GASB/ACCOUNTING UPDATE

Agenda

Recently Implemented GASBs

Future GASBs

Other Updates

Financial Trends

Fun and Games

Effective For Fiscal Year 12/31/2023 (GASB 94 & 96)

GASB 94, *PUBLIC-PRIVATE AND PUBLIC-PUBLIC PARTNERSHIPS AND AVAILABILITY PAYMENT ARRANGEMENTS*

- Objective: To improve financial reporting by addressing issues related to PPP’s and APA’s.
- What is a PPP?
- What is an APA?

GASB 94, *Public-Private and Public-Public Partnerships(“PPPs”) and Availability Payment Arrangements (“APAs”)*

- Public-Private and Public-Public Partnerships (“PPPs”)
  - An arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.

GASB 94, *Public-Private and Public-Public Partnerships(“PPPs”) and Availability Payment Arrangements (“APAs”)*

- Public-Private and Public-Public Partnerships (“PPPs”)
  - Examples:
    - County owns a landfill and the landfill is operated and managed by a third-party waste company. The operator sets the fees and pays the County $2 million annually as a lease payment. The operator also pays the County 25% of the revenue collected.

GASB 94, *Public-Private and Public-Public Partnerships(“PPPs”) and Availability Payment Arrangements (“APAs”)*

- <u>Availability Payment Arrangements (“APAs”)</u>
  - An arrangement in which a government compensates an operator for services 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.

GASB 94, *Public-Private and Public-Public Partnerships(“PPPs”) and Availability Payment Arrangements (“APAs”)*

- Availability Payment Arrangements (“APAs”)
  - Example:
    - A government enters into an arrangement with a private corporation to design, build and finance the construction of a bridge.
    - As part of the arrangement, the corporation will collect all tolls for the bridge for 40 years and remit the collections to the government. In exchange, the government will remit to the corporation $20 million at the start of the project, $20 million on the date the bridge is placed into service, and $5 million annually for the length of the agreement (40 years), as compensation for designing, building and financing the bridge.
    - In addition, the government will remit to the corporation $200,000 per month for the length of the agreement, for the collection of the tolls.

GASB 94, *Public-Private and Public-Public Partnerships(“PPPs”) and Availability Payment Arrangements (“APAs”)*

Challenges/Common Mistakes

Incomplete populations – not properly recognizing something as a PPP or an APA

Sometimes a PPP is also an SCA which results in different ways to record the transactions

Understanding the contract/agreement with the operator/transferor

Present Value calculations

Existing asset vs. new asset -> should be recognized differently

GASB 96, Subscription-Based Information Technology Agreements ("SBITAs")

GASB 96 vs. 87

IT software vs. Nonfinancial Asset

Lessee vs. Lessee and Lessors

Measurement of asset:

- 87 – lease liability + payments made to lessor at or before commencement
- 96 – subscription liability + certain capitalizable implementation costs.

Challenges/Common Mistakes

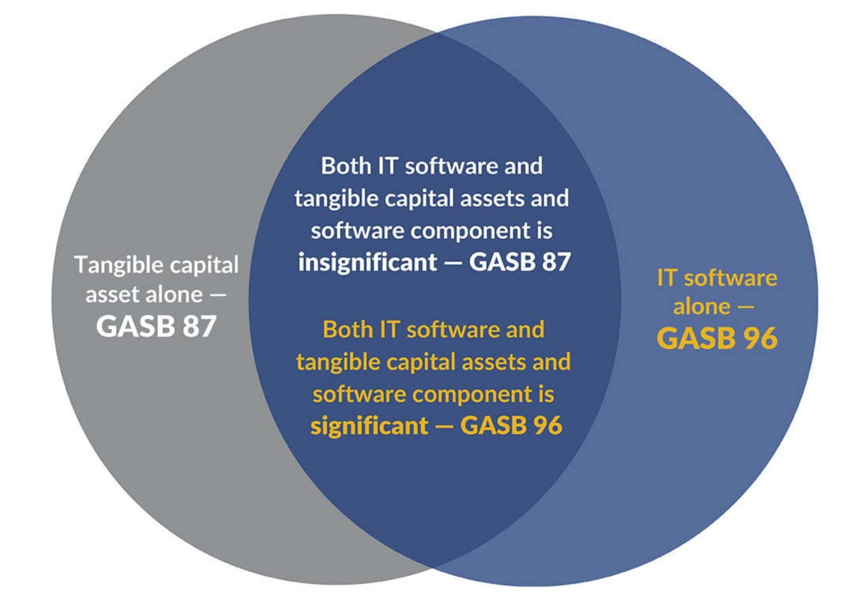
Incomplete populations (SBITA not always as black and white)

Inconsistent incremental borrowing rate

Present Value calculations

Determining upfront costs vs. implementation costs

Expensing vs. capitalizing new charges



- What happens if you have an arrangement that includes IT software and tangible capital assets in combination?

