GASB Updates with GASB 87:

MAULDIN & JENKINS
PRESENTED BY:

GRANT DAVIS, CPA
TREY SCOTT, CPA

mjcpa.com

MAULDIN & JENKINS
CPAs & ADVISORS

Issues to Focus on as Soon as Possible

Debt limits and bond covenants

- All leases lasting more than a year will be reported by lessees as long-term liabilities
- Review state and local laws and agreements to determine whether that could impact compliance with debt limitations and bond covenants

Lease policies and procedures

- May need to consider changing policies and procedures for tracking and reporting leases, both as lessee and lessor
- May need better communication between departments that enter into leases and central accounting staff
- Need procedures that identify when lease agreements have been initiated and when existing leases are modified (such as changes in lease term or estimated payment amounts
- Should review capital asset policies, such as the capitalization thresholds, especially in light of the need to report intangible right-to-use assets

mjcpa.com

Issues to Focus on as Soon as Possible (continued)

Transition Provisions

- Statement 87 requires that leases be recognized and measured using the facts and circumstances as of the BEGINNING OF THE PERIOD of implementation:
  - As of July 1, 2021 for the FYE June 30, 2022
  - As of October 1, 2021 for the FYE September 30, 2022
  - As of January 1, 2022 for the FYE December 31, 2022

mjcpa.com

Statement 87 Scope and Approach

- Statement 87 applies to any contract that meets the definition of a lease:

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

- Leases are financings of the right to use an underlying asset

  Single approach applied to accounting for leases with some exceptions, such as short-term leases

- Capital/operating distinction is eliminated (unlike FASB)

mjcpa.com

Statement 87 Scope and Approach

- Prior classification of leases:
  - Capital leases
  - Transfer of ownership, OR
  - Bargain purchase option, OR
  - Lease term greater than or equal to 75% of the economic life, OR
  - Present value of future minimum lease payments greater than or equal to 90% of the FMV of the asset.

- If none of the above…operating lease.

mjcpa.com

Scope Exclusions

- Intangible assets (mineral rights, patents, software, copyrights), except for the sublease of an intangible right-to-=use asset
- Biological assets (including timber, living plants, and living animals
- Inventory
- Service concession arrangements (Statement 60)
- Arrangements associated with conduit debt obligations (Statement 91)
- Supply contracts (such as power purchase agreements that do not convey control of the right to use the underlying generating facility

mjcpa.com

Lease Term

- For financial reporting purposes, when does the lease start and end?
  - Start with the **noncancelable period**

  - Plus periods covered by options to:
    - Extend lease, if reasonably certain of being exercised
    - Terminate lease, if reasonably certain of *not* being exercised
  - Excludes cancelable periods
  - Periods for which lessee and lessor both have option to extend or terminate such as rolling month-to-month leases)
  - Fiscal funding and cancellation clauses are ignored unless reasonably certain of being exercised

mjcpa.com

Lease Term - Examples

- Assume a 5 year lease with lessee-only option to cancel at 4 years:

Lessee options		Lessor options		Term
Terminate	Extend	Terminate	Extend	
Uncertain	n/a	n/a	n/a	5 years
Reasonably Certain	n/a	n/a	n/a	4 years

mjcpa.com

Lease Term - Examples

- Assume a 5 year lease with lessee option to extend to 6 years and lessor option to cancel at 4 years:

Lessee options		Lessor options		Term
Terminate	Extend	Terminate	Extend	
n/a	Uncertain	Uncertain	n/a	5 years
n/a	Uncertain	**Reasonably Certain**	n/a	4 years
n/a	**Reasonably Certain**	Uncertain	n/a	6 years
n/a	**Reasonably Certain**	**Reasonably Certain**	n/a	4 years

mjcpa.com

Short-Term Leases

Definition	At beginning of lease, *maximum possible term* under the contract is 12 months or less
Lessee accounting	• Recognize expenses/expenditures based on the terms of the contract • Do not recognize assets or liabilities associated with the right to use the underlying asset
Lessor accounting	• Recognize lease payments as revenue based on the payment provisions of the contract • Do not recognize receivables or deferred inflows

Initial Reporting

	Assets	Liability	Deferred Inflow
Lessee	Intangible lease asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use	Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)	NA
Lessor	• Lease receivable (generally includes same items as lessee's liability) • Continue to report the leased asset	NA	Equal to lease receivable plus any cash received up front that relates to a future period

mjcpa.com

Initial Reporting

Initial measurement of a lease liability includes:

- Fixed payments (less any lease incentives receivable from the lessor in the future – not lease incentives to paid at inception)
- Variable payments based on an index or rate (such as CPI), using the rate as of the beginning of lease
- Variable payments that are fixed in substance
- Residual value guarantees reasonably certain of being required
- Purchase options reasonably certain of being exercised
- Termination penalties, if lease term reflects lessee exercising termination options/fiscal funding clauses
- Any other reasonably certain payments…EXCEPT payments that are dependent on a lessee's performance or usage of an underlying asset

mjcpa.com

Initial Reporting

Lessee's right-to-use lease asset

- Initially measure lease asset as the sum of:
  - Initial lease liability
  - Any prepayments (amounts paid to the lessor prior to measuring the lease liability)
    - Less any lease incentives received from the lessor at/or before commencement of the lease
  - Initial direct costs that are necessary ancillary charges to place the leased asset into use
    - Other initial direct costs (e.g., insurance, legal, administrative - including those that could be considered to be issuance costs) should be expensed

mjcpa.com

Practical Considerations

- Like all GASB standards – The provisions of this statement need not be applied to immaterial items
  - Is the calculated asset and/or liability material to your financial statements?
  - Use of capital asset capitalization threshold policy?
    - i.e. if the asset determined with the initial measurement is under your capitalization threshold, it is likely that the transaction (both asset and liability) would be immaterial and therefore can just be expensed as paid
  - Consider discussing with your auditor if you conclude immaterial

mjcpa.com

Initial Measurement Example

Lease of a Copy Machine

Lease Payment per month	**$100 per month**
Lease Term	**2 years**

- What is the amount of the lease asset (no consideration of discount)?
- What is the amount of the lease liability (no consideration of discount)?
- What is the entry to record the initial lease at inception?

mjcpa.com

Initial Measurement Example

Lease of a Copy Machine

Lease Payment per month	**$100 per month**
Lease Term	**2 years**

- What is the amount of the lease asset (no consideration of discount)?
  $2,400 ($100 * 24 months)
- What is the amount of the lease liability (no consideration of discount)?
  $2,400 ($100 * 24 months)
- What is the entry to record the initial lease at inception?
  Probably no entry – amount is most likely immaterial

mjcpa.com

Initial Measurement Example #2

Lease of a Vehicle

Lease Payment per month	**$500 per month**
Lease Term	**2 years**

- What is the amount of the lease asset (no consideration of discount)?

_____

- What is the amount of the lease liability (no consideration of discount)?

_____

- What is the entry to record the initial lease at inception?

mjcpa.com

Initial Measurement Example #2

Lease of a Copy Machine

Lease Payment per month **$500 per month**

Lease Term **2 years**

- What is the amount of the lease asset (no consideration of discount)?
  $12,000 ($500 * 24 months)
- What is the amount of the lease liability (no consideration of discount)?
  $12,000 ($500 * 24 months)
- What is the entry to record the initial lease at inception?

