

OHIO AUDITOR OF STATE
KEITH FABER

GASB Update

Efficient • Effective • Transparent 1

1

Issued GASBs yet to be implemented

- GASB 91 – Conduit Debt (2023)
- GASB 94 – Public-Private Partnerships (2023)
- GASB 96 – SBITA (2023)
- GASB 99 – Omnibus 2022 (various, some upon issuance, some with GASB 94 & 96, some 2024)
- GASB 100 – Accounting Changes and Error Corrections (2024)
- GASB 101 – Compensated Absences (2025)

• Note: Dates relate to June year end reports
Does not include implementation guides

Efficient • Effective • Transparent 2

2

Issued GASB CIGs yet to be implemented

- 2021-1
 - Questions 4.1–4.3, 4.23, and 5.2–5.4 and the supersession of Questions Z.51.4–Z.51.7 in Implementation Guide 2015-1 for reporting periods beginning after June 15, 2022 (FY23)
 - Questions 4.4–4.21 for fiscal years beginning after June 15, 2022, and all reporting periods thereafter (Leases FY23)
 - Question 4.22 for fiscal years beginning after June 15, 2021 (FY22 Effective date of GASB 87)
 - Question 5.1 for reporting periods beginning after June 15, 2023. (FY24)
- No IG released in 2022
- 2023-1
 - Questions 4.1–4.9 and 5.1 are effective for fiscal years beginning after June 15, 2023
 - Question 4.10 should be applied simultaneously with the requirements of Statement 100

Note: Dates relate to June year end reports

Efficient • Effective • Transparent 3

3

Projects on GASB's Agenda

- Big Three
 - Disclosure Framework (Concepts Statement Issued July 2022)
 - Financial Reporting Model (FRM) (statement expected 1st quarter 2024)
 - Revenue and Expense Recognition (RER) (exposure draft expected 2025 with final statement expected in 2027)
- Expected in 2023
 - Risk and Uncertainties disclosure (final -- third quarter 2023)
- Other Projects
 - Going Concern (TTC 3rd quarter 2024—final second quarter 2027)
 - Infrastructure Assets (TTC 3rd Quarter 2024—final second quarter 2027)
 - Classification of Nonfinancial Assets (ED 3rd quarter 2023—final second quarter 2024)

Efficient • Effective • Transparent 4

4

GASB 91 – Conduit Debt

- Effective for reporting periods beginning after December 15, 2021

Efficient • Effective • Transparent 5

5

GASB 94 – Public-Private Partnerships

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Supersedes GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*

Public-private and public-public partnerships, collectively referred to hereinafter as PPPs, comprise a wide variety of arrangements between a government and another party that are engaged in providing services to a government's constituents. Availability payment arrangements (APAs) also have been used in practice to procure governmental services. GASB 94 ¶1

For purposes of applying this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 ¶5

Efficient • Effective • Transparent 6

6

GASB 94 – Public-Private Partnerships

PPP

A PPP is an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. GASB 94 ¶5

Transferor/Operator

Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 ¶6

Government/vendor and No receivables

Compare to GASB 87

A lease is defined as a contract- that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.

Lessee/Lessor

7

GASB 94 – Public-Private Partnerships

As defined in GASB 94 ¶6, some PPPs are service concession arrangements (SCAs). An SCA is a PPP arrangement between a transferor and an operator in which all of the following criteria are met:

- a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of an underlying PPP asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
- b. The operator collects and is compensated by fees from third parties.
- c. The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services.
- d. The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

8

GASB 94 – Public-Private Partnerships

As defined in GASB 94 ¶7, an APA is an arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The payments by the government are based entirely on the asset's availability for use rather than on tolls, fees, or similar revenues or other measures of demand. Availability for use may be based on specified criteria such as the physical condition of the asset, construction milestones, or the achievement of certain availability measures. **In an APA, a government procures a capital asset or service, rather than receiving compensation to allow another entity to provide public services.** An APA may be similar to a PPP that includes a variable payment provision; however, in contrast to a PPP, the other party to an APA is receiving compensation from the government based entirely on availability to perform and not the actual performance of a public service.