- Accounting software
- Purchasing software
- Payroll software
- SCADA
- Websites
- Project Management

- Timekeeping
- Public Safety software
- Document management
- Inventory system

Examples

- Office 365
- Teams/zoom
- Lease providers
- Dropbox
- Citrix
- Tasers/Body Cams/GPS locators

Identifying Population and Creating List

- Review all contracts and gather key data to determine applicability
- If incremental borrowing rate is required - select discount rate based on implementation date
- Use appropriate tools and formulas to calculate present value.
- Separate tangible from intangible costs
- Separate maintenance vs. capitalizable costs

Evaluate and Calculate

NEW GASBs

GASB 101 – *Compensated Absences*

GASB 102 – *Certain Risk Disclosures*

Why implement?

- The current standard, GASB 16, is considered outdated.

Objective?

- To create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements.

GASB 101, *Compensated Absences*

A compensated absence is (a) leave that employees use for time off with pay, (b) leave for which employees receive payment upon termination of employment, or (c) leave for which employees receive settlement through other means, such as conversion to postemployment benefits. Compensated absences generally do not have a set payment schedule. Examples of compensated absences include vacation leave, sick leave, paid time off (PTO), holidays, parental leave, bereavement leave, and certain types of sabbatical leave.

GASB Definition

Record liability if:

- Absence accumulates
- It is more likely than not to be either paid or settled through other means
- The absence attributable to services rendered

Disclosure Requirements:

- Report on Net change
- Eliminated disclosure of which governmental funds have liquidated the liability.

New Concepts

Governments are required to accrue for time that has accumulated and is likely to be used, even if the employee will never be eligible for a termination payment related to unused time. This wasn't a requirement under GASB 16.

The threshold for when to recognize a liability related to expected future payment (or use under GASB 101) decreased from "probable" (likely) to "more likely than not" (likelihood of 50% or higher).

The liability for sick leave will increase under GASB 101.

Differences with GASB 16

Types of absences and when to recognize

- Leave more likely than not to be settled through conversion to defined benefit (DB) postemployment benefits
- Leave dependent upon the occurrence of a sporadic event affecting a relatively small proportion of employees (e.g., parental leave, military leave, jury duty)
- Non-discretionary holiday leave
- Sick leave
- Unrestricted sabbatical leave

- When leave commences
- Do not recognize
- When earned by and available to the employees
- When leave is used

Example		
Sick leave is paid out at 50% after 5 years of service. • Employees over 5 years of service, unused sick leave = $600,000 • Employees less than 5 years of service, unused sick leave = $1,800,000 Sick leave is attributable to services already rendered and accumulates.		
	GASB 16	**GASB 101**
Liability concepts	Considers the leave that will be paid out upon termination/ retirement (vested portion) and an estimate leave amount for the nonvested portion based on probability of retirement.	Considers leave that will be paid out upon termination/retirement (vested portion) and an estimated leave amount for the nonvested portion based on more likely than not use for time off or future retirement.
Liability calculation	The vested portion would be recorded at 50% ($300,000). For employees less than 5 years of service, based on historical trends, it's probable that 45% of employees will stay on for more than 5 years. ($1,800,000 x 45% x 50% = $405,000)	The vested portion would be recorded at 50% ($300,000). For employees less than 5 years of service, based on historical trends, about 80% of sick leave is more likely than not to be used for time off or employee will stay on for more than 5 years and will receive a termination payment. ($1,800,000 x 80% x 50% = $720,000)
Liability amount	$705,000	$1,020,000

The right starting point

- Gain a complete understanding of your organization's compensated absence policies.
- Consider whether different employee groups have particular policies.
  - Union vs nonunion
  - full-time versus part-time
  - Nontraditional compensated absences offered such as personal observance time, union release time, and personal time.

Best Practices

Dive into your existing data

“More likely than not” threshold requires an assessment of relevant factors, including historical usage or retirement rates, that might be derived from the organization’s existing data but may not be information that’s readily available.

