

# FORVIS

## GASB Update

FORVIS is a trademark of FORVIS, LLP, registration of which is pending with the U.S. Patent and Trademark Office.

Public Sector

# Agenda

- Effective Dates
- Final Statements
- Current Projects

# Upcoming Effective Dates

- Fiscal Years Beginning After (early adoption is allowed)

June 15, 2023

No. 99, Omnibus  
2022 (partial)

No. 100,  
Error Corrections

Implementation  
Guide 2023-1

December 15, 2023

No. 101,  
Compensated  
Absences

June 15, 2024

No. 102,  
Certain Risk  
Disclosures

June 15, 2025

No. 103,  
Financial  
Reporting  
Model  
Improvements

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# No. 99, Omnibus 2022

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Statement 99 Effective Date

Multiple

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# Omnibus Items – Effective 2023

## Statement 53, Derivative Instruments

As currently written, Statement 53 requires a derivative within its scope to be reported as either an investment or hedging derivative instrument. Some derivatives may not meet either definition, e.g., a derivative that is no longer effective at reducing financial risk. Whether such an instrument is held primarily for income or profit is subject to debate

Changes in fair value of a derivative that is neither an investment nor hedging derivative instrument should be reported separately from investment revenue on the resource flows statement & segregated in financial note disclosures. Statement 99 also includes an update for the treatment upon termination of hedge accounting

**Effective Date:** Fiscal years beginning after June 15, 2023

# Omnibus Items – Effective 2023

## Statement 70, Nonexchange Financial Guarantees

The exchange or exchange-like financial guarantee definition is similar to the nonexchange financial guarantee definition in Statement 70, except for the consideration paid

Consideration should not result in different recognition & measurement requirements for the two types of guarantees. Statement 99 establishes the recognition threshold for liabilities related to exchange & exchange-like financial guarantees when a payment is more likely than not to occur. The measurement of financial guarantees should also be the same. The financial statement note disclosures for exchange financial guarantees should follow Statement 70's more specific requirements

This does not apply to guarantees related to special assessments covered by Statement 6, financial guarantee contracts covered by Statement 53; or guarantees related to conduit debt obligations within the scope of Statement 91

**Effective Date:** Fiscal years beginning after June 15, 2023

# No. 100, Accounting Changes & Error Corrections

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Statement 100 Effective Date

Fiscal years beginning after  
June 15, 2023

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# Classification

## Accounting changes

Change in accounting principle

Change in accounting estimate

Change to or within the financial reporting entity

Correction of an error in previously issued financial statements



# Change in Accounting Principle

A change in accounting principle results from either

A **change** from one generally accepted accounting principle to another that is justified on the basis that *the newly adopted accounting principle is preferable*, based on the qualitative characteristics of financial reporting

Implementation of new pronouncements

# Accounting Estimates

Accounting estimates are

Amounts subject to measurement uncertainty that are recognized or disclosed in basic financial statements

Outputs determined based on inputs such as data, assumptions, & measurement methodologies

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# Change in Accounting Estimate

A change in accounting estimate occurs when inputs change

Changes to inputs result from a change in circumstance, new information, or more experience

A change in measurement methodology should be justified on the basis that the new methodology is preferable, based on the qualitative characteristics of financial reporting

# Change to or Within the Financial Reporting Entity

A change to or within the financial reporting entity results from

Addition/removal of a fund that results from movement of continuing operations within the primary government, including its blended component units

A change in the fund presentation as major or nonmajor

Addition/removal of a component unit (except for acquisitions, mergers, & transfers of operations, & Statement 90 component units)

Change in presentation (blended or discrete) of a component unit

# Correction of an Error

An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date

Facts that existed at the time the financial statements were issued are those that could reasonably be expected to have been obtained & taken into account at that time about conditions that existed as of the financial statement date

A change from (a) applying an accounting principle that is **not** generally accepted to transactions or other events to (b) applying a generally accepted accounting principle is an error correction

# Accounting

## Change in accounting principle

- Reported retroactively by restating prior periods presented, if practicable
- If not practicable, restate beginning balances of current period

## Change in accounting estimate

- Reported prospectively
- Recognized in current-period flows

## Change to/within the reporting entity

- Reported by adjusting current period beginning balances

## Error correction

- Reported retroactively by restating prior periods presented

# Display

**Aggregate amount of adjustments to & restatements of beginning balances should be displayed for each reporting unit**

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# Disclosures

Disclosures vary depending on the type of item, but common disclosures include

The nature of the change or error & its correction

Reason for the change

The effects on beginning net position, fund balance, or fund net position, as applicable, presented in a tabular format

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# Required Supplemental Information (RSI) & Supplemental Information (SI)

The Statement addresses how to present in RSI & SI information that is affected by an accounting change or error correction

Periods earlier than those presented in basic financial statements should ***not*** be restated for changes in accounting principles

Periods earlier than those presented in basic financial statements should be restated for error corrections, if practicable

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# IG 2023-1

4.10. Q—Upon completion of a capital project during the year, a government closes out a major capital projects fund and moves remaining resources to the general fund. Does this circumstance constitute a change to or within the financial reporting entity?

