

Some provisions (details):



Presents Comparable Budgetary Information

	Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 187,715	\$ 187,715	\$ -	\$ 181,885	\$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intragovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,282	8,282	-	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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Other information: GASB 103

GASBS #103 Appendix C
Exhibits 1 - 22 provide template examples of MD&A, Statements and more!
www.gasb.org

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Questions? GASB 103

?

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Future GASB projects 

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

IN THE WORKS 

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Future GASB projects

Going Concern Uncertainties

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

Going ? . . . Concerned?”

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Future GASB projects

Going Concern Uncertainties

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

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Severe Financial Stress

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

Annual budget battles?; Political brinksmanship?
Some well-known jurisdictions in trouble?



111

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

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

GASB should develop a two-step process –


- **Guidance for Going Concern Uncertainties, then**
- **Guidance for 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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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?

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 30th.



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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?

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?

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 Severe Stress /Going Concern:

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

GASB will NOT explicitly require or prohibit discretely presented component units.



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Questions?



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Subsequent Events

subsequent

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Subsequent Events:

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



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Subsequent Events:

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



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Recent activities?

Nonrecognized events (continued)

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

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Questions?



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GAAP Structure

*Hierarchy of GAAP
for state and local
governments.*



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Quick review:

GASBS #76

Category A – GASB Statements & Codification


Category B

- GASB Technical Bulletins*
- GASB Implementation Guides*
- Literature of the AICPA cleared by GASB*



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Evaluate the dual approach:
Original Pronouncements and Codification have equal authoritative status.



Original Pronouncements Codification of GASB Statements

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Questions?



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Classification of Nonfinancial Assets

Board has just voted in a Final Statement
GASBS # 104

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

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Infrastructure Assets

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

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PV Definition of Infrastructure Assets

Examples
Recognition in statements




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Revenue and Expense Recognition

Redeliberating Feedback on PV Document

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



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

"Don't tell me how much you know, until you show me how much you care."

Tommy Shumpert,
former Knox County Mayor



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Thank you!



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"Thank you for what you do!"

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