

American Accounting Association Annual Meeting



Update and Opportunities to Collaborate

August 7, 2023

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The views expressed in this presentation are those of Mr. Black.
Official positions of the GASB are reached only after extensive due process and deliberations.

GASB Mission

To establish and improve standards of state and local government accounting and financial reporting that will:

- Result in useful information for users of financial reports
- Guide and educate the public, including issuers, auditors, and users of those financial statements

Accomplished through comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and subject to oversight by FAF Board of Trustees

Advisory Council



- **31 members each representing different stakeholder group**
- **Balance of preparers, auditors, and users**
- **Meet with Board 3 times a year**
- **Major technical issues / project decisions**
- **Technical agenda and project priority**
- **Emerging issues**



FASB-GASB: An Important Difference

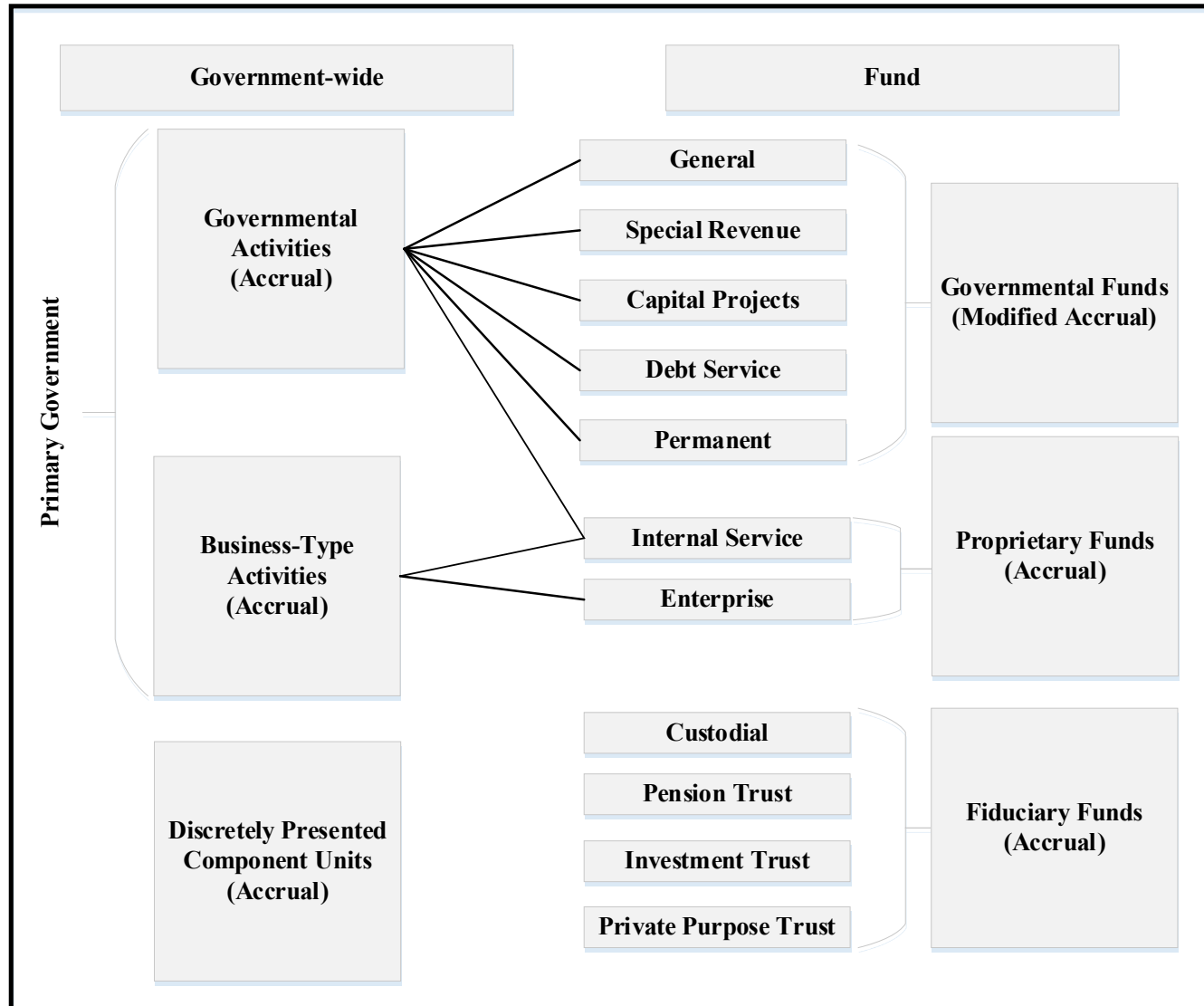
Financial reporting by Governments is—and should be—different from financial reporting by private enterprises because:*

