

SACUBO 2023 FALL WORKSHOP

Current GASB Projects and Potential Impacts on Higher Ed

Thursday, November 2, 2023

Speaker

Scott Anderson

Current GASB Activities

Project

Risks and Uncertainties Disclosures

Financial reporting Model

Classification of Nonfinancial Assets

Subsequent Events

Infrastructure Assets

Revenue and Expense Recognition

Going Concern Uncertainties and Severe Financial Stress

Pre-Agenda Research

GAAP Structure

Monitoring

AICPA Auditing Standards

Digital Assets

Electronic Financial Reporting

Environmental Credits

Environmental, Social, and Governance (ESG) Reporting

Emerging Accounting Issues

SBITA Implementation

Projected Issuance Date

December 2023

April 2024

June 2024

December 2025

February 2027

June 2027

June 2027

Post-Implementation Review

Fair Value - Statement 72

Fiduciary Activities - Statement 84

Leases - Statement 87

Other Postemployment Benefits - Statement 75

Pensions - Statements 67 & 68



Potential Standard-Setting Topics

- ▶ Acquisition of Less-Than-100 Percent Equity Interest in Component Units
- ▶ Distributed Water Management Programs
- ▶ Impairment of Assets Other Than Capital Assets
- ▶ In-Kind Contributions, Contributed Services, and Nonmonetary Interlocal Agreements
- ▶ Investment Fees
- ▶ Popular Reporting



Potential Standard-Setting Topics (cont.)

- ▶ Postemployment Benefit Plans-Reporting Investments in Master Trusts
- ▶ Present Value
- ▶ Reporting Unit Presentations
- ▶ Revenue Recognition-Revenue from Gaming Activities
- ▶ Social Security Disclosures



Classification of Nonfinancial Assets





Status

- ▶ Exposure Draft Issued September 19, 2023

- ▶ Comments due January 5, 2024
 - Electronic Input Form:
<https://www.fafsurveys.org/se/4CA36E922374AB19>



Background

- ▶ Nonfinancial assets is used throughout GASB literature but not defined.
- ▶ Many long-lived nonfinancial assets are classified as capital assets.
- ▶ GASB 87, 94, and 96 introduced “right-to-use” assets

Pre-agenda Research Results: Users generally evaluate information about certain types of nonfinancial assets differently.



Proposed Provisions

The following should be disclosed separately:

- ▶ Capital assets held for sale, by major class of asset,
- ▶ Lease assets by major class of underlying asset,
- ▶ Subscription assets
- ▶ Intangible assets other than lease and subscriptions, by major class of asset

Other intangible assets that represent the right to use intangible underlying assets are not required to be disclosed separately from owned intangibles.



Capital Assets Held for Sale

Government has decided to sell the asset

It is probable that the sale will be finalized within one year of the financial statement date

Classification should be evaluated each reporting period



Capital Assets Held for Sale (cont.)

Factors to consider

Asset available for sale in its present condition

Program to locate a buyer has been initiated

Market conditions for selling that type of asset

Regulatory approvals needed to sell



Certain Risk Disclosures





Status

- ▶ Proposal was exposed in June 2022
- ▶ Comment Period ended in September 2022
- ▶ Final pronouncement in December 2023



Objective

- ▶ Provide users with essential information about risks that may impact a governments ability to continue to provide services and meet its obligations as they come due
- ▶ Avoid nonessential information, such as boilerplate disclosures
- ▶ Limit to specific categories



Certain Risk Disclosures

● Condition ● Event ● Effect





Conditions – limit ability to acquire resources or control spending

- ▶ Concentrations – lack of diversity related to an aspect of a significant revenue source or expense
 - Principal employers
 - Principal industries
 - Principal resource providers
 - Composition of principal inflows of resources
 - Workforce covered by collective bargaining agreements
 - Suppliers of material, labor, or services





Conditions – limit ability to acquire resources or control spending

- ▶ Constraints – imposed on the government
 - Limitations on raising revenue
 - Limitations on spending
 - Limitations on the incurrence of debt
 - Mandated spending





Limitations

- ▶ Likelihood
 - Event – more likely than not
 - ~~Impact – reasonably possible~~
- ▶ Timing
 - Event – within 12 months of financial statements are available to be issued
 - ~~Impact – within 3 years of the financial statement date~~
- ▶ Magnitude
 - Impact – vulnerable to the risk of substantial impact

A government should provide information in sufficient detail to enable users of financial statements to understand the general nature of the circumstances disclosed and their potential effect on the government's ability to provide services.