	Dr	Cr
Lease Asset	$12,000	
Lease Liability		$12,000

mjcpa.com

MAULDIN & JENKINS
CPAs & ADVISORS

Present Value Considerations

- Lease liability payments should be discounted to present value using the rate the lessor charges the lessee
  - Rate may be implicit or,
  - If that rate cannot be readily determined, the lessee's incremental borrowing rate

- Present value means that we should think about this as if we are borrowing money from a bank. Given that we are not paying for use of the asset all up front, then we are, in essence, financing the purchase of the use of the asset and must charge some of our payment to interest (a cost of financing)

mjcpa.com

Present Value Considerations

- Interest rate may be stated in your lease agreement and interest may be calculated/identified
  - In this case the principal balance at beginning of lease is the present value of the lease payments – payments will be stated in the agreement and broken out between principal and interest.
  - Common in debt / borrowings. Not as common in leases

mjcpa.com

Present Value Considerations

- If implicit rate can not be determined, then you can utilize your incremental borrowing rate
  - This rate is an estimate of the rate that would be charged for borrowing a similar amount during the lease term

Annual Payment	$ 1,000	(known)
Value of Equipment	$ 5,158	(determined)
Interest Rate	4.50%	(estimated)

Year	Total Payment	Interest	Principal	Balance
				$ 5,158
1	$ 1,000	$ 232	$ 768	4,390
2	1,000	198	802	3,588
3	1,000	161	839	2,749
4	1,000	124	876	1,873
5	1,000	84	916	957
6	1,000	43	957	0

mjcpa.com

Initial Measurement Example #3

Lease of Equipment

Lease Payment per month	$1,000 per month ($2,000 paid at closing / signing of the lease document
Lease Term	2 years
Interest Rate	Not stated; issued bonds at 3.8% last year

- What is the amount of the lease asset?
- What is the amount of the lease liability?
- What is the entry to record the initial lease at inception?

mjcpa.com

Initial Measurement Example #3

Monthly	$ 1,000	(known)
Value of Equipment	$ 23,028	(determined)
Interest Rate	4.00%	(estimated)

Month	Total Payment	Interest	Principal	Balance	
				$ 23,028	
1	$ 1,000	$ 77	$ 923	22,105	
2	1,000	74	926	21,179	
3	1,000	71	929	20,249	
4	1,000	67	933	19,317	
5	1,000	64	936	18,381	
6	1,000	61	939	17,442	
7	1,000	58	942	16,501	
8	1,000	55	945	15,556	
9	1,000	52	948	14,607	
10	1,000	49	951	13,656	
20	1,000	17	983	3,967	rows hidden
21	1,000	13	987	2,980	
22	1,000	10	990	1,990	
23	1,000	7	993	997	
24	1,000	3	997	(0)	

- **Total Lease Asset = $25,028**
- $23,028 in the NPV of the future payments (left)
- PLUS $2,000 paid at the inception of the lease

mjcpa.com

Initial Measurement Example #3

- **Total Lease Asset = $25,028**
- $23,028 in the NPV of the future payments (lease liability)
- PLUS $2,000 paid at the inception of the lease

	Db	Cr
Lease Asset	$ 25,028	
Lease Liability		$ 23,028
Cash		$ 2,000

mjcpa.com

Subsequent Reporting

	Assets	Liability	Deferred Inflow
Lessee	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)	NA
Lessor	• Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition) • Reduce receivable by lease payments (less amount needed to cover accrued interest)	NA	Recognize revenue over the lease term in a systematic and rational manner

mjcpa.com

Subsequent Reporting

- Lease liability reduced for actual payments less amortization of discount on lease liability (interest expense)

Lease Liability	xx,xxx	
Interest Expense	xxx	
Cash		xx,xxx

mjcpa.com

Subsequent Reporting

- Lease asset should be amortized (e.g., amortization expense) using a systematic and rational manner over the shorter of the useful life of the underlying asset or the lease term
  - Lease asset amortization may be combined with depreciation expense for other capital assets
  - If the lease has a purchase option which is reasonably certain of being exercised, amortize over the useful life of the underlying asset as if the lessee owns the underlying asset (not the lease term), using the lessee's depreciation policy, unless non-depreciable.

Amortization Expense	xx,xxx	
Lease Asset		xx,xxx

mjcpa.com

Contracts with Multiple Components

Statement 87

- Generally, account for lease and non-lease components as separate contracts and multiple underlying assets as separate lease components in certain circumstances (paragraphs 64 and 65)
- Allocate contract price to different components (paragraph 66)

Implementation Guide 2019-3

- One component meets scope exclusions and one does not?
  - » Separate and account for them individually (Q4.59)
- Separate utilities and janitorial costs of building lease?
  - » Yes, if practicable to do so (Q4.60)

mjcpa.com

Other Topics Covered by Statement 87

- Disclosures
- Contract combinations
- Lease modifications & terminations
- Lease incentives
- Subleases
- Sale-leasebacks
- Lease-leasebacks

mjcpa.com

GASB Statement No. 96:

Subscription-Based Information Technology Arrangements

mjcpa.com

MAULDIN & JENKINS
CPAs & ADVISORS

Scope and Applicability

A subscription-based information technology arrangement (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."

Issued: May 2020 Effective: Years Beginning After June 15, 2022

To determine whether a contract conveys control of the right to use the underlying IT assets, a government should assess whether it has both:

- The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract
- The right to determine the nature and manner of use of the underlying IT assets as specified in the contract

Scope and Applicability (continued)

Statement 96 does not apply to:

- Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement 87, in which the software component is insignificant compared to the cost of the underlying tangible capital asset
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs
- Contracts that meet the definition of a P3 in Statement 94
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement 51

Recognition and Measurement

An SBITA should be reported under provisions effectively the same as those for a lessee under Statement 87—recognize a subscription asset and a subscription liability (except for short-term SBITAs)

- Measurement of the subscription asset should include certain capitalizable implementation costs based on stages similar to those for internally developed software in Statement 51:
  - Preliminary project stage
  - Initial implementation stage
  - Operation and additional implementation stage

Accounting for Activities Associated with a SBITA

Preliminary Project Stage

- Outlays should be expensed as incurred

Initial Implementation Stage

- In general, outlays should be capitalized
- However, if no subscription asset is recognized (such as for a short-term SBITA), outlays should be expensed as incurred

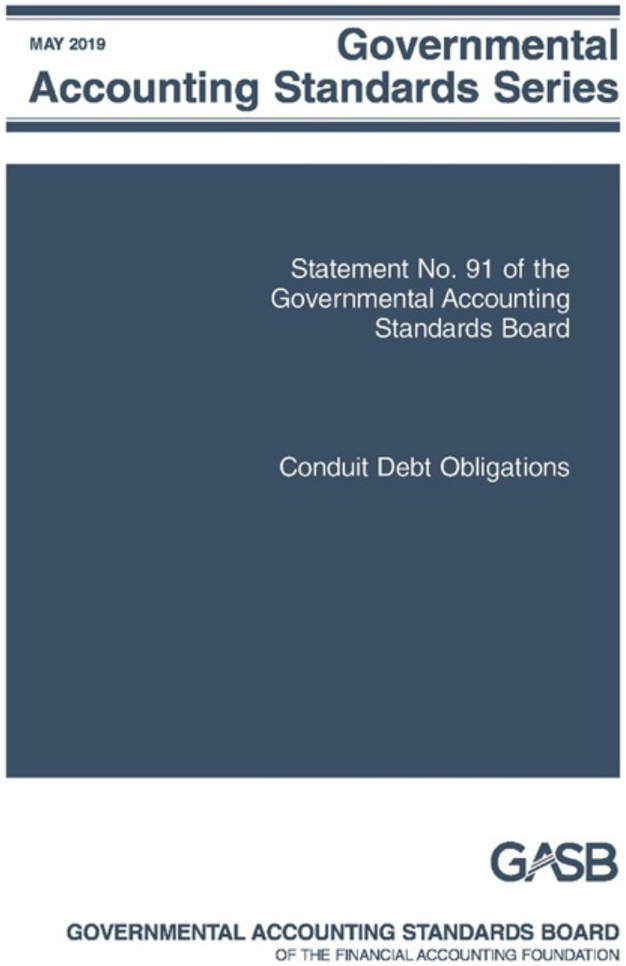
Operation & Additional Implementation Stage

- Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria

Pronouncements Being Implemented

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 91



The Board improved the standards related to conduit debt obligations by providing a single reporting method for government issuers; Interpretation 2 had been in effect for 20 years before its effectiveness was evaluated; based on GASB research, improvements were needed to eliminate diversity in practice

When

- Effective for periods beginning after December 15, 2021

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 91

Definition of Conduit Debt

- There are at least three parties involved: the government-issuer, the third-party obligor (borrower), and the debt holder or trustee.
- The issuer and the third-party obligor are not within the same financial reporting entity.
- The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.
- The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.
- The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.