- Basic mission and purposes are different
- Financial statement users differ (for example, citizenry vs. investors)
- Processes for generating revenues are different
- Governments have budgetary obligations
- Differences in longevity and powers
- Geographic, cultural, legal, and governance differences

*In sum, the needs of users of financial reports of governments and business enterprises differ. **Public accountability** is an essential factor.*

** Based on GASB White Paper*

Financial Reporting Model



Application of GAAP by Governments

- GASB is GAAP for governments as recognized by the AICPA
- States retain the right to require the application of GASB standards to themselves and to local governments in their jurisdiction
- Academic literature has identified the relationship between GAAP conformity and lower debt costs
- We are working, with help of Crain Grant recipient, to update our understanding of how many governments follow GAAP

Challenges and Opportunities in the Government Environment

- Electronic financial reporting developments
- Pipeline of students
- Audit quality
- Others?

Technical Plan Overview – June 2023

- **Conceptual Framework:**

- Recognition

- **Comprehensive Projects:**

- Financial Reporting Model
- Revenue and Expense Recognition

- **Major Projects:**

- Going Concern Uncertainties and Severe Financial Stress
- Infrastructure Assets

- **Practice Issues:**

- Implementation Guidance—Update
- Classification of Nonfinancial Assets
- Risks and Uncertainties Disclosures

- **Pre-Agenda Research Activities:**

- Subsequent Events

Financial Reporting Model

Financial Reporting Model

What?

The Board proposed improvements to the financial reporting model—
Statements 34, 35, 37, 41, and 46, and Interpretation 6

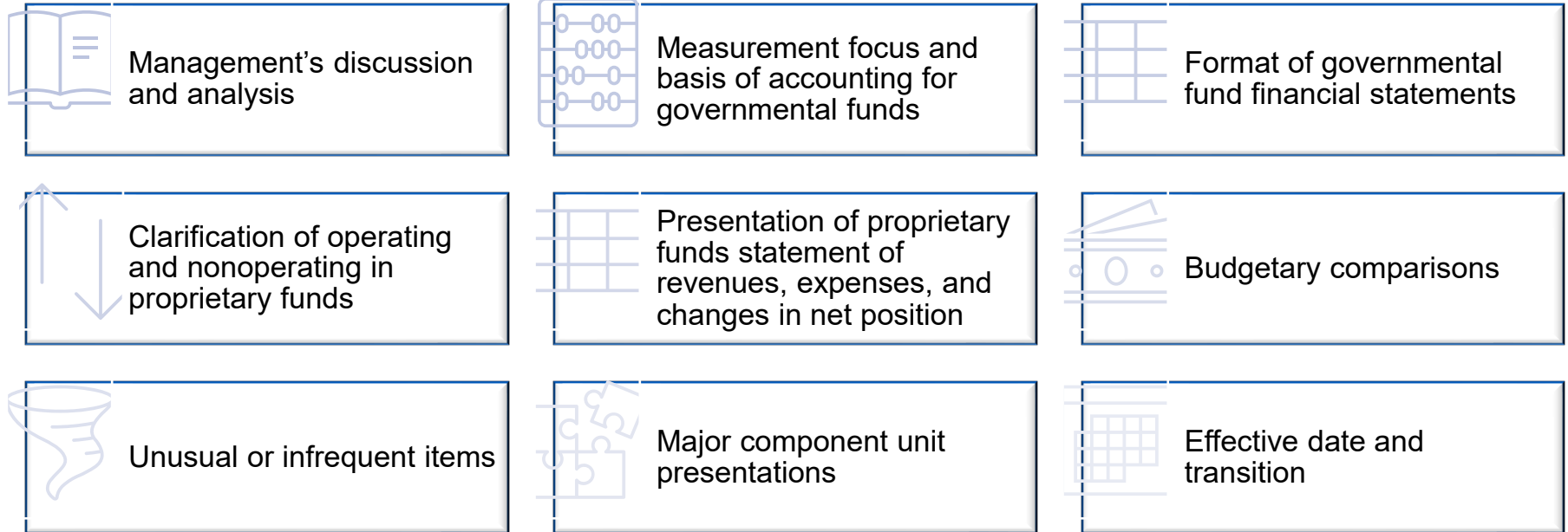
Why?