9

GASB 94 – Public-Private Partnerships

A government that has a PPP that meets the definition of a lease should apply the accounting and financial reporting guidance in Statement 87, as amended, if (a) existing assets of the transferor are the only underlying PPP assets, (b) improvements are not required to be made by the operator to those existing assets as part of the PPP arrangement, and (c) the PPP does not meet the definition of an SCA in paragraph 6. GASB 94 ¶9

10

GASB 96 – SBITA

Subscription-Based Information Technology Arrangements (SBITA)

A SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. GASB 96 ¶6

Government/vendor
No receivables

Compare to GASB 87

A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.
Lessee/Lessor

11

GASB 99 Omnibus 2022

- Syncs up guidance for financial guarantees for exchanges transactions with that of non-exchanges transactions.
- Cleans up some derivative instrument accounting and termination of hedge accounting
- Clean up for Leases, SBITA, and PPPs
- Replacement of Interbank Offered Rates
- SNAP
- Disclosure of nonmonetary transactions (e.g. land swap)
- Pledged revenues (blended component unit)
- Terminology Changes related to deferred outflows/inflows

12

GASB 99 Omnibus 2022

The requirements of GASB 99 are effective as follows:

- The requirements in paragraphs 26–32 are effective upon issuance. (LIBOR, SNAP, Disclosure of Nonmonetary Transactions, Pledges of Revenues, Government-Wide Statements, Terminology Updates)
- The requirements in paragraphs 11–25 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. (Leases, PPPs, SBTAs)
- The requirements in paragraphs 4–10 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. (Financial Guarantees, Derivatives Instruments and Hedge Accounting)

Efficient • Effective • Transparent 13

13

GASB 100 Accounting Changes and Error Corrections

GASB 100 establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction).

Accounting changes include:

- Changes in accounting principles
- Changes in accounting estimates
- Changes to or within the financial reporting entity

GASB 100 ¶2 & ¶4

Efficient • Effective • Transparent 14

14

GASB 100 Accounting Changes and Error Corrections

Changes in accounting principles

Once adopted, an accounting principle should be applied consistently to account for and report transactions and other events of a similar type, except as described in this paragraph. A change in accounting principle results from either:

- A change from one generally accepted accounting principle to another generally accepted accounting principle that is justified on the basis that the newly adopted accounting principle is **preferable** to the accounting principle applied before the change. The qualitative characteristics of financial reporting—*understandability, reliability, relevance, timeliness, consistency, and comparability*—should be the basis for determining whether a new accounting principle would be preferable.
- The implementation of new authoritative accounting or financial reporting pronouncements (hereafter referred to as new pronouncements)

GASB 100 ¶5

Efficient • Effective • Transparent 15

15

GASB 100 Accounting Changes and Error Corrections

Changes in Accounting estimates

Accounting estimates are amounts subject to *measurement uncertainty* that are recognized or disclosed in the basic financial statements. Accounting estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies. A change in accounting estimate occurs when inputs change. Changes to inputs result from a change in *circumstance, new information, or more experience*.

- GASB 100 ¶9

Efficient • Effective • Transparent 16

16

GASB 100 Accounting Changes and Error Corrections

Changes to or within the financial reporting entity

Changes to or within the financial reporting entity result from:

- The *addition or removal of a fund* that results from the movement of continuing operations within the primary government, including its blended component units
- A change in a fund's presentation as *major or nonmajor*
- Except as described in paragraph 10, the *addition* of a component unit to the financial reporting entity *or removal of a component unit* from the financial reporting entity
- A change in a component unit's presentation as *blended or discretely* presented

GASB 100 ¶9

Efficient • Effective • Transparent 17

17

GASB 100 Accounting Changes and Error Corrections

Change in Accounting Principle

If restatement of all prior periods presented is not practicable, the cumulative effect, if any, of applying the newly adopted accounting principle should be reported as a **restatement** of beginning net position, fund balance, or fund net position, as applicable, of the earliest period for which it is practicable to apply the newly adopted accounting principle. GASB 100 ¶16

Changes in Accounting estimates

A change in accounting estimate, as described in paragraph 7, should be reported **prospectively** by recognizing the change in accounting estimate in the reporting period in which the change occurs GASB 100 ¶20