GASB Statement No. 91

- Do not recognize a conduit debt obligation as a liability
- May have a related liability arising out of an additional or voluntary commitment
- Additional commitment: report a liability when qualitative factors indicate it is more likely than not that the issuer will support debt service payments for a conduit debt obligation
- Voluntary commitment: if a certain event or circumstance has occurred, evaluate likelihood, then report a liability if it is more likely than not that the issuer will support debt service payments
- Voluntary commitments for which a liability is recognized and all additional commitments: At least annually reevaluate whether recognition criteria are met while conduit debt is outstanding

GASB Statement No. 91

Some conduit debt obligations include arrangements* that involve capital assets to be used by the third-party obligor but owned by the issuer.

- Capital asset is built or acquired with proceeds of the conduit debt obligation.
- Issuer retains title to the capital asset from the beginning of the arrangement.
- Payments from the third-party obligor are to cover debt service payments.
- Payment schedule of the arrangement coincides with the debt service repayment schedule.

*Often characterized as “leases”

GASB Statement No. 91

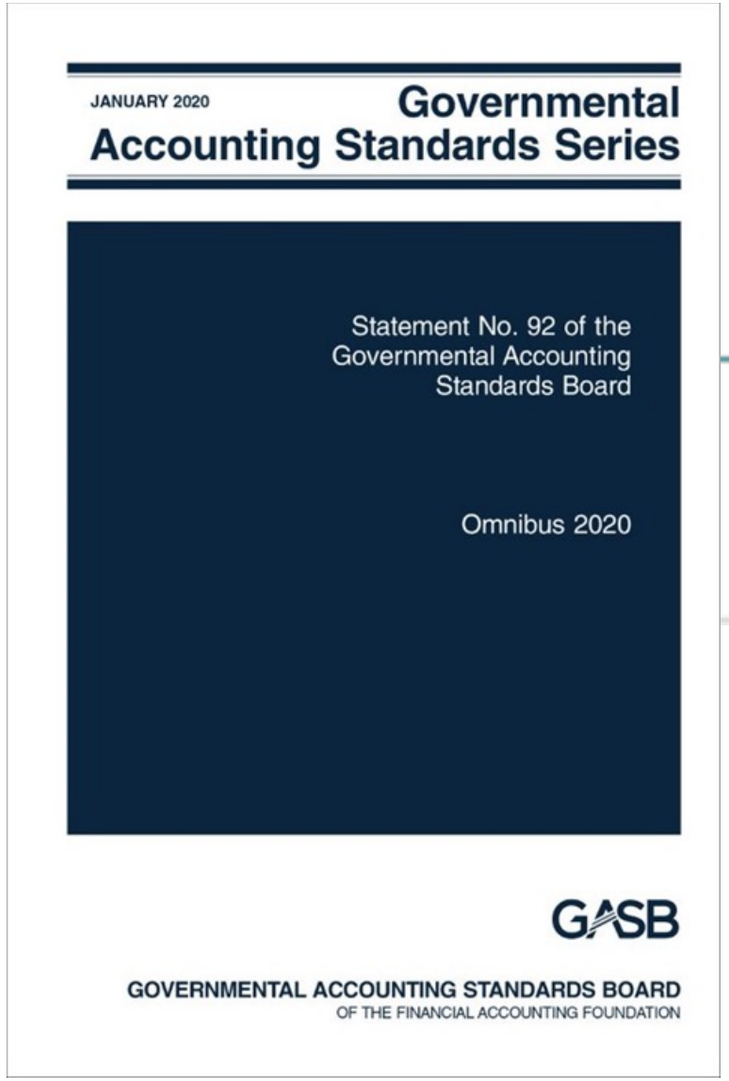
Accounting by the issuer:

- Do not report those arrangements as leases
- Do not recognize a liability for the related conduit debt obligations
- Do not recognize a receivable for the payments related to those arrangements
- If the arrangement meets the definition of a service concession arrangement, follow Statement 60

GASB Statement No. 91

Does title pass to third-party obligor at the end of arrangement?	Does title pass to third-party obligor at the end of arrangement?	Does title pass to third-party obligor at the end of arrangement?
Yes	No	No
No, and third party has exclusive use of *entire* capital asset	Yes, when the arrangement ends	No
No, and the third party has exclusive use of only *portions* of the capital asset	Yes, at the inception of the arrangement	Yes, at the inception of the arrangement; deferred inflow recognized as revenue over the term of the arrangement

GASB Statement No. 92



Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project

When

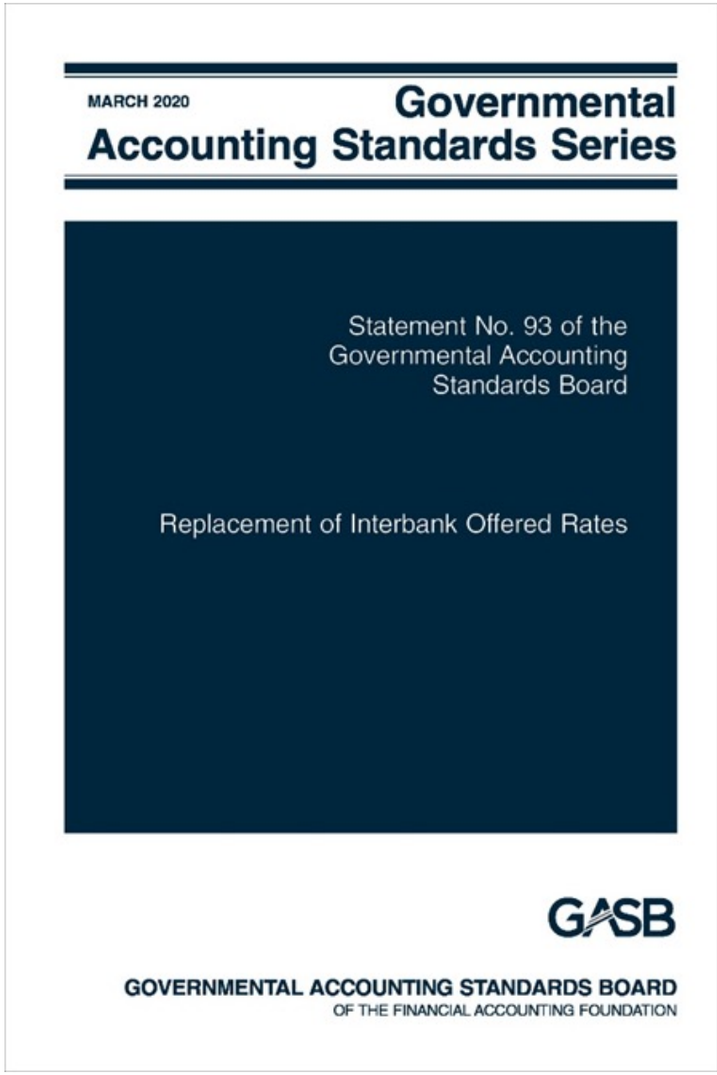
- Effective dates vary by topic.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 92

Requirements related to:	Effective Date
1. Leases 2. Reinsurance recoveries 3. Derivative instruments	Upon issuance
4. Intra-entity transfers of assets 5. Applicability of Statements 73 and 74	Fiscal years beginning after June 15, 2021
6. Application of Statement 84 to post-employment benefit arrangements 7. Fair value measurements	Reporting periods beginning after June 15, 2021
8. Government combinations and disposals of operations	For government acquisitions occurring in reporting periods beginning after June 15, 2021

GASB Statement No. 93



The Board has issued guidance to facilitate the transition from using IBORs in hedging derivative instruments and leases due to the expectation that LIBOR will effectively sunset.