A review of those standards found that they generally were effective but that there were aspects that could be significantly improved

When?

A final Statement is scheduled to be considered for issuance in Q1 2024

Overview of the Proposals



Project Timeline

Pre-Agenda Research Approved	August 2013
Added to Current Technical Agenda	September 2015
Invitation to Comment Issued	December 2016
Preliminary Views Issued	September 2018
Exposure Draft Approved	June 2020
Redeliberations Began	May 2021
Final Statement Scheduled to Be Considered for Issuance	March 2024

Conceptual Framework: Recognition

Exposure Draft: *Recognition of Elements of Financial Statements*

What?

The Board issued an Exposure Draft of a Concepts Statement on recognition of financial statement elements

Why?

Recognition concepts are one of the components needed to complete the conceptual framework

When?

A final Concepts Statement is scheduled to be considered for issuance in Q1 2024

Revenue and Expense Recognition

Revenue and Expense Recognition

What?

The Board proposed a comprehensive model for recognition of revenues and expenses

Why?

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

When?

The Board is scheduled to consider the issuance of an Exposure Draft in Q1 2025

Broad Project Objective

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

Project Timeline

Pre-Agenda Research Approved	September 2015
Added to Current Technical Agenda	April 2016
Invitation to Comment Cleared	January 2018
Preliminary Views Approved	June 2020
Redeliberations Began	May 2021
Exposure Draft Scheduled to Be Considered for Issuance	March 2025

Risks and Uncertainties Disclosures

Risks and Uncertainties Disclosures

What?

The Board has proposed standards to identify and disclose risks faced by governments

Why?

Ongoing financial and economic issues prompted stakeholders to ask the GASB to consider what governments should report about some risks they face

When?

A final Statement is scheduled to be considered for issuance in Q3 2023

More about Why...

- Essential information for users about some significant risks that may impact the government's ability to continue to provide services and meet its obligations as they come due
- Boilerplate / disclosures every government would have are not the objective
 - Risks that are unique to specific governments are
- Limited to specific categories
 - Vulnerabilities caused by certain concentrations
 - Vulnerabilities caused by certain constraints

Project Timeline

Added to Current Technical Agenda	July 2020
Deliberations Began	September 2020
Exposure Draft Issued	June 2022
Redeliberations Began	November 2022
Final Statement Scheduled to be Considered for Issuance	December 2023

Going Concern Uncertainties and Severe Financial Stress: Reexamination of Statement 56

Going Concern Uncertainties and Severe Financial Stress

What?

The Board will review existing standards related to going concern and address issues related to disclosures regarding going concern uncertainties and severe financial stress

Why?

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; users need information about governments' severe financial stress, but that information is not readily available

When?

Deliberations began July 2022.

Preliminary Views Expected:
Third Quarter 2024

Topics to Be Considered

How should the existing guidance on going concern uncertainties (including the definition of a going concern) be clarified or improved to reduce diversity in practice in applying the guidance?

How should severe financial stress be defined? How should that definition differ from going concern uncertainties?

If a government is determined to be exposed to severe financial stress, what relevant information should a government disclose in notes to financial statements?

Project Timeline

Pre-Agenda Research Approved	April 2015
Added to Current Technical Agenda	December 2021
Deliberations Begin	July 2022
Preliminary Views Scheduled to Be Considered for Issuance	August 2024
Exposure Draft Scheduled to Be Considered for Issuance	March 2026

Infrastructure Assets

Infrastructure Assets

What?

