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# GASB UPDATE

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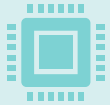
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# Learning Objectives



Recognize new accounting standards that need to be applied



Discuss how to prepare for the new subscription-based information technology arrangements standard



Identify new accounting standards that have been issued but are not yet effective



# GASB UPDATE

- GASB standards that have been issued that are now effective with our June 30, 2022, audits
- GASB standards that have been issued but are not yet effective.
- Other GASB Board activities



# Effective GASBs at 6/30/2022

- GASB Statement No. 87, *Leases*
- GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*
- GASB Statement No. 92, *Omnibus* \*
- GASB Statement No. 93, *Replacement of Interbank Offered Rates* \*
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32
- GASB Statement No. 98, *Annual Comprehensive Financial Report*

\* portions of standard were previously effective. Standard is now fully effective.

# Issued GASBs not yet effective

- GASB Statement No. 99, *Omnibus 2022*
- GASB Statement No. 100, *Accounting Changes and Error Corrections—an amendment of GASB Statement No. 62*
- GASB Statement No. 101, *Compensated Absences*

# Other GASB Board Activities

- GASB Concept Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements* – an amendment of GASB Concepts Statement No. 3
- Issued: June, 2022
- Effective Date: None Stated



# Other GASB Board Activities

- What is a GASB Concept Statement?
  - Concepts Statements are intended to provide a conceptual framework of interrelated objectives and fundamental principles that can be used as a basis for establishing consistent accounting and financial reporting standards
  - Issued infrequently (Last one issued in March, 2014)
  - “Nonauthoritative Accounting Literature”





# GASB Concepts Statement No. 7

- Describes the PURPOSE of notes to the financial statements
- Describes the USERS of notes to the financial statements
- Types of information INCLUDED in the notes to the financial statements
- Types of information that is NOT APPROPRIATE in the notes to the financial statements
- The degree of importance (ESSENTIALITY) that information disclosed in notes to financial statements should possess.





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# GASB 96 SBITA

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# GASB 96 Subscription-Based Information Technology Agreements

GASB 96 does **NOT** apply for:

- ....the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, Leases, in which the software component is insignificant when 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 public-private and public-public partnership in paragraph 5 of Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as amended.



# GASB 96 Subscription-Based Information Technology Agreements

From GASB 96 Basis for Conclusion:

“The Board believes that because the **key characteristics of a SBITA resemble those of a lease**, the most appropriate and efficient approach to developing guidance for SBITAs is to **incorporate into the SBITA standards all relevant guidance from Statement 87**, as amended. Statement 87, as amended, was based on the foundational principle that leases are financings, and the Board believes that SBITA transactions also meet this principle.”

# Definitions

- A **SBITA** is defined as a contract that conveys control of the right to use another entity's **information technology (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.
- 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.



# Determining Whether a contract conveys control

- 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.

**SAME AS GASB 87 - Leases**

# Term of the Agreement

- Lease Term

GASB 87, Paragraphs 12-15 defines and provides criteria for determining the term of the lease.

- Subscription Term

GASB 96. Paragraphs 9-12 define and provide criteria for determining the term of the SBITA.



# Short-Term Agreements

- GASB 87, Paragraph 16 defines a short-term lease.
- GASB 96, Paragraph 13 defines a short-term SBITA.

GASB 87 addresses short term leases from both the Lessee and Lessor side. GASB 96 only deals with SBITAs that a government enters into. It does not address SBITAs where the government is the “Lessor”



# Outlays Other than Subscription Payments

- Preliminary Project Stage
- Initial Implementation Stage
- Operational and Additional Implementation Stage
  - Subsequent implementation outlays



# Recognition and Measurement

- At the commencement of the subscription term, a government should recognize a **subscription liability** and a **subscription asset**. (excludes short-term SBITAs).
- The commencement of the subscription term occurs when the initial implementation stage is completed at which time the government has obtained control of the right to use the underlying IT assets, and, therefore, the subscription asset is placed into service.