When

- Effective dates vary by topic.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 93

Continue to apply hedge accounting to an effective hedging derivative instrument with a variable payment based on an IBOR, if all criteria are met:

- Hedging derivative instrument is amended or replaced to change the reference rate of its variable payment or add/change reference rate-related fallback provisions
- The new reference rate initially equate the old rate by:
  - Adjusting the new rate by a coefficient or constant, limited to what is necessary to essentially equate the rates, and/or
  - An up-front payment, limited to what is necessary to essentially equate the rates
- The original hedging derivative instrument is ended and the replacement hedging derivative instrument is entered into on the same date
- Critical terms are identical, except for term changes that are necessary for reference rate replacement (see next slide)

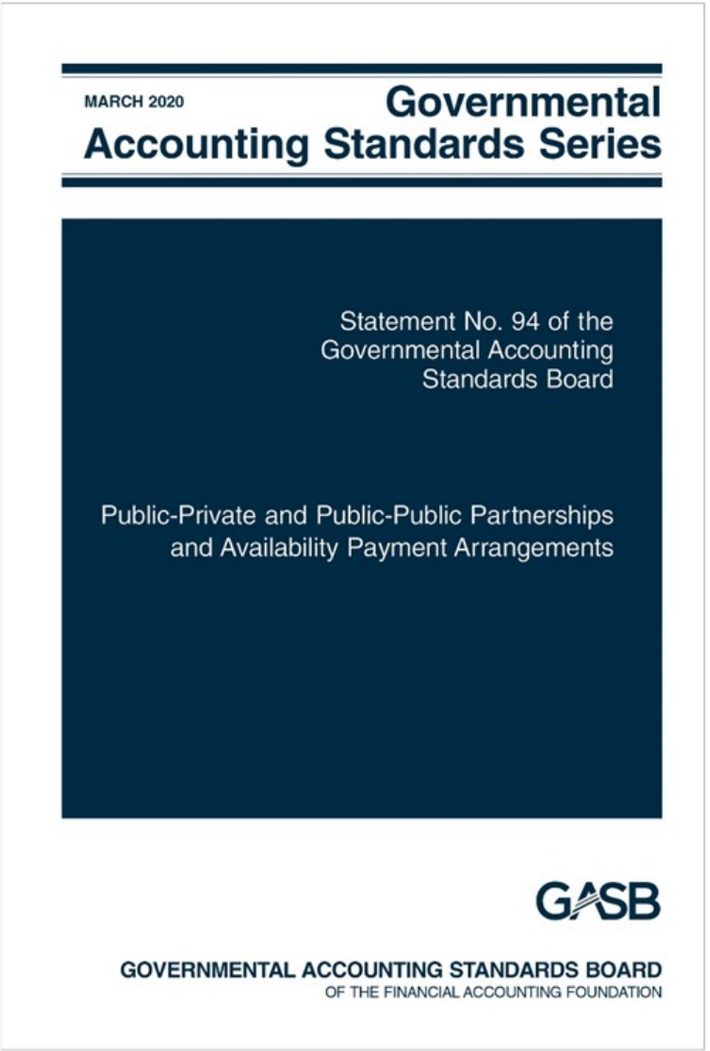
GASB Statement No. 93

Two-Step Transition to a SOFR

- A hedging derivative instrument may be amended or replaced in two steps: a transition from an IBOR to another rate (such as the effective federal funds rate) prior to transitioning to a recured overnight financing rate (SOFR)

- Hedge accounting continues when all of the following criteria are met:
  - The first step replaces an IBOR with another rate
  - That interim rate is replaced by a SOFR in the second step
  - All four of the criteria for a one-step transition are met

GASB Statement No. 94



The Board issued guidance for public-private and public-public partnerships (P3s) that are not subject to Statements 60 or 87, and improvements to Statement 60.

When

- Effective for reporting periods beginning after June 15, 2022.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 94

Public-private partnerships and **public-public partnerships (P3s)** are arrangements "in which a government (the transferor) contracts with an operator [governmental or nongovernmental] to provide public services by conveying control of the right to operate a nonfinancial assets, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction."

Availability payment arrangements (APA):

- Government contracts with another entity to operate or maintain the government's nonfinancial asset
- Entity receives payments from the government based on the asset's availability for use
- Asset's availability may be based on the physical condition of the asset or the achievement of certain performance measures
- May include design, finance, construction, or service components

GASB Statement No. 94

Transferor Reporting

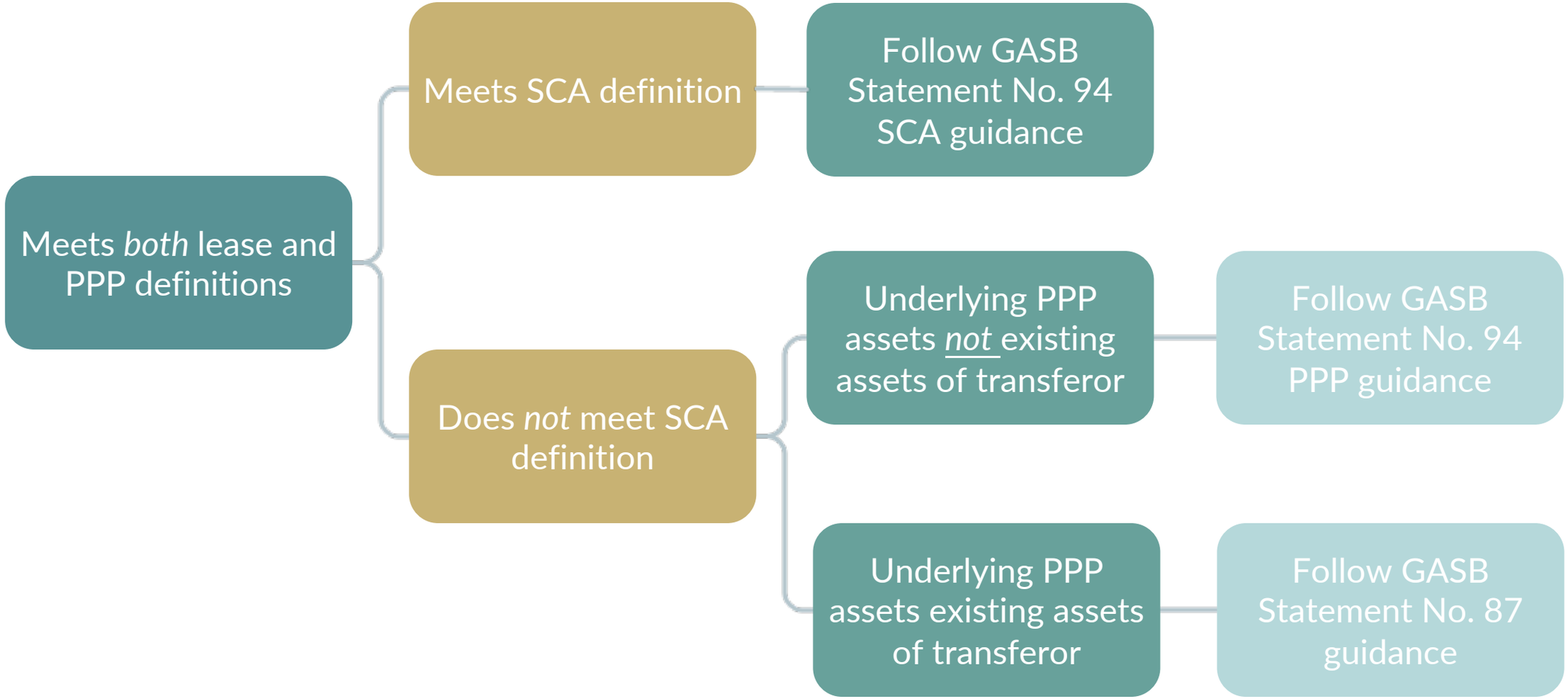
For all P3s, recognize:

- Receivable for installment payments to be received, if any
- Deferred inflow of resources for the assets recognized, including payments received from the operator at or before start of the P3 term

If underlying P3 asset is a new asset or an existing asset that has been improved...