The Board will address issues related to the accounting and financial reporting of infrastructure assets.

Why?

Based on our three years of research, all types of stakeholders informed us that the information about the condition and maintenance costs of infrastructure needs to be improved.

When?

Deliberations began May 2023.

Topics to Be Considered

How should infrastructure assets be recognized and measured in financial statements? Should the optional use of the modified approach continue to be allowed to report infrastructure assets?

Should additional information related to the maintenance and preservation of infrastructure assets be presented in financial statements and, if so, what information and what method of communication should be used to provide that information?

Project Timeline

Pre-Agenda Research Approved	August 2019
Added to Current Technical Agenda	April 2023
Deliberations Begin	May 2023
Preliminary Views Scheduled to Be Considered for Issuance	July 2024
Exposure Draft Scheduled to Be Considered for Issuance	January 2026

Classification of Nonfinancial Assets

Classification of Nonfinancial Assets

What?

The Board will review the existing classification of nonfinancial assets and other related sub-classifications (for example, capital assets or intangible assets)

Why?

A review of existing standards found that they generally were effective but that there were aspects that could be significantly improved

When?

An Exposure Draft is scheduled to be considered for issuance in Q3 2023

Tentative Board Decisions

Asset	Classification
Tangible capital assets held for sale	Major class of capital assets
Intangible owned capital assets	Major class(es) of capital assets
Intangible lease assets (Stmt 87)	Major class(es) of capital assets
Intangible subscription assets (Stmt 96)	Separate from other capital assets
Assets representing right to use intangible assets	Not separate from assets representing right to use tangible underlying assets - but – Separate from owned intangible assets

- Scope of project limited to classification and related presentation and disclosure issues
- The term *nonfinancial asset* will not be defined

Project Timeline

Pre-Agenda Research Approved	August 2020
Added to Current Technical Agenda	August 2021
Deliberations Begin	July 2022
Exposure Draft Scheduled to Be Considered for Issuance	September 2023

Subsequent Events

Subsequent Events

What?

The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments

Why?

Existing guidance is based on other literature dating back to 1972 and generally has not been reevaluated

When?

The Board completed pre-agenda research in July 2023.

Topics Considered

How prevalent are recognized and nonrecognized subsequent events?

How prevalent are subsequent event disclosures?

What types of subsequent events are disclosed in practice?

What difficulties do governments have, if any, distinguishing between subsequent events that require adjustments to the financial statements and those that are limited to disclosure?

What difficulties do governments have, if any, determining whether information that became available prior to the issuance of the financial statements reflects conditions that existed as of the date of the financial statements?

Topics Considered (continued)

How are the standards applied to events occurring after the issuance of the financial statement when a government reissues the financial statements?

What impact might the proposed changes to MD&A in the Financial Reporting Model project have on subsequent events reporting?

What information are governments disclosing about subsequent events? Is that information essential to users for making decisions and assessing government accountability?

What disclosures do users need, if any, about subsequent events that they are not currently receiving? How would they use that information?

What essential information, if any, do users need regarding recognized subsequent events?

Post-Implementation Review (PIR)

What is PIR?

The GASB monitors and supports implementation of all of its pronouncements

For Statements resulting from comprehensive projects and major projects that address a fundamental aspect of the standards, the GASB also:

Examines a random sample of financial reports for the year prior to, year of, and year after implementation

Collects information from their preparers regarding staff hours and nonstaff costs for those three years

Examines financial reports for the same random sample in the fifth year of implementation

Conducts stakeholder roundtables and surveys regarding their experience with the standards

Reports the findings publicly

Why Does the GASB Conduct PIRs?

To provide general support to stakeholders when implementing significant new pronouncements

To identify and address practice issues that arise

To answer technical inquiries from stakeholders and develop and publish Q&A implementation guidance

To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future

Which Statements Are under Review?