# Other Considerations

- Impairment
- Incentives provided by a SBITA vendor
- Contracts with multiple components
- Contract combinations
- Modifications and terminations



# Notes to the Financial Statements

- Disclosure requirements follow requirements relating to leases
- Subscription asset
  - Presented net of amortization
  - Separate from other capital assets
- Subscription Liability
  - Not considered debt for purposes of GASB 88 disclosure requirements



# Subscription Based Information Technology Agreements

- Case Study





# GASB 94 Public-Private and Public-Public Partnerships and Availability Payment Arrangements

# Overview

- PPP definition
- Types of PPP arrangements
- Accounting if PPP meets GASB 87
- Accounting if PPP is an SCA
- Reporting by transferor vs operator



# Effective Date

- Fiscal years beginning after June 15, 2022
- Earlier application is encouraged





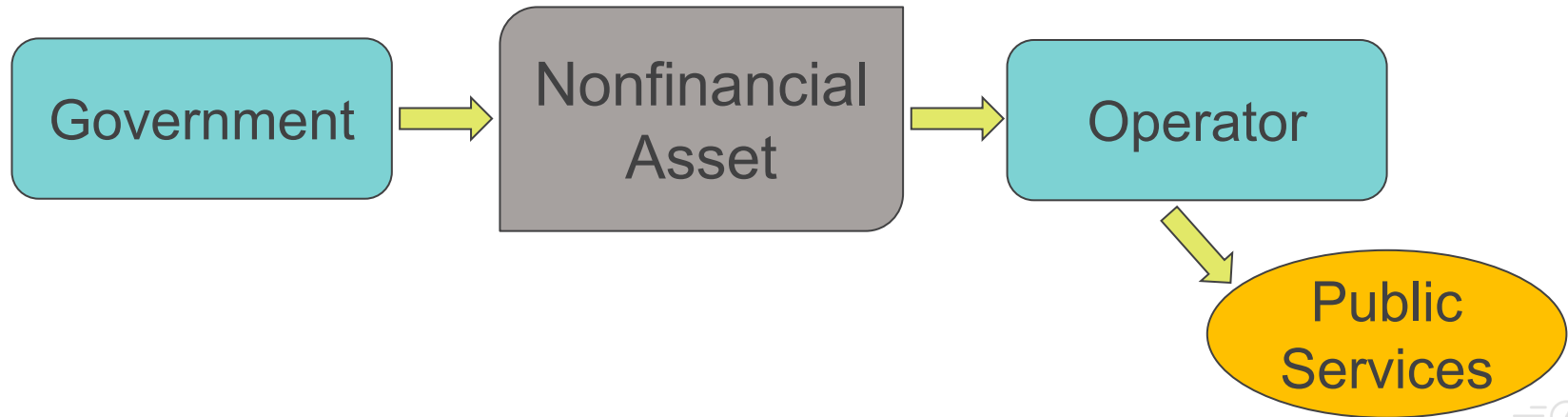
# Objectives of GASB 94

- Guidance on Public-Private and Public-Public Partnerships (PPP) arrangements and Availability Payment Arrangements (APA)
- Guidance for types of PPPs not within GASB 87 and not a service concession arrangement (SCA)
- Supersedes GASB No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*