Identify exceptions and impact

Is this leave for which an employee may receive one or more:

(**a**) *cash payments when the leave is used from time off;* (**b**) *other cash payments, such as payment for unused leave upon termination of employment; or* (**c**) *noncash settlements, such as conversion to defined benefit postemployment benefits?*

Yes
This leave meets the definition of a compensated absence and therefore is within the scope of GASB Statement No. 101.

No
This leave is not within the scope of GASB Statement No. 101 as it does not meet the definition of a compensated absence.

Is this parental leave, military leave, jury duty, restricted sabbatical leave, leave that employees are able to take without specific limits (*example, unlimited leave*), or holiday leave that is taken on a specific date not at the discretion of employees?

Yes
Recognition exceptions apply. See GASB 101 for how these exceptions are treated.

No
Recognition exceptions do not apply.

A June 30 fiscal year-end government has an employee who has begun a four-month paid parental leave of absence. The employee went on leave effective May 15, with a return date of Sept. 16.

The government will recognize a liability as of June 30 for the remaining amount of paid leave (2 ½ months).

Example 1

A government recently enacted an unlimited leave policy for all employees with over three years of service.

The government would not recognize a liability until the leave had been used, at which point the government has an obligation to pay or settle through non-cash means

Example 2

A Dec. 31 year-end government recognizes New Year's Day (Jan. 1) as a paid holiday.

The government would not recognize a liability as of Dec. 31 since the leave has not yet been used.

Example 3

A Sept. 30 year-end government offers all employees 8 hours of paid time off per bi-weekly pay period worked. Unused leave accrues and can be used in future periods at the employee's discretion.

If the government has determined the probability that the leave is more likely than not to be used for time off, a government should recognize a liability as of Sept. 30 for all unused leave attributable to services already rendered.

Example 4

Why implement?

- Governments are exposed to numerous risks (known to management but not necessarily stakeholders) that may limit their ability to acquire resources or control spending.

Objective?

- Increased transparency - to provide users of government financial statements with essential information about risks related to a government’s vulnerabilities due to certain concentrations or constraints

GASB 102, *Certain Risk Disclosures*

County A, with a June 30, 2025 fiscal year-end, was notified on July 24, 2025 that the County's largest property taxpayer, XYZ Corporation, will cease operations by the end of Dec. 2025. XYZ Corporation most recently paid 25% of the County's property tax collections. Given the specialized configuration of the facilities, it is unlikely another entity will acquire or occupy the property. The County's financial statements are expected to be issued in September 2025.

Example 1 - Background

County A should include a disclosure in its June 30, 2025 financial statements. The concentration of property tax revenue with XYZ Corporation is known prior to the issuance of the financial statements. The decrease in property tax revenue is likely to have a substantial impact and to occur within 12 months of the financial statements being issued.

Example 1 - Analysis

Hospital B, with a Sept. 30, 2025 fiscal year-end, is currently negotiating with the National Nurses United, a labor union which effectively represents all the Hospital's nursing staff. Despite months of negotiations, no progress has been made towards a new collective bargaining agreement (CBA). The current CBA expires on Dec. 31, 2025. The Hospital's financial statements are to be issued no later than Nov. 30, 2025.

Example 2 - Background

Hospital B should include a disclosure in its financial statements. The hospital nursing staff belonging to the same CBA represents a known concentration. The possibility of the Hospital’s nursing staff walking out if no new agreement is reached by Dec. 31, 2025 would have a substantial impact on the hospital’s ability to operate and provide services. Given the fact that no progress has been made toward a new CBA, a potential work stoppage is more likely than not to occur within 12 months of the date the financial statements are issued.

Example 2 - Analysis

OTHER UPDATES

Single Audits

Schedule of Expenditures of Federal Awards ("SEFA") Best Practices

- Have reconciliation of federal funding to general ledger available
- Ensure ALN numbers are correct (previously CFDA)
- Contract numbers, where applicable, are included in pass-through entity identifying column
- Identify if program is direct or indirect (passed through) and which entity passed through funding to the County

Single Audits

Schedule of Expenditures of Federal Awards (“SEFA”) Best Practices

- Amount passed through to each subrecipient, if applicable
- Formulas in the SEFA sum correctly
- Perform analytic review to prior year SEFA, identify any large variances
- Confirm amounts reported with oversight agencies, as applicable

Single Audits

Submission of Single Audit Report and Data Collection Form

- Single Audit Report Deadline: September 30th for 12/31 year-ends
- Data Collection Form Deadline: within 30 days of when audit report is RELEASED or 9 months from entity's fiscal year-end (September 30th for 12/31 year-ends)