Financial Reporting Model Improvements





Topics Covered

- ▶ Management's Discussion and Analysis
- ▶ Unusual or Infrequent Items
- ~~▶ Presentation of Governmental Fund Financial Statements~~
- ▶ Presentation of the Proprietary Fund Financial Statements
- ▶ Information about Major Component Units in basic financial statements
- ▶ Budgetary Comparison Information
- ▶ Statistical Section



Proprietary Fund Statements

Operating – Current guidance

“Governments should establish a policy that defines operating revenues and expenses that is appropriate to the nature of the activity being reported....and use it consistently from period to period.” (GASB 34, paragraph 102)



Proprietary Fund Statements

Operating - Requirement as Proposed in Exposure Draft

- ▶ Nonoperating Revenues and Expenses are:
 - Subsidies received and provided
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses

- ▶ Subsidies are:
 - Resources received from another party to keep rates
 - Resources provided to another party that results in higher rates



Proprietary Fund Statements

Operating – NACUBO feedback

- ▶ “We respectfully request that the definition of operating include both the concept and a “default”.
- ▶ “We suggest that the proposed definition of a subsidy be modified or clarified to address our interpretation related to endowment gifts and annual spending from the endowment fund.”
- ▶ “We also suggest that the definition of a subsidy be improved by specifically addressing named recipients or beneficiaries of other governmental or private resources” (i.e., Pell Grants)



Proprietary Fund Statements

Operating – Revised Tentative Decision

- ▶ Nonoperating Revenues and Expenses are:
 - Subsidies received and provided
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses
 - **Contributions to permanent and term endowments**
 - **Exceptions for certain loan programs**

- ▶ Subsidies definition revised to:
 - **Indicate that all transfers should be included**
 - **Clarify that subsidies can have a direct or indirect impact on user fees and charges**
 - **Clarify that subsidies should be classified as noncapital subsidies unless limited to capital purposes.**



Subsequent Events





Objectives

Reexamine GASB 56 to address:

- ▶ Confusion about and challenges associated with existing standards;
- ▶ Inconsistency in practice in the information provided about subsequent events;
- ▶ The usefulness of the information provided about subsequent events.