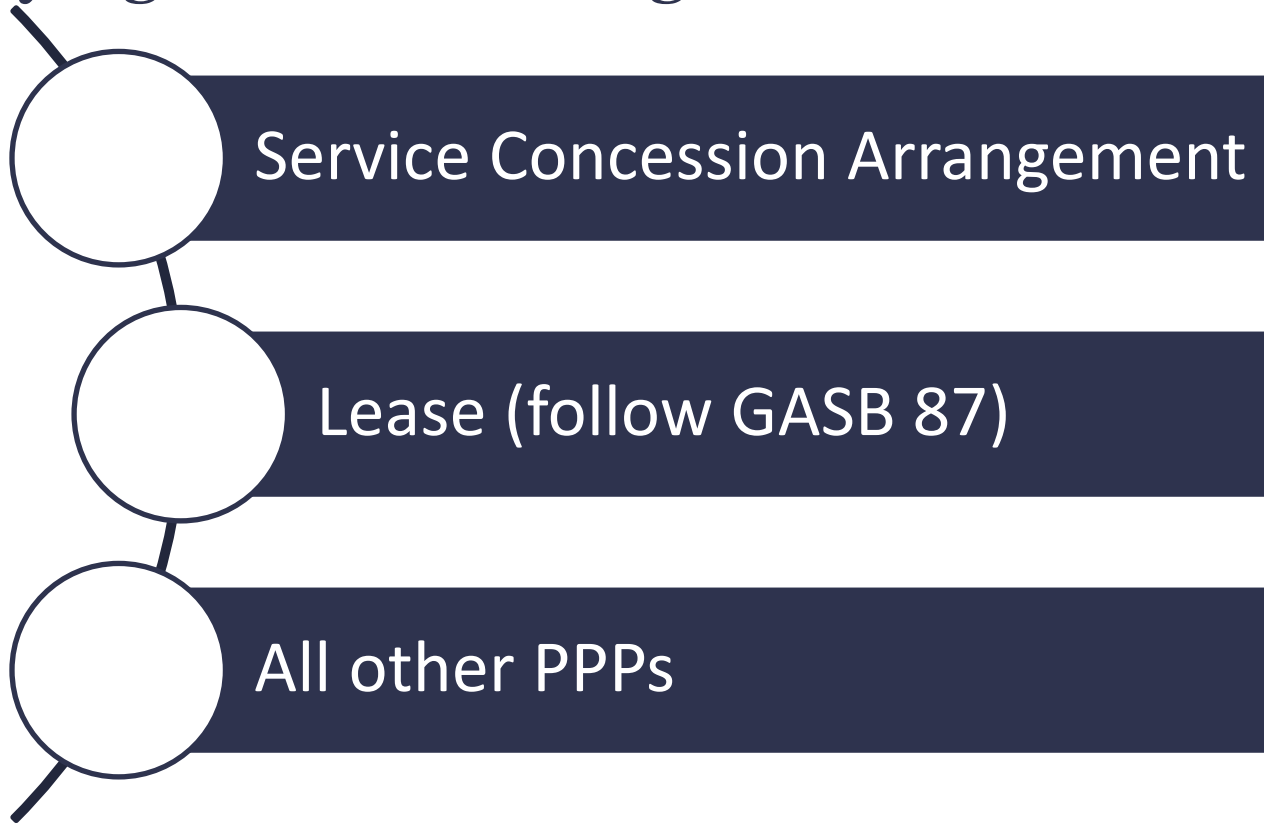


# Definition of PPP

- 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 assets for a period of time in an exchange or an exchange-like transaction



# Identifying the PPP Arrangement



# Identifying the PPP Arrangement

- Service Concession Arrangement (SCA) - Arrangement between a transferor and an operator if **all** the following criteria are met:

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

The operator collects and is compensated by fees **from third parties**

The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom services are provided to, and the prices or rates that are charged

The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the term



# Identifying the PPP Arrangement

- PPP meets the definition of a lease - apply guidance in GASB 87 if all of the following criteria are met:

Existing assets of the transferor are the **only** underlying PPP assets

Improvements are not required to be made by the operator to those existing assets as part of the PPP arrangement

The PPP does not meet the definition of an SCA



# Identifying the PPP Arrangement

- All other PPP arrangements
  - Some provisions applicable to an SCA do not apply
  - Similar accounting to GASB 87



# Definition of Availability Payment Arrangements-APA

- 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
  - Payments by the government are based entirely on the asset's **availability for use** rather than on tolls, fees, etc.
  - Availability for use may be based on specified criteria – physical condition of the asset, construction milestones, achievement of certain availability measures
  - Government procures the asset for service rather than receiving compensation to allow another entity to provide public services
  - The operator receives compensation from the government entirely based on **availability to perform** and not the actual performance



# Availability Payment Arrangements-APA

- An APA may contain multiple components
- Each component should be recognized as a separate arrangement
- Example – a government enters into an agreement with an operator to design, construct, finance, operate and maintain a public toll road in exchange for
  - Fixed payments meant to provide compensation for the design, construction, financing, operation and maintenance of the toll road
  - Variable payments to the operator based on whether measures related to availability have been met





# PPP Example

Government enters into an arrangement with a developer for a period of 50 years

- Developer/operator will finance demolition of existing structure and construction of new structure
- New structure includes housing and dining facilities which the developer will operate, including setting rates
- Compensation to the developer will be exclusively from customers

Arrangement is considered a PPP but not an SCA as the developer has control over rates that may be charged



# SCA Example

Government enters into an arrangement with a private entity to operate their toll-collecting function on government's roadways for a period of 50 years

- Operator provides an up-front payment of \$3 billion
- Operator has the right to operate the toll collection (at government determined rates) and receive and retain all revenues during the arrangement period

Arrangement is considered a PPP as well as an SCA as the government sets rates for the tolls



# APA Example

Government enters into an arrangement with a developer to design, build and finance construction of a bridge. The developer will also collect tolls for the bridge and remit to government for a period of 40 years