Single Audits

Corrective Action Plan:

- A separate corrective action plan needed if there is a single audit finding

Management's Corrective Action Plan

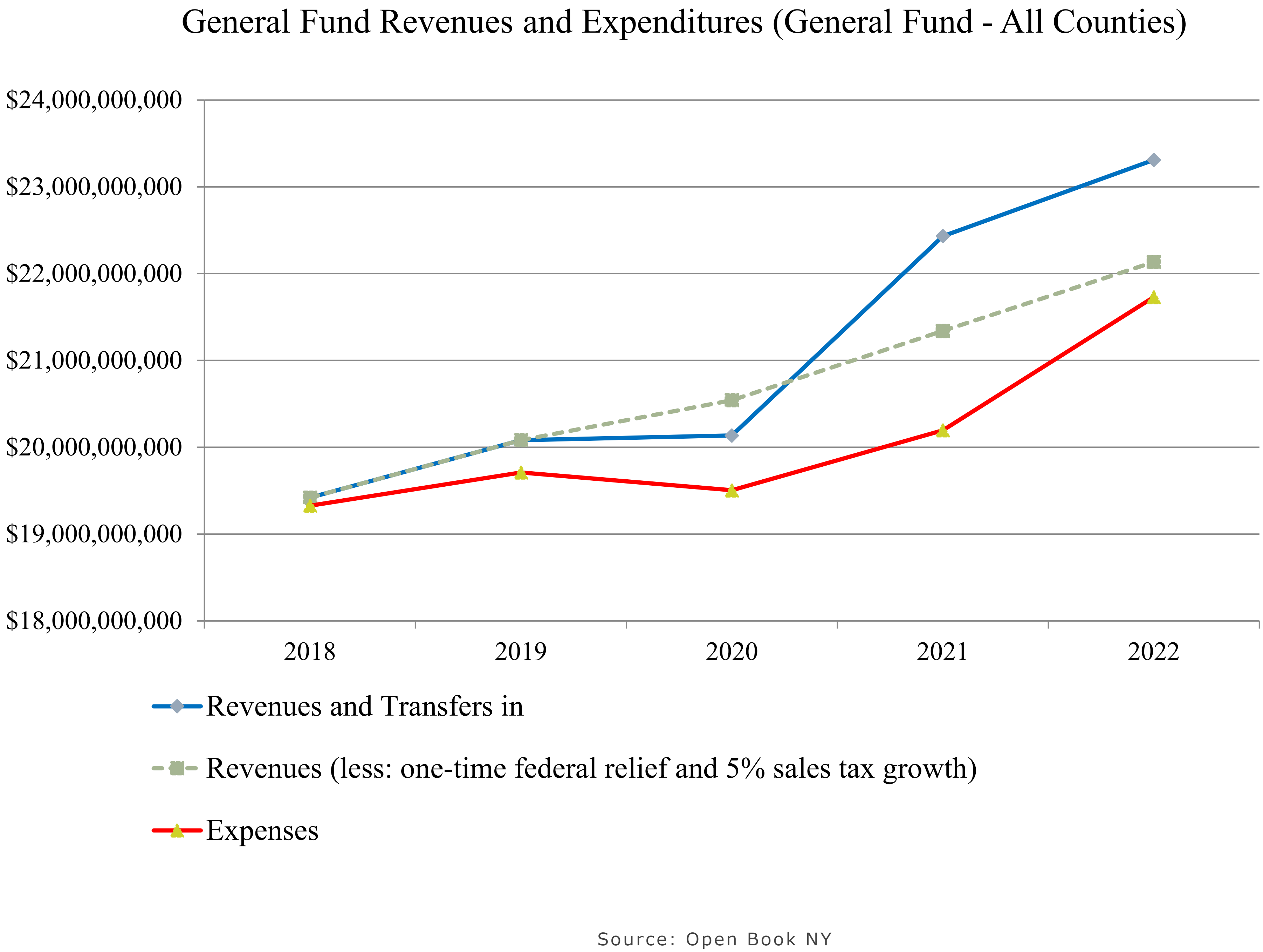
Audit Finding Reference: 2023-001—Reporting Requirements ALN #14.218

