APRIL 2022

Governmental Accounting Standards Series

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

For additional copies of this Statement and information on applicable prices and discount rates, contact:

Order Department
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Telephone Orders: 1-800-748-0659

Please ask for our Product Code No. GS99.

The GASB website can be accessed at www.gasb.org.

Summary

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases,* as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements,* related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* as amended, related to the focus of the government-wide financial statements

- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

Effective Date

The requirements of this Statement are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will enhance comparability in the application of accounting and financial reporting requirements and will improve the consistency of authoritative literature. Consistent authoritative literature enables governments and other stakeholders to more easily locate and apply the correct accounting and financial reporting provisions, which improves the consistency with which such provisions are applied. The comparability of financial statements also will improve as a result of this Statement. Better consistency and comparability improve the usefulness of information for users of state and local government financial statements.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board's setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits of implementing this Statement—improved consistency of authoritative literature, which results in a more accurate application of the literature, as well as greater comparability in the reporting of information about the topics addressed in this Statement—are significant and justify the perceived costs of implementation and ongoing compliance.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

April 2022

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
of the Financial Accounting Foundation
401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116

Copyright © 2022 by Financial Accounting Foundation. All rights reserved. Content copyrighted by Financial Accounting Foundation may not be reproduced, stored in a retrieval system, or transmitted, in any form or by any means, electronic, mechanical, photocopying, recording, or otherwise, without the prior written permission of the Financial Accounting Foundation.

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

April 2022

CONTENTS

	Paragraph Numbers
Introduction	1
Standards of Governmental Accounting and Financial Reporting	2–32
Scope and Applicability of This Statement	2–3
Financial Guarantees	4–7
Governments That Extend Exchange or Exchange-Like Financial Guarantees	6
Notes to Financial Statements	7
Derivative Instruments That Are neither Investment Derivative Instruments nor Hedging Derivative Instruments	8–10
Termination of Hedge Accounting	9–10
Leases	11–17
Lease Term	11
Short-Term Leases	12
Lessee Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership—Lease Liability	13–14
Lessor Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership—Lease Receivable	15–16
Lease Incentives	17
PPPs	18–22
PPP Term	18
Transferor Recognition and Measurement for PPPs	19–20
Receivable for Installment Payments	19
Receivable for the Underlying PPP Asset	20

	Paragraph Numbers
Operator Recognition and Measurement for PPPs	21–22
Liability for Installment Payments	21
Deferred Outflow of Resources	22
SBITAs	23–25
Subscription Term	23
Short-Term SBITAs	24
Recognition and Measurement for SBITAs Other Than Short-Term SBITAs—Subscription Liability	25
Replacement of LIBOR	26
SNAP	27
Disclosure of Nonmonetary Transactions	28
Pledges of Future Revenues When Resources Are Not Received by the Pledging Government	29
Focus of the Government-Wide Financial Statements	30
Terminology Updates	31–32
Effective Date and Transition	33–38
Appendix A: Background	A1–A3
Appendix B: Basis for Conclusions	B1–B59
Appendix C: Codification Instructions	C1–C6

Statement No. 99 of the Governmental Accounting Standards Board

Omnibus 2022

April 2022

INTRODUCTION

1. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (a) practice issues that have been identified during implementation and application of certain GASB Statements and (b) accounting and financial reporting for financial guarantees.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement establishes or amends accounting and financial reporting requirements for specific issues related to financial guarantees, derivative instruments, leases, public-public and public-private partnerships (PPPs), subscription-based information technology arrangements (SBITAs), the transition from the London Interbank Offered Rate (LIBOR), the Supplemental Nutrition Assistance Program (SNAP) (formerly, *food stamps*), nonmonetary transactions, pledges of future revenues, the focus of government-wide financial statements, and terminology. The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,* paragraph 6 and footnotes 3–5 and Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* paragraphs 109 and 110 and footnote 43. This Statement