Error Correction

For financial statements that present a single period, an error correction should be reported **retroactively by restating** beginning net position, fund balance, and fund net position, as applicable, for the cumulative effect of the error correction on prior periods GASB 100 ¶25

Efficient • Effective • Transparent 18

18

GASB 100 Accounting Changes and Error Corrections

Error Correction – Note Disclosure
 27. A government should disclose the following in notes to financial statements for each error correction:

- a. The **nature of the error and its correction**, including the **periods affected** by the error and **identification of the financial statement line items** (excluding totals and subtotals) affected by the error in prior periods
- b. For financial statements that present a single period, the **effect on the prior period's** change in net position, fund balance, or fund net position, as applicable, had the error not occurred
- c. For comparative financial statements, the effect of the error correction on the change in net position, fund balance, or fund net position, as applicable, of the prior period.

Efficient • Effective • Transparent 22

22

GASB 100 Accounting Changes and Error Corrections

Error Correction – Note Disclosure
 28. In addition, the **effects on beginning net position, fund balance, or fund net position**, as applicable, should be disclosed as required by paragraph 32
 GASB 100 ¶27&28

Efficient • Effective • Transparent 23

23

GASB 100 Accounting Changes and Error Corrections

Reclassification
 29. For a **change in accounting principle** that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, **the disclosures required by paragraphs 17a and 17b should be included in notes to financial statements.** For comparative financial statements, amounts should be reclassified in all prior periods presented, if practicable. If amounts are not reclassified in prior periods presented because it is not practicable to do so, the reason why it is not practicable also should be disclosed.

30. For an **error correction** that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, the disclosures required by paragraph 27a should be included in notes to financial statements. For comparative financial statements, amounts should be reclassified in all prior periods presented.

GASB 100 ¶29 Note ¶17a and 17b and 27a relate to nature of change and why preferable

Efficient • Effective • Transparent 24

24

GASB 100 Accounting Changes and Error Corrections

Display in Financial Statements
 The **aggregate amount of adjustments** to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.

GASB 100 ¶31

Efficient • Effective • Transparent 25

25

GASB 100 Accounting Changes and Error Corrections

Note Disclosure
 A government should disclose in notes to financial statements the effects on beginning net position, fund balance, or fund net position, as applicable, of the earliest period adjusted or restated for the following that occurred during the period: (a) each change in accounting principle (including the implementation of new pronouncements that result in restatement), (b) each change to or within the financial reporting entity, and (c) each error correction. Those effects should be disclosed in a **tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit**. If the government has separately displayed in the financial statements the effects of each accounting change or error correction by reporting unit, those effects need not be repeated in notes to financial statements.

GASB 100 ¶32

Efficient • Effective • Transparent 26

26

GASB 100 Accounting Changes and Error Corrections

Note Disclosure
 The note disclosures required by this Statement should be made in the reporting period in which the accounting change occurs or in the reporting period in which the error is discovered and corrected. If a note disclosure is included in interim financial statements, that disclosure also should be included in the related annual financial statements. For comparative financial statements, if the prior periods presented were restated in the period in which the accounting change occurred or the error was discovered and corrected, subsequent annual financial statements need not repeat the disclosures.

GASB 100 ¶34

Efficient • Effective • Transparent 27

27

GASB 100 Accounting Changes and Error Corrections

RSI and SI
Change in accounting principle and change to or within the financial reporting entity

35. For reporting periods that are presented in the basic financial statements, information for those periods that is presented in required supplementary information (RSI) (including management's discussion and analysis [MD&A]) or supplementary information (SI) should be consistent with the manner in which the information for those periods is presented in the basic financial statements. **(That is, the reporting periods should be adjusted or restated in the same manner as the basic financial statements.)**

36. For prior reporting periods that are earlier than those presented in the basic financial statements, information for those prior periods that is presented in RSI (including MD&A) or SI **should not be restated for a change in accounting principles or a change to or within the financial reporting entity.**

GASB 100 ¶35-37

Efficient • Effective • Transparent 28

28

GASB 100 Accounting Changes and Error Corrections

RSI and SI
Change in accounting principle and change to or within the financial reporting entity