- Government pays developer \$20 million at project commencement, \$20 million at completion, and \$5 million annually throughout the arrangement
- Government will pay developer \$200,000 per month for collecting tolls

Government is compensating the developer for operating the toll by paying \$200,000 per month, whereas under the SCA example revenues collected were retained by the operator as compensation



# Common Assets Under PPP or APA Arrangements

- Infrastructure
- Hospitals
- Student services for colleges or universities
- Sports facilities
- Recreational facilities
- Jails/prisons
- Wastewater treatment plans
- Museums



# Accounting for PPPs - Transferor

The underlying PPP asset is an **existing asset** of the transferor

- Transferor continues to report the underlying asset at carrying value
- Continue to apply other accounting and financial reporting requirements (depreciation, impairment, etc.)
- At commencement of the arrangement
  - Record a receivable at present value for installment payments to be received
  - Payments received at or prior to from the operator
  - Recognize a deferred inflow of resources
- Recognize any improvements to the underlying assets as an asset and deferred inflow – do not depreciate if asset is returned to the operator



# Accounting for PPPs - Transferor

The underlying PPP asset is a **new asset** purchased or constructed by the operator

- At term commencement the transferor should record:
  - Underlying asset at the acquisition value when placed in service
  - Receivable for installment payments to be received at net present value
  - Recognize a deferred inflow of resources
- Apply other accounting and financial reporting requirements (depreciation, impairment, etc.)
- Do not depreciate if asset is returned to the operator

# Accounting for PPPs - Operator

The underlying PPP asset is an **existing asset** of the transferor

- Operator recognizes an intangible right-to-use asset as the sum of the following:
  - The amount of initial measurement of the liability for installment payments
  - PPP payments made to the transferor at or before commencement of the PPP term
  - The cost of the purchased or constructed asset
  - The cost of improvements to the an existing underlying asset
  - Initial direct costs that are ancillary charges necessary to place the asset into service
- A liability for the present value of installment payments over the PPP

Treatment is the same when the underlying asset in the PPP is a **new asset** purchased or constructed by the operator as long as it is an SCA



# Accounting for PPPs - Transferor

The underlying PPP asset is a **new asset** purchased or constructed by the operator – **PPP is not an SCA**

- At term commencement the transferor should record:
  - Receivable for the underlying asset based on the carrying value at the expected date of the asset to the transferor from the operator
  - Receivable at present value for installment payments to be received
  - Deferred inflow of resources





# Accounting for PPPs - Operator

The underlying PPP asset is a **new asset** purchased or constructed by the operator – **PPP is not an SCA**

- At term commencement the transferor should record:
  - Underlying asset when it is place in service until transferred to the transferor
  - Liability for the underlying asset based on the carrying value at the expected date of the asset to the transferor from the operator
  - Liability for installment payments to be made
  - Deferred outflow of resources for the PPP asset to be transferred

# Accounting for PPPs - Transferor

Total deferred inflow will include:

- The amount of the initial measurement of the receivable for installment payments
- PPP payments received at or prior to commencement of the PPP term
- The amount of the initial measurement of assets constructed or purchased by the operator
- The amount of the initial measurement for improvements made by the operator
- The amount of the initial measurement of a receivable for an underlying PPP asset constructed or purchased by the operator (if not an SCA)



# Determining the Value of Installment Payments

The Present Value of Installment Payments includes the following (for transferor and operator):

- Fixed payments
- Variable payments that depend on an index or a rate, initially using the index or rate as of the commencement date of the PPP term
- Variable payments that are fixed in substance
  - Exclude payments based on future performance of operator, usage of the underlying asset or variable factors other than an index or rate
- Residual value guarantee payments that are fixed in substance

# Determining the Value of Installment Payments

Additional elements of installment payments for the operator:

- Payments for penalties for terminating the PPP, if the PPP term reflects the operator exercising 1) an option to terminate the PPP or 2) a fiscal funding or cancellation clause
- Any other payments to the transferor associated with the PPP that are reasonably certain of being required



# Identifying the Contract Term

The term of the arrangement includes all of the following:

- The period during which an operator has a non-cancellable right to use the underlying asset
- Includes periods covered by the transferor's or operator's option to extend the PPP if reasonably certain the option will be exercised
- Includes periods covered by the transferor's or operator's option to terminate the PPP if reasonably certain the option will **not** be exercised