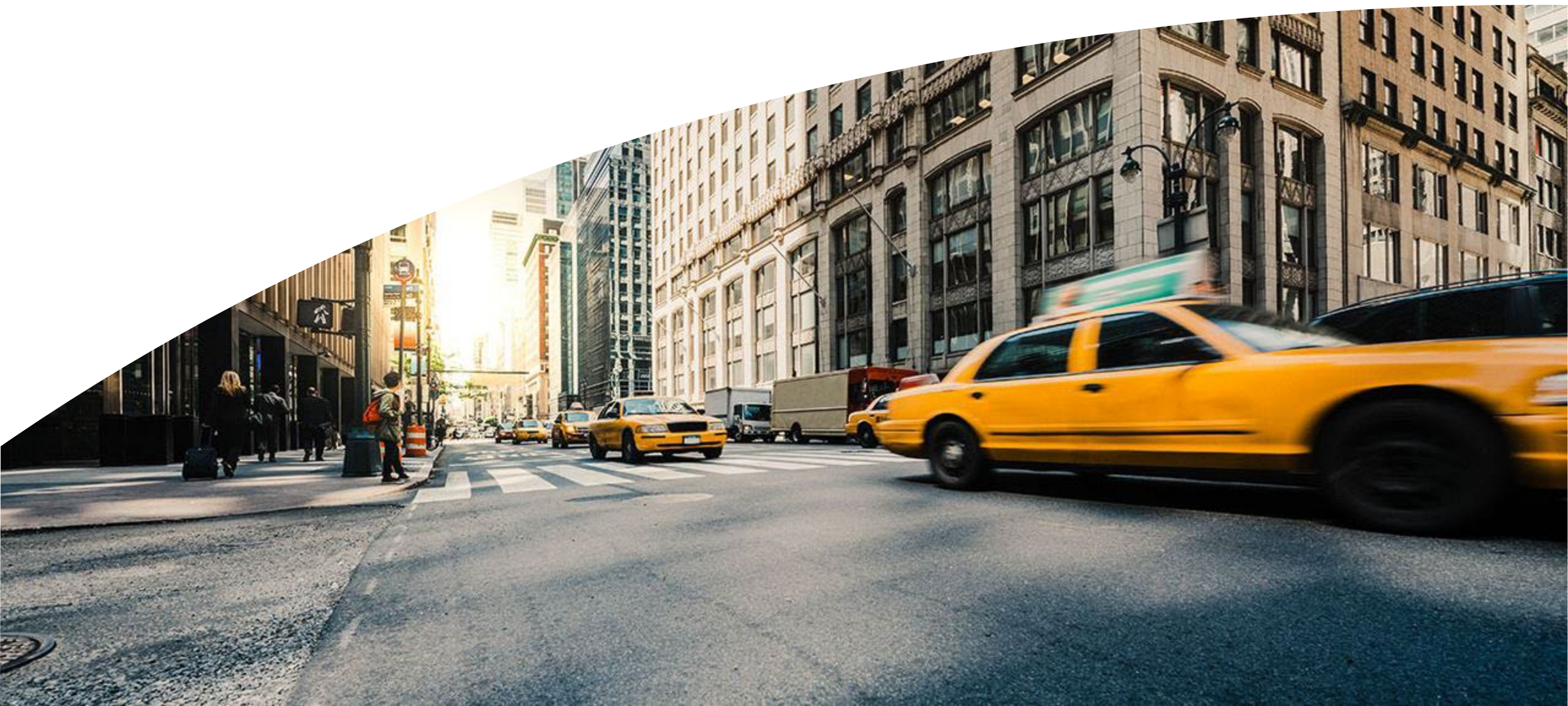


Status

- ▶ No tentative Board decisions yet
- ▶ Exposure Draft expected by December 2024



Infrastructure Assets





Objectives

Make the reporting of infrastructure assets:

- ▶ More consistent and comparable
- ▶ More useful for making decisions and assessing accountability
- ▶ More relevant to assessments of economic condition
- ▶ Better reflect the capacity of those assets to provide service and how capacity may change over time.



Status

- ▶ Deliberations began in May 2023
- ▶ Preliminary Views expected in July 2024
- ▶ Exposure Draft expected in January 2026



Infrastructure Assets – assets that are part of a network of long-lived capital assets utilized to provide a particular type of public service, that are stationary in nature, and that can be preserved for a significant number of years.



Examples include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and communication networks.



Revenue and Expense Recognition





Objectives

- ▶ Develop guidance applicable to topics for which existing guidance is limited
- ▶ Improve existing guidance
- ▶ Consider a performance obligation approach
- ▶ Assess existing and proposed guidance on conceptual framework



Status

- ▶ Deliberations began in May 2016
- ▶ Preliminary Views issued in June 2020
- ▶ Exposure Draft expected in March 2025



Foundational Principles

- ▶ Revenues and expenses are of equal importance in the resource flows statements.
- ▶ Revenues and expenses should be categorized independently and not in relation to each other.
- ▶ The Government is not acting as an agent for the citizenry.
- ▶ Symmetry should be considered, to the extent possible, in the application of the three components of the model.
- ▶ A consistent viewpoint, from the resource provider perspective, should be applied in the analysis of revenues and expenses.