37. If prior-period information presented in RSI (including MD&A) or SI is not consistent with current-period information as a result of a change in accounting principle or a change to or within the financial reporting entity, **an explanation of why the information is not consistent should be provided in RSI (including MD&A) or SI, as applicable.** In MD&A, that explanation should include a reference to the related note disclosure in the basic financial statements

GASB 100 ¶35-37

Efficient • Effective • Transparent 29

29

GASB 100 Accounting Changes and Error Corrections

RSI and SI
Error Correction

38. For reporting periods that are presented in the basic financial statements, information for those periods that is presented in RSI (including MD&A) or SI should be restated. If the error affects periods earlier than those presented in the basic financial statements, all affected information should be corrected by restating the information for those prior periods in RSI (including MD&A) or SI, if practicable.

39. Information presented in RSI (including MD&A) or SI that is affected by an error should be identified as restated or not restated, as appropriate, and an explanation about the nature of the error should be provided in RSI MD&A) or SI, as applicable. In addition, if it is not practicable to restate information in RSI or SI, an explanation of why it is not practicable to restate should be provided in RSI (including MD&A) or SI, as applicable.

GASB 100 ¶38-39

Efficient • Effective • Transparent 30

30

GASB 100 Accounting Changes and Error Corrections

Sample Correction of an Error Note from GASB 100

During fiscal year 20X2, Sample City determined that infrastructure assets related to a new development that were contributed by a private developer in the prior year were not reported. Therefore, capital assets, net of depreciation, were understated by \$71.312 million for the fiscal year ended December 31, 20X1. In addition, public works revenue from capital grants and contributions was understated by \$72.610 million and public works expense for related depreciation was understated by \$1.298 million for the fiscal year ended December 31, 20X1. The effect of correcting that error is shown in column C of the table below.

Efficient • Effective • Transparent 31

31

GASB 100 Accounting Changes and Error Corrections

Effective Date

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after **June 15, 2023**, and all reporting periods thereafter. Earlier application is encouraged.

GASB 100 ¶40

Efficient • Effective • Transparent 32

32

GASB 101 Compensated Absences

A compensated absence is leave for which employees may receive one or more (a) cash payments when the leave is used for time off; (b) other cash payments, such as payment for unused leave upon termination of employment; or (c) noncash settlements, such as conversion to defined benefit postemployment benefits. The payment or settlement could occur during employment or upon termination of employment. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation (or annual) leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave.

(GASB 101 ¶3)

Efficient • Effective • Transparent 33

33

GASB 101 Compensated Absences

Liabilities for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for (a) leave that has not been used (paragraphs 9–20) and (b) leave that has been used but not yet paid or settled (paragraph 21). Those liabilities are not required to be aggregated for display in the basic financial statements. Applicable salary-related payments (paragraphs 22–26) should be included in the measurement of those liabilities.(GASB 101 ¶8)

34

GASB 101 Compensated Absences

Except as discussed in paragraphs 13–15, a liability should be recognized for leave that has not been used if all of the following are true:

- a. The leave is attributable to services already rendered. (See paragraph 10.)
- b. The leave accumulates. (See paragraph 11.)
- c. The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

(GASB ¶9)

35

GASB 101 Compensated Absences

14. For types of compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period, a government should not recognize a liability until the leave commences. For the purposes of this Statement, parental leave, military leave, and jury duty leave should not be recognized as liabilities until the leave commences. However, sick leave and unrestricted sabbatical leave should be recognized in accordance with the provisions in paragraph 9

15. For the following types of compensated absences, a government should not recognize a liability until the leave is used:

- a. Leave that employees are able to take as needed without specific limits (sometimes referred to as unlimited leave)
- b. Holiday leave that is taken on a specific date not at the discretion of employees.