# Recording Installment Payments

- Installment payments made should be recorded appropriately reflect a reduction a liability and amortization of the discount calculated on the initial liability
- Amortization of the discount should be recorded as an outflow of resources (such as interest expense)



# Future Recognition of Assets and Deferred Amounts

- An operator should amortize a right-to-use asset in a systematic and rational manner over the shorter of the PPP term or the useful life of the PPP asset
- Amortization should be reported as an outflow of resources such as amortization expense
- Deferred outflows of resources should be subsequently recognized as an outflow of resources in a systematic and rational manner over the remaining PPP term
- Deferred inflows of resources should be subsequently recognized as an inflow of resources in a systematic and rational manner over the remaining PPP term



# Re-measuring the value of installment payments

- Re-measure at subsequent financial reporting dates if one or more of the following changes has occurred before the reporting date, and the changes are expected to significantly affect the liability:
  - Change in PPP term
  - Change in interest rate the transferor charges the operator
  - A contingency on which variable payments are based is resolved





# Re-measuring the value of installment payments

- Additional events for consideration by the operator
  - There is a likelihood the residual value guarantee has changed from reasonably certain to not reasonably certain
  - There is a change in the estimated amount for payments already included in the measurement of the liability for PPP payments



# Termination of PPP - Transferor

- Recognize a gain or loss for the reduction of deferred inflows of resources including the sum of the following:
  - Reduction of carrying value of any remaining receivable for installment payments
  - Termination penalties paid to or received from the operator
  - Amounts paid to the operator for underlying PPP asset



# Termination of PPP - Operator

- Recognize a gain or loss for sum of the following:
  - Reduction of carrying value of any remaining liability for installment payments
  - Reduction of the carrying value of the right-to-use asset related to the liability for installment payments
  - Reduction of carrying value of right-to-use asset transferred to transferor
  - Termination penalties paid to or received from the transferor
  - Amounts received from transferor to acquire right-to-use asset



# Re-measuring the value of installment payments

- Additional events for consideration by the operator
  - There is a likelihood the residual value guarantee has changed from reasonably certain to not reasonably certain
  - There is a change in the estimated amount for payments already included in the measurement of the liability for PPP payments



# Other PPP Considerations

- Modification to a PPP should be treated as a separate PPP if both of the following conditions are present:
  - The modification gives the operator an additional underlying PPP asset that was not included in the original arrangement
  - The increase in PPP payments for the additional underlying PPP asset does not appear to be unreasonable based on terms of the amended PPP arrangement and professional judgement



# Other PPP Considerations

- Modifications not treated as a separate PPP
  - Transferors should adjust deferred inflows of resources for changes in the re-measurement of receivables for installments or underlying assets.
  - To the extent the change relates to payments for the current period the change should be recognized as an inflow or outflow of resources
  - If the modification results from a debt refinancing in which the perceived economic advantage is passed through to the operator, the transferor should adjust the receivable for installment payments receivable. Any adjustment to a deferred outflow or inflow should be recognized over the remaining life of the old debt or new debt, whichever is shorter.



# Other PPP Considerations

- Modifications not treated as a separate PPP
  - Operators should adjust the underlying asset by the difference between the initially recorded and re-measured liability
  - If the change reduces the carrying value of the right-to-use asset to zero, any remaining amount should be recognized as a gain
  - If the modification results from a debt refinancing including defeasance of debt, the operator should adjust the liability for installment payments to the present value of future PPP payments. The resulting different should be reported as a deferred inflow of resources which should be recognized as an inflow of resources over a systematic and rational manner.



# Re-measuring the value of installment payments

- Additional events for consideration by the operator
  - There is a likelihood the residual value guarantee has changed from reasonably certain to not reasonably certain
  - There is a change in the estimated amount for payments already included in the measurement of the liability for PPP payments







# GASB 101

GASB Statement No. 101 – Compensated Absences

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# The Basics

- GASB updated the recognition and measurement guidance for compensated absences.
- Requires liabilities be recognized for:
  - Leave that has not been used
  - Leave that has been used but has not yet been paid



# When should a Comp Abs liability be recognized?



- \* Leave is attributed to services already rendered

- \* Leave accumulates

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



# Are there exceptions included in the standard?

- Certain types of leave will not be recognized as compensated absences until the leave commences.
  - Parental leave
  - Military leave
  - Jury duty leave



# When is the standard effective?

- Fiscal years beginning after  
December 15, 2023
- Early application of the standard is  
encouraged