amends Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* paragraphs 49, 56, and 130; Statement 24, paragraph 3; Statement No. 30, *Risk Financing Omnibus,* paragraph 6; Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions,* paragraph 5; Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments,* paragraphs 6 and 13 and footnote 23; Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* paragraphs 12, 20, 23, 25, 35, and 69 and footnote 7; Statement 62, paragraphs 98, 99, 280, and 485 and footnote 228; Statement No. 72, *Fair Value Measurement and Application,* paragraph 80; Statement No. 87, *Leases,* paragraphs 16, 22, 26, 28, 45, 50, and 61; Statement No. 93, *Replacement of Interbank Offered Rates,* paragraph 11; Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* paragraphs 10, 28, 45, and 47; Statement No. 96, *Subscription-Based Information Technology Arrangements,* paragraphs 9, 21, and 23; Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities,* paragraph 11; *Implementation Guide No. 2015-1,* Questions 1.65.5, 7.34.4, 10.13.6, 10.13.7, 10.15.3, 10.15.6, 10.16.4, 10.16.5, and 10.18.1–10.18.4; Implementation Guide No. 2016-1, *Implementation Guidance Update—2016,* Questions 4.7, 4.67, and 5.15; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019,* Question 4.6; and Implementation Guide No. 2019-3, *Leases,* Questions 4.13, 4.14, 4.19, 4.28, 4.29, 4.34, and 4.46–4.48.

Financial Guarantees

4. Paragraphs 5–7 of this Statement establish accounting and financial reporting requirements for exchange and exchange-like financial guarantees. As used in those paragraphs, an exchange or exchange-like financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, that requires the guarantor to indemnify a third-party obligation holder under specified conditions, in an exchange or exchange-like transaction.[1] In addition, paragraph 7 of this State-

[1]The difference between exchange and exchange-like transactions is a matter of degree. In contrast to a "pure" exchange transaction, an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition.

ment addresses notes to financial statements for certain nonexchange financial guarantees that are within the scope of Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees,* as amended.

5. Paragraphs 6 and 7 of this Statement do not apply to guarantees related to special assessment debt within the scope of Statement No. 6, *Accounting and Financial Reporting for Special Assessments;* financial guarantee contracts within the scope of Statement 53; or guarantees related to conduit debt obligations within the scope of Statement No. 91, *Conduit Debt Obligations.*

Governments That Extend Exchange or Exchange-Like Financial Guarantees

6. A government that has extended an exchange or exchange-like financial guarantee should apply the provisions in paragraphs 7–10 and 13 of Statement 70 for the recognition of a liability and an expense or expenditure related to the exchange or exchange-like financial guarantee except for the requirements in paragraphs 9 and 10 of Statement 70 to classify expenses or expenditures in the same manner as grants or financial assistance payments.

Notes to Financial Statements

7. A government that has extended an exchange or exchange-like financial guarantee should apply the provisions in paragraphs 14 and 15 of Statement 70. For exchange and exchange-like financial guarantees, as well as nonexchange financial guarantees, if the cumulative amount disclosed as paid by the government related to a guarantee does not equal the total amounts actually paid on the guarantee because the cumulative amount was determined prospectively at transition, the government should disclose the dates over which the cumulative amount was determined.

Derivative Instruments That Are neither Investment Derivative Instruments nor Hedging Derivative Instruments

8. Derivative instruments that are within the scope of Statement 53 but do not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument are considered *other derivative instruments.* For

example, a derivative instrument that was intended to be a hedge but does not meet the hedge effectiveness criteria is neither an investment derivative instrument nor a hedging derivative instrument. Reporting requirements for other derivative instruments are as follows:

a. Changes in fair value of other derivative instruments should be reported on the resource flows statement[2] separately from the investment revenue classification.
b. Information disclosed in notes to financial statements about other derivative instruments should be distinguished from information about hedging derivative instruments and investment derivative instruments.
c. Governments should disclose the fair values of derivative instruments that were reclassified from hedging derivative instruments to other derivative instruments, as provided in paragraphs 9 and 10 of this Statement, and should apply the provisions in paragraph 76 of Statement 53, as amended.

Termination of Hedge Accounting

9. If a termination event as described in paragraphs 22a–22d of Statement 53, as amended, occurs, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination.*

10. If the termination event is the occurrence of the hedged expected transaction (paragraph 22f of Statement 53) that results in a financial instrument and the government is reexposed to the hedged risk, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification.

[2]For purposes of paragraphs 8–10 of this Statement, the term *resource flows statement* includes the statement of activities; the statement of revenues, expenses, and changes in fund net position; and the statement of changes in fiduciary net position required to be reported as components of the basic financial statements.