Statement 67—Pension plan reporting

Statement 68—Employer reporting for pensions

Statement 72—Fair value measurement and reporting

Statement 75—Employer reporting for other
postemployment benefits (OPEB)

Statement 84—Fiduciary activities

Statement 87—Leases

Monitoring Activities

Electronic Financial Reporting – including FDTA

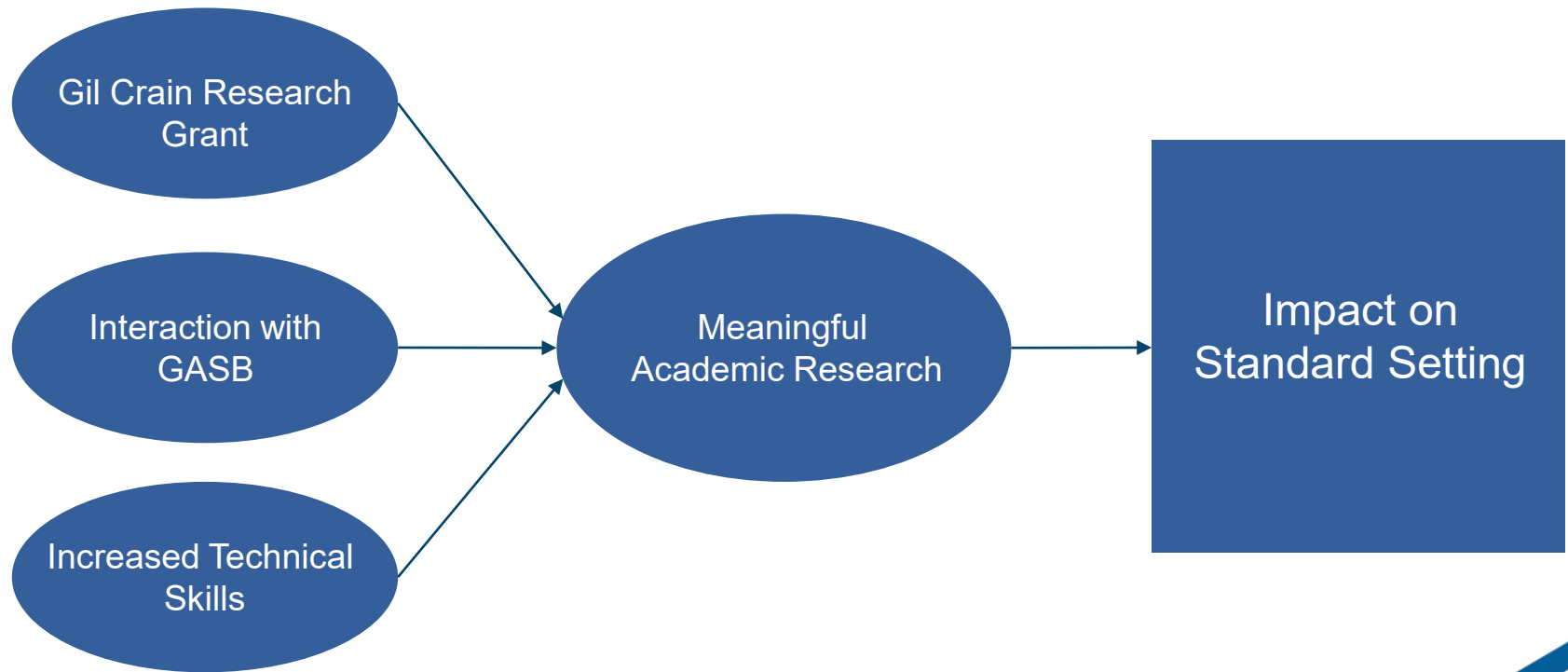
Digital Assets

SBITA Implementation

Other (Environmental Credits?)

Collaboration between Standard Setting and Academia

Benefits of Engaging with the GASB:



Opportunities for Engagement

- Comment letters
- GASB Postgraduate Technical Assistant (PTA) Program
- Submit your research for a Crain Grant or off-cycle for feedback
- Not-for-Profit and Governmental Accounting Webcast—October 20, 2023
- Student visits to the FAF/FASB/GASB

Questions?



gasb.org/academics