# Additional Information



Additional information  
can be found at the  
following:

- \* RIA Checkpoint
- \* GASB Website





# GASB 97

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

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# Reminder of the Basics

- Provided exceptions for defined contribution pension and OPEB plans as to component unit criteria
- Amended component unit criteria for potential component units (except for DC pension and OPEB plans)
- Establishes accounting and financial reporting requirements for Section 457 Deferred Compensation Plans



# Component Unit Criteria – Absence of a Governing Board

- Legally separate organization does not have a governing board
- The absence of governing board = primary government appointing voting majority of the potential component unit's governing board.
- Does not apply to:
  - Defined contribution pension or OPEB plans
  - Other employee benefit plans



# Absence of a Governing Board



- Lack of a governing board = no board
- If there is a governing board, need to determine if the primary government appoints the voting majority of the board



# What does this mean???



Could bring in additional component units into our client's financial reporting entity.

Review our client's potential component units that have no board.



# Section 457 Plans

- Section 457 Plan is to be reported as a pension plan if it meets the definition of a pension plan in accordance with:
  - GASB 67, paragraph 51
  - GASB 73, paragraph 128



# How is this defined?

Arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefit are paid as they come due.

# Presence of an Employer Contribution

- Examples in the Basis for Conclusions of the previously issued Exposure Draft.
- Removed from re-exposed Exposure Draft
- Not the distinguishing factor in determining whether an arrangement meets the definition of a pension plan.



# We have a pension plan, now what?

- Determine type of plan
- Apply relevant pension guidance (GASB 68 and 73) for accounting and financial reporting



# 457 Plans (Defined Contribution)



Is this a fiduciary component unit?

Does the government control the assets?

Very important to document our analysis of these plans



# Defined Contribution 457 Plan Considerations

- Control, as it relates to paragraph 12 of GASB 84
  - Holding the assets
  - Directing the use, exchange or employment of the assets
- Providing investment options for employees
- Document, document, document!



# GASB Implementation Guide 2021-1

4.3. Q—In an employee benefit plan in which each participant directs the investment of assets in their individual account, a government selects the set of investment options (that is, more than one investment option) available to the participants. For purposes of paragraph 12 of Statement 84, is the fact that the government selects the set of investment options or can periodically change the set of investment options evidence that the government has the ability to direct the use, exchange, or employment of the assets in a manner that provides benefits to the participants?

A—No. Selecting the set of investment options, including periodically changing the set of investment options, is not directing the use, exchange, or employment of the assets in a manner that provides benefits to the participants because the government does not have the ability to (a) expend the assets, (b) consume the assets, (c) change one asset for another asset, or (d) utilize the assets in another way to provide benefits to the participants in the employee benefit plan. Rather, the plan participants have those abilities.



# GASB 99

Omnibus 2022

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# Topics Covered

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Financial Guarantees

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Derivative Instruments that are neither Investment Derivative Instruments nor Hedging Derivative Instruments

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Leases

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PPP's

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SBITA's

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# Topics Covered

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Disclosure of Nonmonetary Transactions

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Pledges of Future Revenues When Resources Are Not Received by the Pledging Government

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Focus of the Government-Wide Financial Statement

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SNAP

---

Replacement of LIBOR

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# Financial Guarantees:

## Liability recognition

- When the guarantor is more likely than not to make a payment

## Notes to financial statements

- Description of the financial guarantee
- Disclosures if recognizes a financial guarantee or if made payments during the reporting period



# Derivatives:

## Other Derivative Instrument

- Not an investment derivative instrument nor a hedging derivative instrument

## Reporting on Resource Flow Statement

- Termination of hedge accounting = separately reported from investment revenue classification



# Leases and SBITA's – Clarifies:

What constitutes an option to terminate the contract

- Contract provisions that allow for the termination due to violation of lease contract/SBITA terms and provisions is NOT an option to terminate

What constitutes a short term lease/SBITA

- If originally a short-term lease/SBITA and subsequently modified to extend the initial maximum possible term so that reassessed maximum term is greater than 12 months, no longer a short-term lease/SBITA





# Leases and SBITA's – Clarifies (Continued):

Lease/subscription liability should not be remeasured solely for:

- Change in index rate
- Change in rate used to determine variable payments

Lease receivable (lessor) should not be remeasured solely for:

- Change index rate
- Change in rate used to determine variable payments

Discount rate should not be reassessed solely for change in the lessee's incremental borrowing rate



# Leases– Clarifies:

- Variable payments that depend on index rate or those that are fixed in substance should be included in the measurement of the lease liability (lessee)/lease receivable (lessor)
- What constitutes a lease incentive



# PPP's



Term

Termination due to violation of PPP terms and provisions is NOT an option to terminate



Receivable for Installment  
Payments should not be  
remeasured for:

Change in index rate  
Change in rate used to determine variable  
payments



Receivable for Underlying PPP  
Asset

Remeasured if change in PPP term & change  
expected to significantly affect amount of the  
operator's estimated carrying value of underlying  
PPP asset as of the expected date of transfer of  
ownership



# Other Items

LIBOR

SNAP

Terminology  
updates



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# Accounting Changes and Error Corrections

Nancy Jones, NATG

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# GASB 100

- Accounting Changes
  - 1) Changes in accounting principles
  - 2) Changes in accounting estimates
  - 3) Changes to or within the financial reporting entity
- Error Correction
  - 1) Mathematical mistakes
  - 2) Mistake in accounting principle application
  - 3) Oversight or misuse of facts
  - 4) Change from applying principle not generally accepted to generally accepted – material



# Effective Date

- Fiscal years beginning after June 15, 2023
- Earlier application encouraged



# Change in accounting principle

- From one generally accepted to another – justify on the basis that new principle is better
- Implementation of new pronouncements





# Not a change in accounting principle

- Initial adoption and application to transactions or events that are
  - Clearly different in substance
  - Occurring the first time, or
  - Were previously insignificant

# Change in Accounting Estimate

- Accounting Estimates – Outputs based on inputs
  - Data
  - Assumptions
  - Measurement methodologies
- Change in circumstances, new information, more experience
- Change in methodology – justified based on improvement unless required by a GASB pronouncement



# Change to or Within Financial Reporting Entity

- Addition or removal of a fund – movement of continuing operations in primary government
- Change in fund as major or nonmajor
- Addition or removal of a component unit – Exceptions for acquisitions, mergers, transfers of operations for discretely presented component units or based on GASB 90, *Majority Equity Interests*
- Change between blended or discretely presented component unit presentation



# Presentation Change in Estimate, Entity, or Error

- Change in Estimate
  - Prospective
- Change to or within Entity
  - Adjust beginning balances of the current period
- Change in Accounting Principle or Error Correction
  - Retroactive



# Retroactive Treatment

- Single Year
  - Retroactively restate beginning net position, fund balance, fund net position
    - Cumulative effect of the change on prior periods
- Comparative
  - Retroactively restate all prior periods presented, if practicable
    - Cumulative effect as of the earliest beginning net position, fund balance, fund net position
  - Not practicable
    - Cumulative effect earliest period

# Notes for Change in Accounting Principle

- Nature of change
  - Identification of financial statement line items changed
  - For new principle – identification of the new principle implemented
  - Except for new principle – reason for change and why preferable
  - For comparative – if no restatement – why restatement was not practicable
- Effects on beginning net position, fund balance, or fund net position

# Notes for Change in Accounting Estimate

- Nature of the change in accounting estimate – including financial statement line items affected
- Change in measurement methodology
  - Reason for change
  - Explanation of why new measurement methodology is preferable – Exception if required by GASB pronouncement



# Notes for Change within Reporting Entity

- Nature of the change
- The reason for the change, unless change is due to meeting requirements for major fund presentation
- Effects on beginning net position, fund balance, fund net position





# Notes for Error Correction

- Nature of the error and correction, including periods affected
  - Single period – effect on the prior period’s change in net position, fund balance or net position, as if the error didn’t happen
  - Comparative – effect of the error correction on the prior period change in net position, fund balance or fund net position
- Effects on beginning net position, fund balance or fund net position



# Required Supplementary Information and SI

- Change in accounting principle and change within financial reporting entity
  - Restate prior year to be consistent with financial statements
  - If not restated – disclose why not - reference to related note disclosure
  - Do not restate the second prior period
- Error correction
  - Restate prior periods for any periods in the financial statements
  - Restate the second prior period for comparative statements
  - Identify as restated
  - If not practicable – disclose why not practicable



# Thank You!



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## It Takes Balance

It's our job to engage in conversations, listen to what you really want, and apply our talents and experience to make extraordinary impact on your organization and life.

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