Leases

Lease Term

11. For purposes of applying paragraph 12 of Statement 87:

a. An option to terminate is an unconditional right that exists within the lease contract. A provision that gives a lessee or lessor the right to terminate the lease only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the lease contract, should not be considered an option to terminate the lease for purposes of determining the lease term. For example, provisions that allow for the termination of a lease due to a violation of lease terms and conditions, such as a default on payments, are not considered options to terminate the lease.
b. If a lessee has the option to purchase the underlying asset during the lease term and the contract is not a contract that transfers ownership that is required to be reported in accordance with paragraph 19 of Statement 87, the lease term should exclude the period, if any, after the date at which the option is reasonably certain to be exercised.
c. The last sentence in paragraph 12 of Statement 87 should be applied only to the evaluation of contracts that transfer ownership in accordance with paragraph 19 of Statement 87.

Short-Term Leases

12. For purposes of applying paragraph 16 of Statement 87, periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancellable periods and should be excluded from the maximum possible term. In addition, a lease that previously had been determined to be short term and that has been modified to extend the initial maximum possible term under the lease contract should be reassessed from the inception of the lease. If the reassessed maximum possible term is greater than 12 months, the lease should no longer be considered a short-term lease. For a lease that is reclassified from a short-term lease, the lease term should be assessed beginning at the date of the modification for purposes of measuring the lease receivable or lease liability.

Lessee Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership—Lease Liability

13. For purposes of applying paragraphs 21 and 22 of Statement 87, variable payments that depend on an index or a rate or those that are fixed in substance should be included in the measurement of the lease liability. All other variable payments, such as those based on future performance of the lessee or usage of the underlying asset, should not be included in the measurement of the lease liability.

14. For purposes of applying paragraphs 26 and 28 of Statement 87, a lease liability should not be remeasured solely for a change in an index or a rate used to determine variable payments, nor should the discount rate be reassessed solely for a change in the lessee's incremental borrowing rate.

Lessor Recognition and Measurement for Leases Other Than Short-Term Leases and Contracts That Transfer Ownership—Lease Receivable

15. For purposes of applying paragraphs 44 and 45 of Statement 87, variable payments that depend on an index or a rate or those that are fixed in substance should be included in the measurement of the lease receivable. All other variable payments, such as those based on future performance of the lessee or usage of the underlying asset, should not be included in the measurement of the lease receivable.

16. For purposes of applying paragraph 50 of Statement 87, a lease receivable should not be remeasured solely for a change in an index or a rate used to determine variable payments.

Lease Incentives

17. For purposes of applying paragraph 61 of Statement 87, a lease incentive is equivalent to a rebate or discount and includes an assumption of, or an agreement to pay, a lessee's preexisting lease obligations to a third party, other reimbursements of lessee costs, rent holidays, and reductions of interest or principal charges by the lessor.

PPPs

PPP Term

18. For purposes of applying paragraph 10 of Statement 94, an option to terminate is an unconditional right that exists within the contract. A provision that gives a transferor or operator the right to terminate the PPP only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the contract, should not be considered an option to terminate the PPP for purposes of determining the PPP term. For example, provisions that allow for the termination of a PPP due to a violation of PPP terms and conditions, such as a default on payments, are not considered options to terminate the PPP.

Transferor Recognition and Measurement for PPPs

Receivable for Installment Payments

19. For purposes of applying paragraph 28 of Statement 94, a receivable for installment payments should not be remeasured solely for a change in an index or a rate used to determine variable payments.

Receivable for the Underlying PPP Asset

20. For purposes of applying paragraph 31 of Statement 94, a receivable for the underlying PPP asset should be remeasured if there is a change in the PPP term and the change is expected to significantly affect the amount of the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer of ownership.

Operator Recognition and Measurement for PPPs

Liability for Installment Payments

21. For purposes of applying paragraphs 45 and 47 of Statement 94, a liability for installment payments should not be remeasured solely for a change in an index or a rate used to determine variable payments, nor should the discount rate be reassessed solely for a change in an operator's incremental borrowing rate.

Deferred Outflow of Resources

22. For purposes of applying paragraph 54 of Statement 94, the deferred outflow of resources should be adjusted by the same amount as any change resulting from the remeasurement of the liability for the underlying PPP asset. However, if that change reduces the deferred outflow of resources to zero, any remaining amount should be reported in the resource flows statement.