A—No. Even though the capital projects fund will no longer be included in the government's financial reports in future periods (that is, the fund will be removed for financial reporting purposes), it does not constitute a change to or within the financial reporting entity in accordance with paragraph 9a of Statement 100 because, in this case, the removal of the fund does not result from a movement of continuing operations. Instead, that movement of remaining resources to the general fund should be reported as interfund activity in accordance with paragraph 112 of Statement 34, as amended.

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# No. 101, Compensated Absences

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Statement 101 Effective Date

Fiscal years beginning after  
December 15, 2023

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# New Definition

## Definition – Compensated Absence

### Statement 16

### Statement 101

**Absences for which employees will be paid, such as vacation, sick leave, & sabbatical leave**

- 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 which includes voluntary resignation or retirement
  - Noncash settlements, such as conversion to defined benefit postemployment benefits

Examples include: Vacation & sick leave

Paid time off (PTO)

Parental leave

Certain types of sabbatical leave

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# Recognition

Statement 101 provides recognition criteria for both of the following situations

- Leave used but not paid or settled
- Unused leave

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# Recognition – Leave Used but Not Paid

A liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means – including unlimited leave & date-specific holiday leave. The liability should be measured at the amount of the cash payment or noncash settlement to be made for the use of the leave

- Pay Rate
  - In general: use employee's pay rate at the financial reporting date
  - Exception: if it is more likely than not the leave will be paid at a different rate
- Salary-Related Payments
  - Include in accrual payments that are directly and incrementally associated with leave
  - Defined *contribution* pension or OPEB should be recognized as leave is earned
  - Defined *benefit* pension or OPEB should be excluded from compensated absences liability

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# Recognition – Unused Leave

A liability should be recognized for leave that has not been used if all of the following criteria are met

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 settled

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

- Likelihood of more than 50 percent

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# Disclosures

- Refers to Statement No. 34 paragraphs 119b and 119d
- Paragraph 119 requires the following to be presented for long-term liabilities
  - Beginning and ending of year balances (119a)
  - Increases and decreases (separately presented, 119b)
  - Portion of each item due within one year (119c)
  - Governmental fund used to liquidate other long-term liabilities in prior years (119d)

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# Disclosures

- Changes in Statement 101
  - Increases and decreases (~~separately presented~~, 119b)
    - For compensated absences, may present a net number
    - Disclose that the number is net
  - ~~- Governmental fund used to liquidate other long-term liabilities in prior years (119d)~~
    - No longer required for compensated absences

# No. 102, Certain Risk Disclosures

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Statement 102 Effective Date

Fiscal years beginning after  
June 15, 2024

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# Objective

To provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints

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# Key Definitions

- Concentration

A lack of diversity related to an aspect of a significant inflow of resources or outflow of resources

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- Constraint

A limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority

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# Examples

## Concentration: Composition of:

- Employers
- Industries
- Inflows of resources
- Workforce covered by collective bargaining agreements
- Providers of financial resources
- Suppliers of material, labor, or services

## Constraint

- Limitations on raising revenue
- Limitations on spending
- Limitations on the incurrence of debt
- Mandated spending

# Disclosure Criteria

Assess for the primary government reporting unit and all other reporting units that report a liability for revenue debt

Disclose if all of the following are met:

- A concentration or constraint is known to the government prior to the issuance of the financial statements
- The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact
- An event or events associated with the concentration or constraint that would cause a substantial impact
  - Have occurred
  - Have begun to occur, or
  - Are more likely than not to begin to occur within 12 months of the date the financial statements are issued

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# Disclosure Criteria

Mitigating action taken by the government prior to the issuance of the financial statements cause any of the criteria not to be met:

Disclosure is not required

# General Disclosure Principles

Comparative  
Financials



Apply only to  
the current  
period



# General Disclosure Principles

Supplement  
other required  
note disclosures



Combine to avoid  
unnecessary  
duplication

# General Disclosure Principles

Information is the same for multiple reporting units



Combine to avoid unnecessary duplication

# General Disclosure Principles

Apply requirements of ¶63 of Statement 14, *The Financial Reporting Entity*, as amended



Encompass governmental and BTA, individual major funds, nonmajor in the aggregate; Major DPCU considering nature and significance of the DPCU

DPCU: Professional judgment on a component unit by component unit basis

# Disclosure for Each Concentration or Constraint

- Enough detail to allow users to understand the nature of the circumstances and the government's vulnerability to the risk of substantial impact
  - Concentration or constraint
  - Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
  - Actions taken by the government prior to the issuance of the financial statements to mitigate the risk

# Recently Issued

- Statement No. 103, *Financial Reporting Model Improvements*
  - Approved in April 2024
  - Changes in several key areas
    - MD&A improvements
    - Unusual or infrequent items clarification and combination
    - Operating and nonoperating revenues and expenses refined
    - Budgetary comparisons only as RSI, no longer a basic statement option
    - Budgetary variances should include original budget to final budget and final budget to actual amounts
    - Major component unit information can no longer use the option of disclosure in the notes to financial statements

**FORVIS** Effective for fiscal years beginning after June 15, 2025

# Projects

Project Name	Next Milestone
Classification of Nonfinancial Assets	Final Statement 3Q 2024
Infrastructure Assets	Preliminary Views 3Q 2024
Going Concern Uncertainties and Severe Financial Stress	Preliminary Views 4Q 2024
Subsequent Events	Exposure Draft 4Q 2024
Revenue and Expense Recognition	Exposure Draft 1Q 2025

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# Thank you!

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