(GASB ¶14& 15)

36

GASB 101 Compensated Absences

18. If the leave is not attributable to a specific employee as of the date of the financial statements (for example, if leave has been donated to a shared employee leave pool), a government should measure the liability using an estimated pay rate that is representative of the eligible employee population

(GASB 101 ¶18)

Efficient • Effective • Transparent 37

37

GASB 101 Compensated Absences

B15. The Board acknowledges that governments may have to exercise professional judgment in estimating amounts of leave that are more likely than not to be used or otherwise paid or settled. The Board considered adapting the termination payment method or vesting method for sick leave from Statement 16, as amended, to provide guidance for how preparers should estimate forfeitures of leave. Paragraph 32 in the Basis for Conclusions of Statement 16 noted that the inclusion of the vesting method was due to concern from stakeholders that the historical information required for the termination payment method might not be available to all governments. Based on stakeholder outreach, the Board believes that governments now generally have access to historical data that can facilitate such an estimate. However, the Board believes that requiring a specific method to determine the estimate may be overly prescriptive. Therefore, in order to provide flexibility to preparers in estimating potential forfeitures of leave, the Board decided to provide general guidance in the form of factors to consider in determining that estimate.

Efficient • Effective • Transparent 38

38

GASB 101 Compensated Absences

B14. Specifically, the Board believes that certain factors provide governments with a contextual basis to estimate whether leave is more likely than not to be used or otherwise paid or settled, **including employment policies related to compensated absences; historical information about leave usage patterns, payments upon termination of employment, and forfeitures of leave; and information about current and expected future eligibility.** Those factors may need to be evaluated in combination with each other. The Board also determined that governments should consider factors that may indicate that historical information would not lead to a representative estimate of whether leave is more likely than not to be used or otherwise paid or settled. **The Board believes that governments should exercise judgment in considering historical information because, in some instances, a government may be aware of information that contradicts historical trends of payment for leave usage, payment upon termination, and forfeiture.**

Efficient • Effective • Transparent 39

39

GASB 101 Compensated Absences

Flows Assumption

B43. A key component in determining the estimate of the amount due within one year is the flows assumption for the pattern of usage of compensated absences. The flows assumption, whether implicit or explicit, is used in determining whether the amount the government expects to pay in the next reporting period will be attributed first to (a) the recognized liability at the date of the financial statements (a first-in, first-out [FIFO] flows assumption) or (b) the leave earned in the next reporting period (a last-in, first-out [LIFO] flows assumption).

GASB 101 ¶B43

Efficient • Effective • Transparent 40

40

GASB 101 Compensated Absences

Notes to Financial Statements

30. For the purpose of the long-term liabilities disclosure required by paragraph 119b of Statement 34, as amended, a government should present either (a) the separate increases and decreases or (b) a net increase or a net decrease in its liability for compensated absences included in that disclosure. A government that presents a net increase or a net decrease should indicate that it is a net amount.

31. The disclosure requirement in paragraph 119d of Statement 34, as amended, is not required to be applied to liabilities for compensated absences included in that disclosure.

(ED ¶30&31)

Efficient • Effective • Transparent 41

41

GASB 101 Compensated Absences

Effective Date and Transition

32. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged.

33. Changes adopted at transition to conform to the provisions of this Statement should be reported as a change in accounting principle in accordance with Statement No. 100, Accounting Changes and Error Corrections, including the related display and disclosure requirements.

(GASB 101 ¶32&33)

Efficient • Effective • Transparent 42

42

IG 2021-1

5.1. Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the \$150,000 aggregate amount (100 computers costing \$1,500 each) is significant, the government should capitalize the computers.

Question 5.1 is effective for reporting periods beginning after June 15, 2023.

43

IG 2021-1

CIG question that will be amended by 5.1

7.9.8. Q—Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of \$5,000 for equipment. If the government purchases 100 computers costing \$1,500 each, should the computers be capitalized?

A—Authoritative pronouncements do not address the manner in which a capitalization policy should be established and applied. Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of record keeping for capital assets. It may be appropriate for a government to establish a capitalization policy that would require capitalization of certain types of assets whose individual acquisition costs are less than the threshold for an individual asset. Computers, classroom furniture, and library books are assets that may not meet the capitalization policy on an individual basis, yet might be considered material collectively.

44

IG 2021-1

Appendix B

Q5.1 amends Question 7.9.8 in Implementation Guide 2015-1 to clarify the capitalization requirement for capital assets that are significant in the aggregate.

45

Questions?

Efficient • Effective • Transparent

46

46

OHIO AUDITOR OF STATE
KEITH FABER

Tracie McCreary
Chief Technical Specialist
LGS
tmccreary@ohioauditor.gov

Efficient • Effective • Transparent

47

47