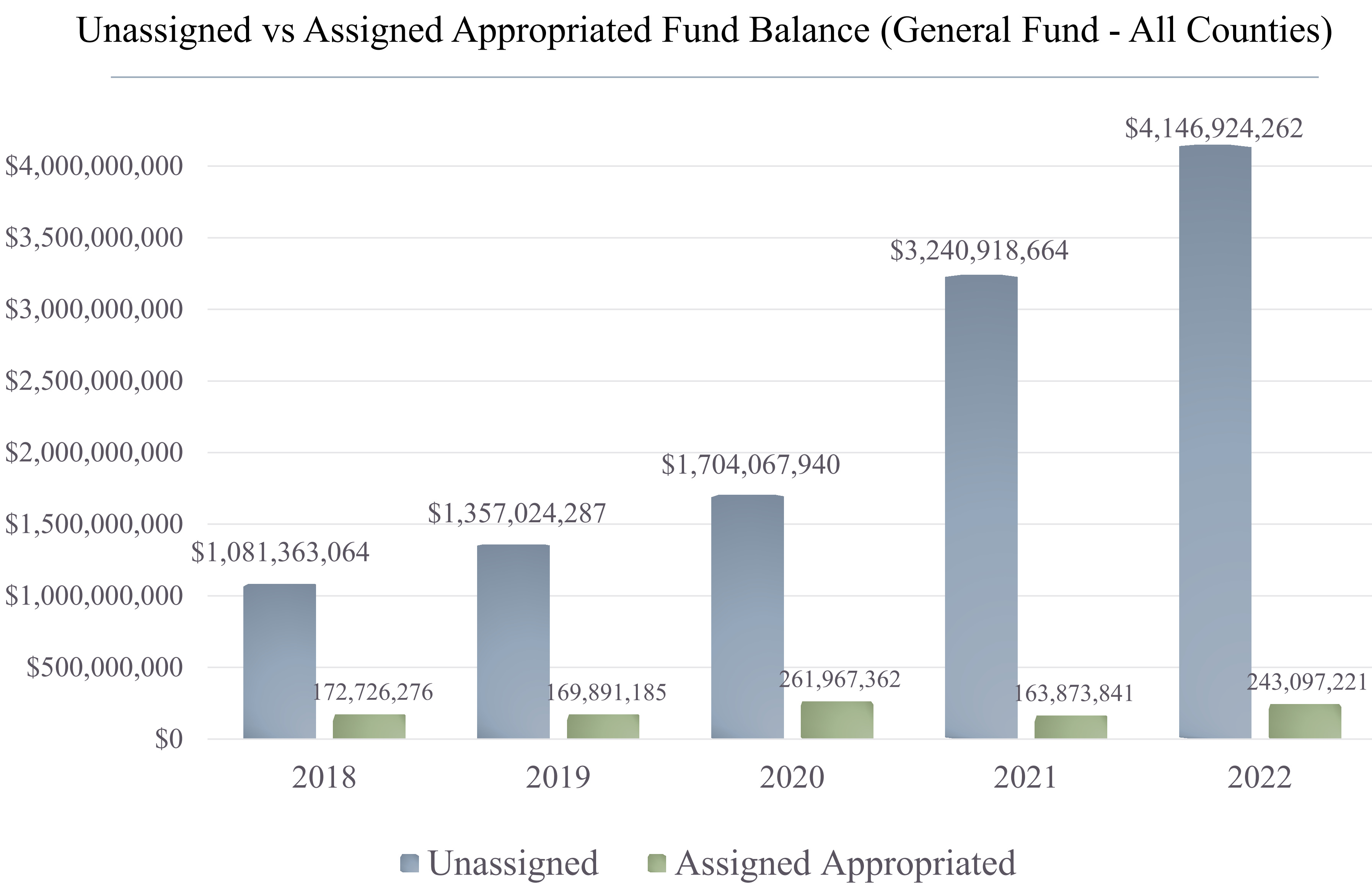
Planned Corrective Action: There were delays in receiving instructions and guidance from the grant funding agency. The information that the County requested was provided on April 4, 2024 and reporting is in progress which will put the County in full compliance. Future subaward information will be added to the FSRS in a timely manner.