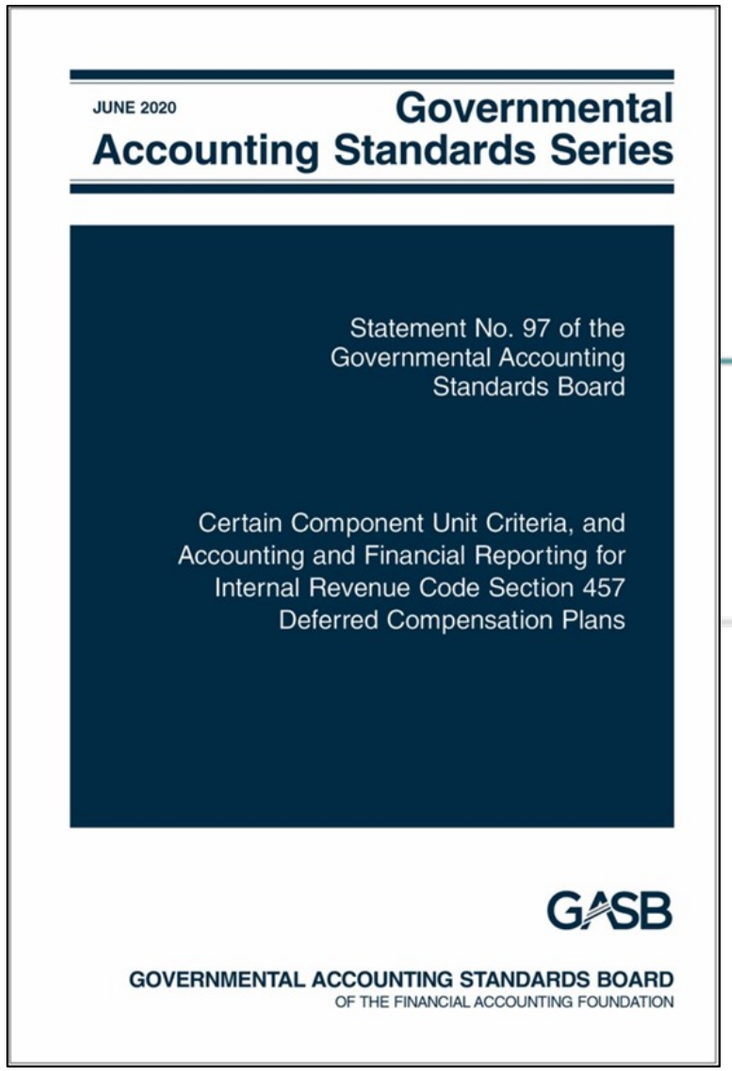
- ... and the P3 is an SCA: also recognize the capital asset at acquisition value when placed into operation
- ... and the P3 is not an SCA: also recognize a receivable for the capital asset, measured at operator's estimated carrying value as of the future date of the transfer in ownership

GASB Statement No. 94



MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 97


JUNE 2020

Governmental Accounting Standards Series

Statement No. 97 of the Governmental Accounting Standards Board

Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

The GASB has changed the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans.

When

- Effective dates vary by topic.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 97

- The implication of that existing and considered guidance is that many governments would be required to report DC plans and other employee benefit plans as component units in their fiduciary fund financial statements

- The Board directed the staff to conduct additional outreach on the structure of those types of arrangements and user needs for information about them

- Based on the outreach, the Board decided to expand the project and issue guidance on component units

GASB Statement No. 97

- For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government performs the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for the DC pension plans, DC OPEB plans, or other employee benefit plans*

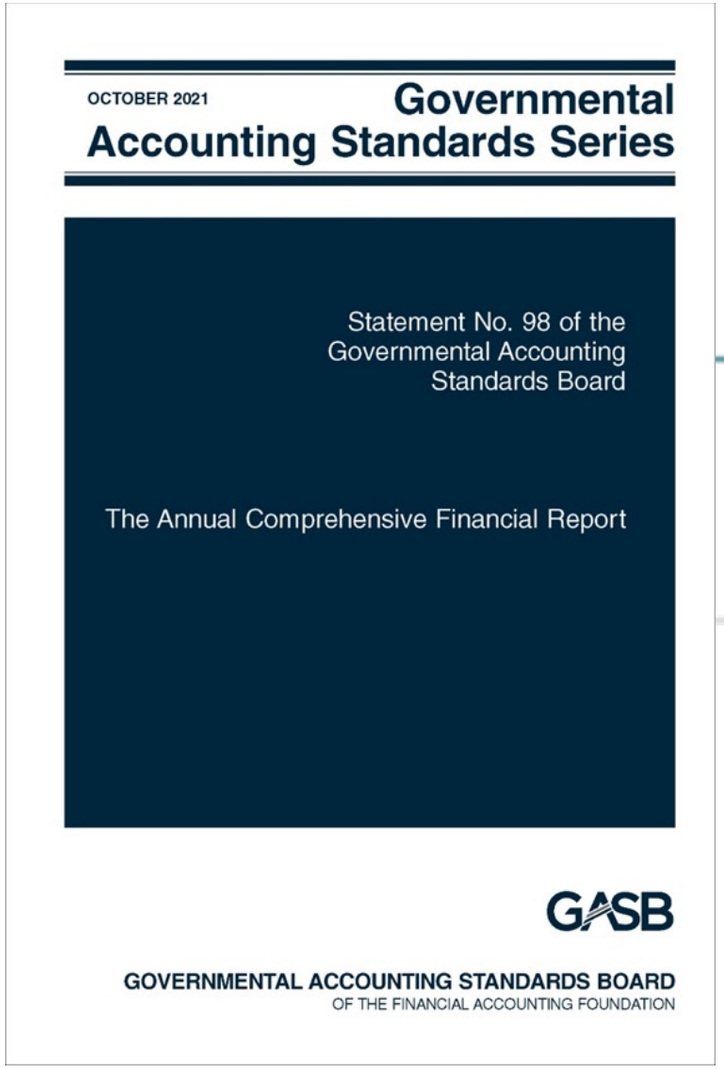
- The criterion that a legal obligation to contribute (or otherwise assuming the obligation) is considered to be a financial burden applies only to defined benefit plans

GASB Statement No. 97

Accounting and Reporting for 457 Plans

- All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan
- All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan
- Investments should be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator is eliminated)