Model Components

Categorization

Performance obligation

No performance obligation

Recognition

Unit of Account

Legally enforceable claim

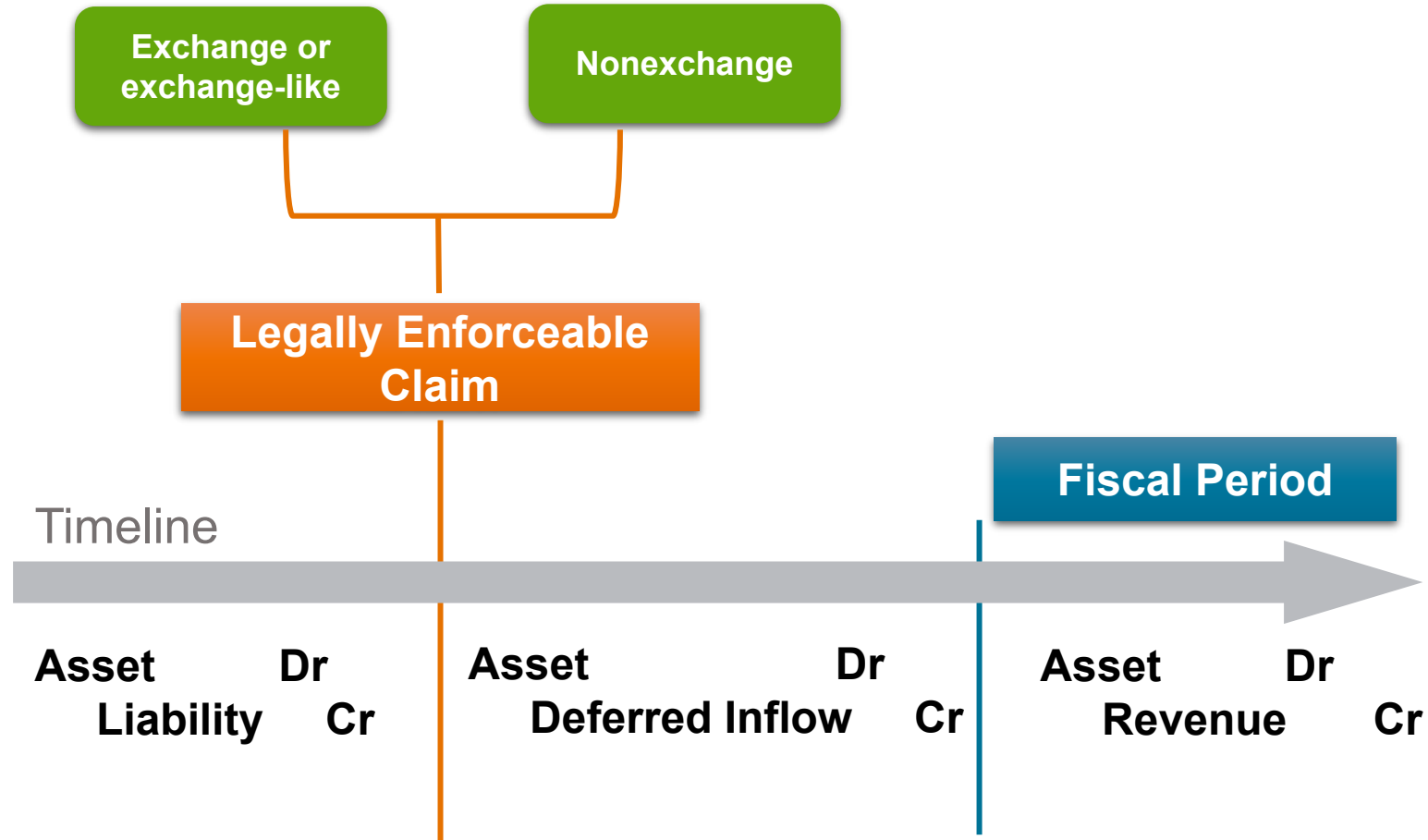
Time requirement

Measurement

Not addressed in preliminary views



Revenue Recognition Principles



Going Concern Uncertainties and Severe Financial Stress



Objectives

- ▶ Consider improvements to existing guidance for going concern considerations
- ▶ Develop a definition of severe financial stress and criteria for governments disclosing their exposure to severe financial stress
- ▶ Consider what information about a government's exposure to severe financial stress is necessary to disclose





Status

- ▶ Deliberations began in July 2022
- ▶ Preliminary Views expected in December 2024
- ▶ Exposure Draft expected in June 2026



Questions?



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