Name of Contact Person: Jane Doe, Economic Development Department

Anticipated Completion Date: The 12/31/24 fiscal year

FINANCIAL TRENDS


General Fund Revenues and Expenditures (General Fund - All Counties)
$24,000,000,000
$23,000,000,000
$22,000,000,000
$21,000,000,000
$20,000,000,000
$19,000,000,000
$18,000,000,000
2018
2019
2020
2021
2022
Revenues and Transfers in
Revenues (less: one-time federal relief and 5% sales tax growth)
Expenses
Source: Open Book NY

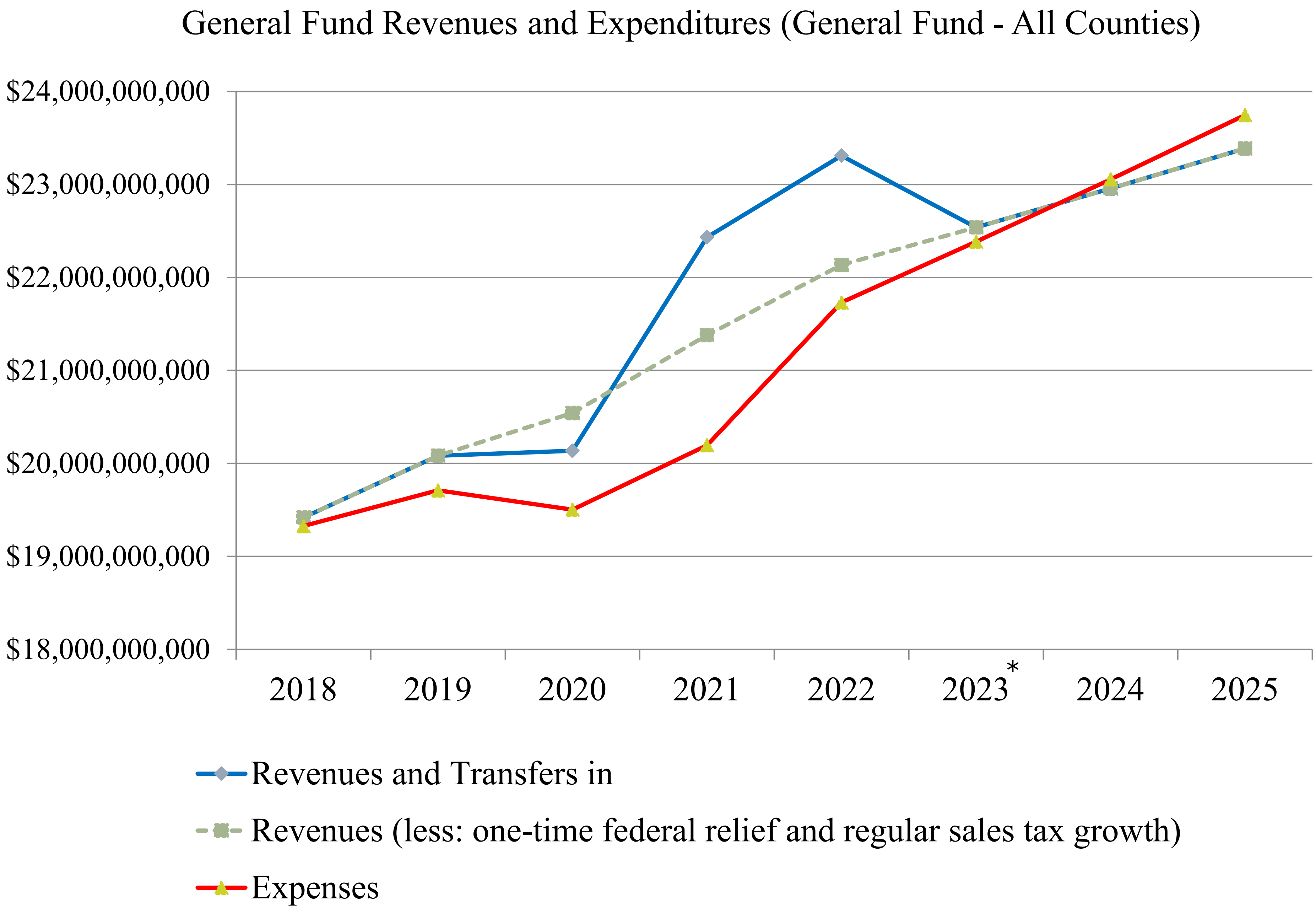


Source: Open Book NY

Looking Ahead

Example Scenario:

- 3% Budgetary Increase (Total Appropriations)
- 3.5% annual sales tax increase (Represents average 40% of budget in 2022)
- 1.5% annual property tax increase (Represents average 25% of budget in 2022)
- All other revenues (including Federal and State Aid, representing over 20% of budget) to return to 2019 levels



*Example in which all Federal Aid was claimed prior to 2023.

Source: Open Book NY

THANK YOU