GASB Statement No. 98



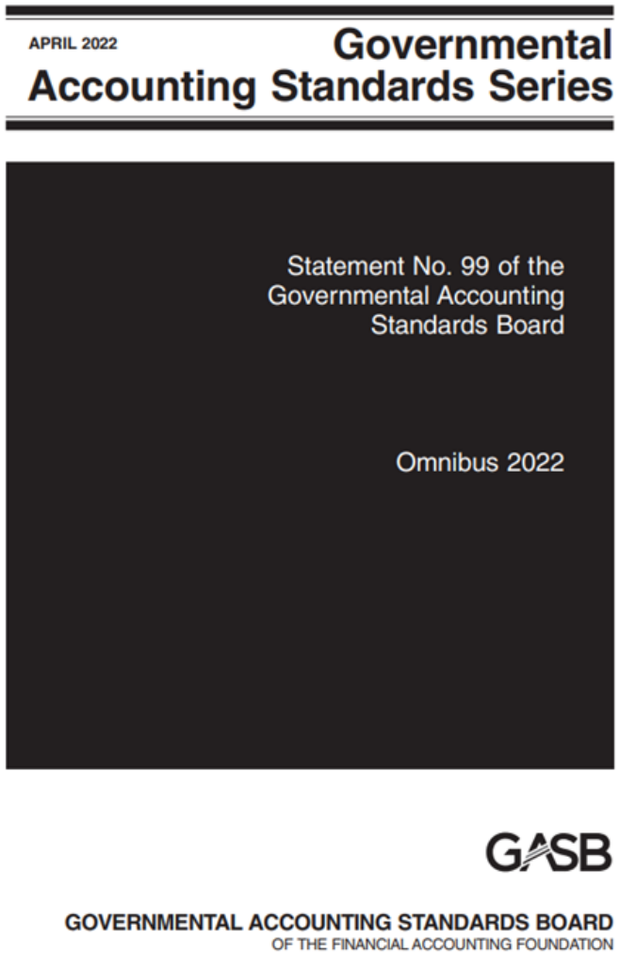
The GASB has renamed the financial report in response to stakeholders who pointed out that its acronym, as it commonly was pronounced, sounded like a highly offensive racial slur

When

- Effective for fiscal years ending after December 15, 2021.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 99



Omnibus projects are used to address issues in multiple pronouncements that, individually, would not justify a separate project

Effective dates vary by topic.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 99

Requirements related to:	Effective Date
1.. Extension of the use of LIBOR 2. Accounting for SNAP distributions 3. Disclosure of nonmonetary transactions 4. Pledges of future revenues by pledging governments 5. Clarification of certain provisions of Statement 34 6. Terminology updates related to Statement 53 and Statement 63	Upon issuance
7. Leases, PPPs and SBITAs	Fiscal years beginning after June 15, 2022
8. Financial guarantees 7. Classification and reporting of derivative instruments within the scope of Statemetn 53	Fiscal years beginning after June 15, 2023

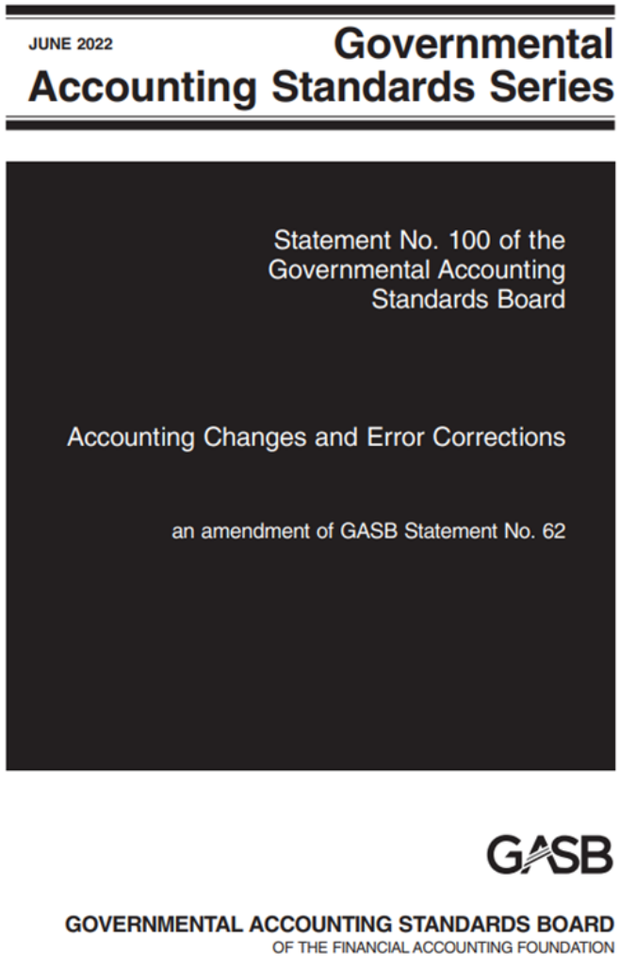
GASB Statement No. 99

- Paragraph 11a: An option to terminate a lease is an unconditional right that exists within the lease contract. A provision that gives a lessee or lessor the right to terminate the lease only in certain circumstances should NOT be considered an option to terminate (i.e., provisions that allow for the terminatino of a lease due to a violation of lease terms and conditions, such as a default on payments.

- Paragraphs 18 and 23 apply the same guidance (above) to PPP arrangements as well as SBITAs.

- For purposes of applying paragraphs 35-38 of Statement 53, as amended, LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021

GASB Statement No. 100


JUNE 2022

Governmental Accounting Standards Series

Statement No. 100 of the Governmental Accounting Standards Board

Accounting Changes and Error Corrections

an amendment of GASB Statement No. 62

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Accounting Changes and Error Corrections

Effective for fiscal years beginning after June 15, 2023.

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 100

Accounting Changes

- **Change in Accounting Principle:** Change from one GAAP to another GAAP; the implementation of new authoritative accounting or financial pronouncements.

- **Change in Accounting Estimate:** Change resulting from the change to inputs used in determining an accounting estimate (data, assumptions, measurement, methodologies, etc..)

- **Change to or within the Financial Reporting Entity** (see next slide).

GASB Statement No. 100

Changes to or within the Financial Reporting Entity

- The addition or removal of a fund that results from the movement of continuing operations within the primary government, including blended component units.
- A change in the presentation of a fund from major to nonmajor or vice versa.
- The addition or removal of a component that from the financial reporting entity (with a few exceptions).
- A change in a component unit's presentation as blended or discretely presented.

GASB Statement No. 100

Error Correction

- Results from mathematical mistakes, mistakes in the application of GAAP, or oversight/misuse of facts that existed at the time the F/S were issued about conditions that existed as of the date of the F/S

- A change from applying **non-GAAP** to transactions or other events that were previously significant to applying **GAAP** is an error correction.

GASB Statement No. 100

Change in accounting principle	○ Reported retroactively by restating prior periods presented, if practicable ○ If not practicable, restate the beginning balances of the current period
Change in accounting estimate	○ Reported prospectively ○ Recognized in current-period flows
Change to/within the reporting entity	○ Reported adjusting current period beginning balances
Error correction	○ Reported retroactively by restating prior periods presented

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 100

	12/31/20X1 As Previously Reported	Change to or within the Financial Reporting Entity (A)	Change to or within the Financial Reporting Entity (B)	Error Correction (C)	12/31/20X1 As Restated
Government-Wide					
Governmental Activities	$ 768,033	$ -	$ -	$ 71,312	$ 839,345
Business-Type Activities	543,163	(2,184)	-	-	540,979
Total Primary Government	**$ 1,311,196**	**$ (2,184)**	**$ -**	**$ 71,312**	**$ 1,380,324**
Governmental Funds					
Major Funds:					
General Fund	$ 631,607	$ -	$ -	$ -	$ 631,607
Fund A	100,922	-	-	-	100,922
Nonmajor Funds	40,486	-	-	-	40,486
Total Governmental Funds	**$ 773,015**	**$ -**	**$ -**	**$ -**	**$ 773,015**
Proprietary Funds					
Major Funds:					
Enterprise Fund C	$ 418,910	$ -	$ -	$ -	$ 418,910
Enterprise Fund D	74,831	(2,184)	-	-	72,647
Nonmajor Funds	49,422	-	-	-	49,422
Total Proprietary Funds	**$ 543,163**	**$ (2,184)**	**$ -**	**$ -**	**$ 540,979**
Fiduciary Funds					
Pension and Other Employee Benefit Trust Funds	$ 3,071,227	$ -	$ -	$ -	$ 3,071,227
Discretely Presented Component Units					
ABC Authority	$ 1,696	$ -	$ -	$ -	$ 1,696
QRS Foundation	-	2,184	-	-	2,184
XYZ Foundation	-	-	1,500	-	1,500
Nonmajor Component Units	2,730	-	-	-	2,730
Total Discretely Presented Component Units	**$ 4,426**	**$ 2,184**	**$ 1,500**	**$ -**	**$ 8,110**

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 100

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

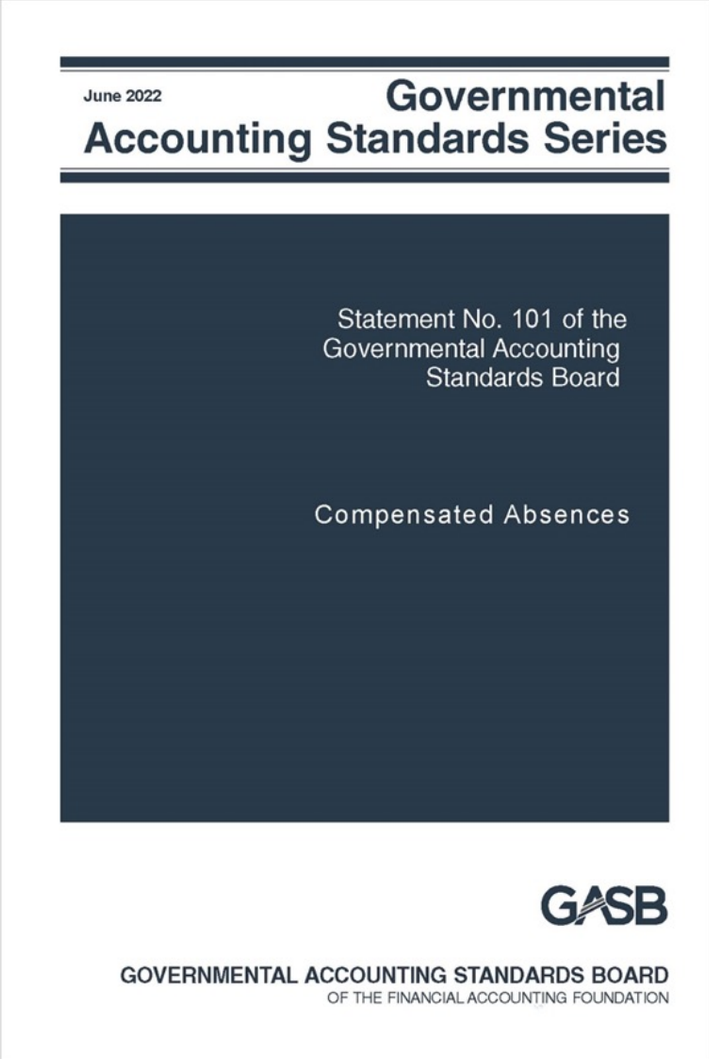
MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 100

The Statement also addresses how to present in RSI and SI information that is affected by an accounting change /change in accounting principle, change in accounting estimate, change to/within the financial reporting entity) or error corrections.

- Periods earlier than those presented in basic financial statements ***should not*** be restated for changes in accounting principles or changes to/within the financial reporting entity
- Periods earlier than those presented in basic financial statements ***should be*** restated for error corrections, if practicable

GASB Statement No. 101



- **Compensated Absences**
- **Effective for fiscal years beginning after December 15, 2023.**

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 101

A compensated absence is

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

Examples:

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

GASB Statement No. 101

Recognition Criteria – Leave that has not been used

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

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

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

- Likelihood of more than 50 percent

MAULDIN & JENKINS
CPAs & ADVISORS

GASB Statement No. 101

Exceptions to the General Recognition Approach

Leave more likely than not to be settled through conversion to defined benefit post-employment benefits

- Excluded from liability

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

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commenced
- Neither sick nor sabbatical leave

Unlimited leave and holiday leave taken on a specific date

- Recognize liability when used

GASB Statement No. 101

Pay rate

- Generally the employee's pay rate at the financial reporting date
- Exception: more likely than now to be paid at a different rate

Salary-related payments

- Directly and incrementally related
- DC pension or OPEB recognized as related leave is earned - not pension or OPEB liability
- DB pension or OPEB excluded

GASB Statement No. 101

- Note disclosures
  - No new note disclosures
  - Exceptions to existing long-term liability disclosures for compensated absences:
  - Option to present net increase or decrease with indication that it is a net amount
  - Not required to disclose governmental fund used to liquidate

- Effective date
  - Fiscal years beginning after December 15, 2023

The GASB “Big Three”

MAULDIN & JENKINS
CPAs & ADVISORS

The GASB Big Three

Conceptual Framework: Disclosure Framework

- To guide what is disclosed in governmental financial statements

Financial Reporting Model Reexamination

- To guide how financial statements are presented.

Revenue and Expense Recognition

The GASB Big Three

Conceptual Framework: Disclosure Framework

- The purpose of note disclosure is to provide information that explains, describes, or supplements the financial statements and is **essential** to users in making economic, social, and political decisions and assessing accountability.

- Principal revisions to the previous Exposure Draft relating to the criteria that determine essentiality

The GASB Big Three

Conceptual Framework: Disclosure Framework

- The information has, or is expected to have, a meaningful effect on users' analyses for making decisions or assessing accountability
- A breadth or depth of users utilize, or are expected to utilize the information in their analyses for making decisions or assessing accountability

The GASB Big Three

Financial Reporting Model Reexamination

- Measurement focus and basis of accounting for the governmental funds
- Format of governmental funds financial statements
- Clarification of operating and nonoperating in proprietary funds
- Presentation of proprietary funds statement of revenues, expenses, and changes in net position
- Management's discussion and analysis
- Budgetary comparisons
- Major component unit presentations

The GASB Big Three

	General Fund	Special Tax Fund	Other Governmental Funds	Total Governmental Funds
INFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
Taxes:				
Property tax	$ 20,322,167	$ 5,311,156	$ 2,015,047	$ 27,648,370
Sales tax	45,034,789	-	4,430,774	49,465,563
Use tax	3,586,753	-	-	3,586,753
Motor fuel tax	-	-	2,889,647	2,889,647
Other taxes	3,975,895	-	2,698,909	6,674,804
Payments in lieu of taxes	2,721,420	-	-	2,721,420
Special assessments	-	-	41,500	41,500
Licenses and permits	1,303,889	-	-	1,303,889
Fees for services	7,052,692	-	202,273	7,254,965
Franchise fees	1,968,522	-	-	1,968,522
Fines and citations	1,476,364	-	-	1,476,364
Intergovernmental	14,595,019	-	6,192,493	20,787,512
Investment earnings	5,829	11,384	119,043	136,256
Transfers in	500,000	-	155,204	655,204
Miscellaneous	4,216,940	654,482	771,287	5,642,709
Total inflows of short-term financial resources for current activities	106,760,279	5,977,022	19,516,177	132,253,478
OUTFLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR CURRENT ACTIVITIES				
General government	14,053,444	6,961,201	2,213,691	23,228,336
Public health and safety	70,880,913	-	590,383	71,471,296
Highway and streets	12,137,714	-	4,715,808	16,853,522
Culture and recreation	3,581,583	335,659	1,808,065	5,725,307
Economic development	496,141	-	3,374,045	3,870,186
Transfers out	155,204	-	500,000	655,204
Total outflows of short-term financial resources for current activities	101,304,999	7,296,860	13,201,992	121,803,851
Net flows of short-term financial resources for current activities	5,455,280	(1,319,838)	6,314,185	10,449,627
NET FLOWS OF SHORT-TERM FINANCIAL RESOURCES FOR NONCURRENT ACTIVITIES				
Transfers in	-	-	10,651,605	10,651,605
Debt service	(2,434,544)	(366,412)	(9,198,505)	(11,999,461)
Capital outlay	(111,987)	(1,515)	(1,346,497)	(1,459,999)
Transfers out	(7,680,875)	(6,445)	(2,420,900)	(10,108,220)
Net flows of short-term financial resources for noncurrent activities	(10,227,406)	(374,372)	(2,314,297)	(12,916,075)
Net change in short-term financial resources fund balances	(4,772,126)	(1,694,210)	3,999,888	(2,466,448)
Short-term financial resources fund balances at beginning of year	9,319,621	9,776,474	27,892,592	46,988,687
Short-term financial resources fund balances at end of year	$ 4,547,495	$ 8,082,264	$ 31,892,480	$ 44,522,239

Current and Noncurrent Activity Format

MAULDIN & JENKINS
CPAs & ADVISORS

The GASB Big Three

	2016	2015
Operating revenues:		
Tuition and fees (net of discounts)	$ 574,168	$ 525,791
Grants and contracts	292,962	278,481
Sales and services	271,345	272,244
Other operating revenues	7,868	14,861
Total operating revenues	1,146,343	1,091,377
Operating expenses:		
[Natural or functional expenses]		
Total operating expenses	1,681,544	1,596,059
Income (loss) generated by operations	(535,201)	(504,682)
Noncapital subsidies:		
Appropriations	407,702	394,767
Taxes	8,026	7,660
Grants	42,978	37,567
Gifts	99,395	90,063
Total noncapital subsidies	558,101	530,057
Operating income (loss) and noncapital subsidies	22,900	25,375
Financing and investing activities:		
Investment income	235,820	138,649
Interest expense	(12,412)	(12,853)
Loss from the disposition of capital assets	(2,385)	518
Total financing and investing activities	221,023	126,314
Income before other items	243,923	151,689
Other items:		
Capital contributions	23,231	74,830
Increase (decrease) in net position	267,154	226,519
Net position—beginning	3,061,111	2,834,592
Net position—ending	$ 3,328,265	$ 3,061,111

MAULDIN & JENKINS
CPAs & ADVISORS

The GASB Big Three

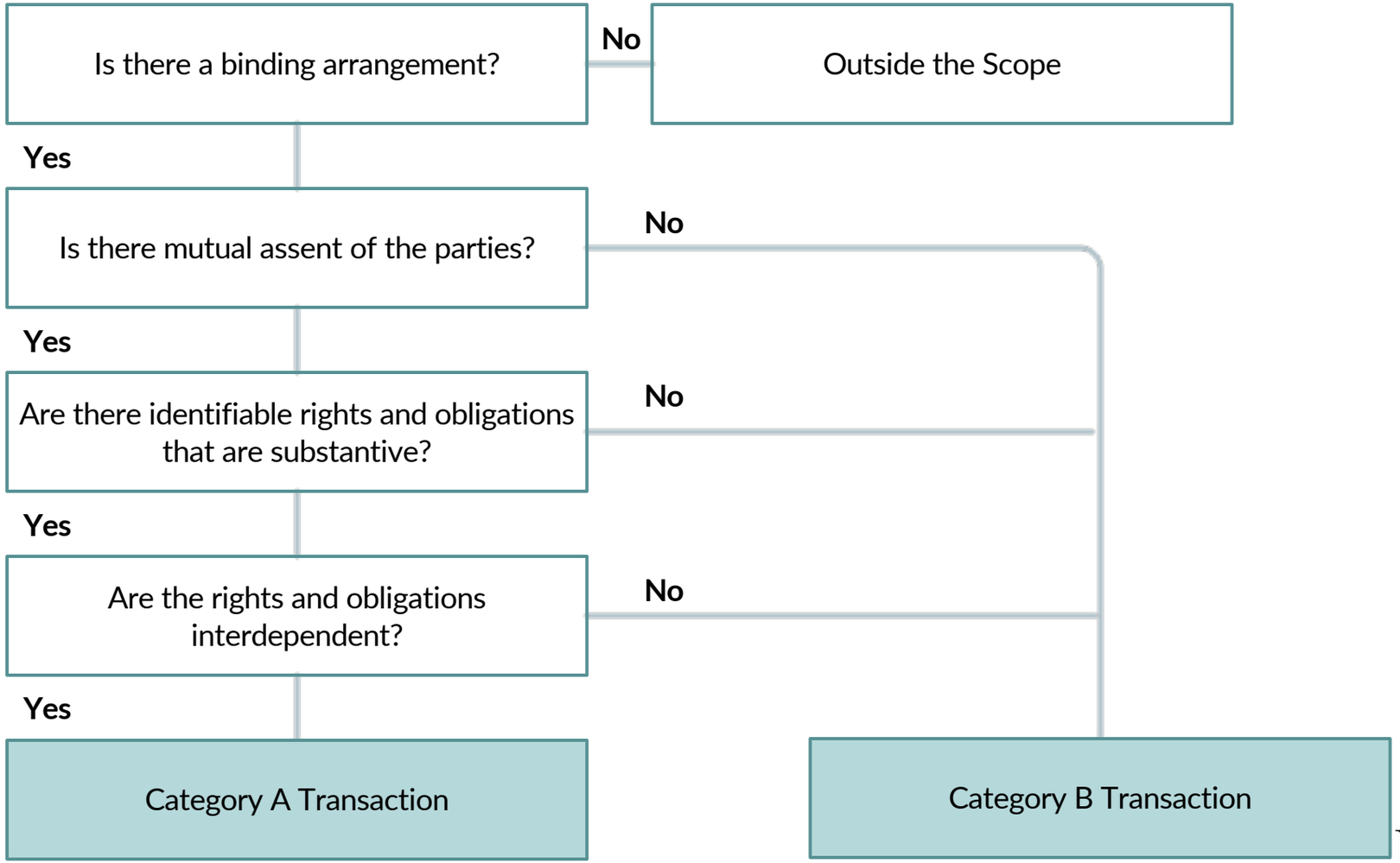
Revenue and Expense Recognition

Develop a comprehensive, principles-based model that establishes guidance applicable to a wide range of revenue and expense transactions to:

- Expand on areas where there is no guidance - expenses
- Expand on areas where there is limited guidance - certain revenues
- Consider practice issues and challenges identified in current guidance - Statement 33
- Consider the conceptual framework - issued after Statement 33
- Consider performance obligation recognition

The GASB Big Three

Revenue and Expense Recognition: Proposed Categorization Methodology



MAULDIN & JENKINS
CPAs & ADVISORS

The GASB Big Three

Revenue and Expense Recognition: Proposed Categorization Methodology

Category A	Category B
Fees for service (water, electric, garbage)	Taxes (property tax, income tax, sales tax)
Eligibility-based grants	Punitive fees
Research grants and revolving loans	Special assessments
Medicated fees for services	Donations
Tuition fees	Regulatory fees (drivers licenses, building permits, marriage licenses, professional licenses)
Most expenses	Purpose-restricted grants
	Capital fees (developer fees, PFCs)
	Medicaid supplementary payments

Final Questions or Comments?

gdavis@mjcpa.com
803.799.5810

tscott@mjcpa.com
912.232.1622

mjcpa.com

MAULDIN & JENKINS
CPAs & ADVISORS