SBITAs

Subscription Term

23. For purposes of applying paragraph 9 of Statement 96, an option to terminate is an unconditional right that exists within the SBITA contract. A provision that gives a party to the SBITA the right to terminate the SBITA contract only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the SBITA contract, should not be considered an option to terminate the SBITA for purposes of determining the SBITA term. For example, provisions that allow for the termination of a SBITA due to a violation of SBITA terms and conditions, such as a default on payments, are not considered options to terminate the SBITA.

Short-Term SBITAs

24. For purposes of applying paragraph 13 of Statement 96, a SBITA that previously had been determined to be short term and that has been modified to extend the initial maximum possible term under the SBITA contract should be reassessed from the inception of the SBITA. If the reassessed maximum

possible term is greater than 12 months, the SBITA should no longer be considered a short-term SBITA. For a SBITA that is reclassified from a short-term SBITA, the SBITA term should be assessed beginning at the date of the modification for purposes of measuring the subscription liability.

Recognition and Measurement for SBITAs Other Than Short-Term SBITAs—Subscription Liability

25. For purposes of applying paragraphs 21 and 23 of Statement 96, a subscription liability should not be remeasured solely for a change in an index or a rate used to determine variable payments, nor should the discount rate be reassessed solely for a change in a government's incremental borrowing rate.

Replacement of LIBOR

26. For purposes of applying paragraphs 35–38 of Statement 53, as amended, LIBOR is no longer an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt when LIBOR ceases to be determined by the ICE Benchmark Administration using the methodology in place as of December 31, 2021.

SNAP

27. State governments should recognize distributions of benefits from SNAP by applying the provisions of Statement 33, as amended.

Disclosure of Nonmonetary Transactions

28. A government that engages in one or more nonmonetary transactions during a period and that is required to apply paragraphs 272–280 of Statement 62 to those transactions should disclose in notes to financial statements the measurement attribute(s) applied to the assets transferred, rather than the basis of accounting for those assets.

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

29. The provisions in paragraph 20 of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* are applicable to a primary government and its blended component units when issuing stand-alone financial statements. In the process of blending the financial statements of a debt-issuing component unit into the financial statements of a primary government pledging revenue for the component unit's debt, the primary government should reclassify an amount due to the component unit as an interfund payable and an interfund transfer out simultaneously with the recognition of the revenues that are pledged. The debt-issuing component unit (presented as a fund of the primary government) should recognize an interfund receivable and a transfer in when the primary government is obligated to make the payments.

Focus of the Government-Wide Financial Statements

30. For purposes of applying paragraphs 6 and 13 of Statement 34, as amended, the government-wide financial statements should display information about the overall reporting government, except for its fiduciary activities, regardless of whether a total column for the financial reporting entity as a whole is presented.

Terminology Updates

31. The following pronouncements are updated for terminology changes related to the provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position:*

a. In paragraphs 49 and 130 of Statement 10, as amended, paragraph 6 of Statement 30, and footnote 23 of Statement 34, as amended, the terms *balance sheet, balance sheets,* and *balance sheet date* are replaced by *statement of net position, statements of net position,* and *statement of net position date,* respectively.
b. In paragraph 56 of Statement 10, the term *balance sheet date* is replaced by *date of the financial statements.*

c. In paragraph 485 of Statement 62, as amended, the term *fund equity* is replaced by *assets that were not obtained from borrowings,* and the term *equity funds* is replaced by *other assets used.*
d. In footnote 228 of Statement 62, the term *fund equity* is replaced by *the equity interest.*
e. In paragraph 11 of Interpretation 1, as amended, the term *balance sheet date* is replaced by *balance sheet/statement of net position date.*

32. In paragraphs 20, 23, and 25 and footnote 7 of Statement 53, as amended, the term *flow of resources statement* is replaced by *resource flows statement.*

EFFECTIVE DATE AND TRANSITION

33. The requirements of this Statement are effective as follows:

a. The requirements in paragraphs 26–32 are effective upon issuance.
b. The requirements in paragraphs 11–25 are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
c. The requirements in paragraphs 4–10 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

34. Earlier application is encouraged and is permitted by individual topic to the extent that all requirements associated with an individual topic are implemented simultaneously. For purposes of this paragraph, the requirements of the following paragraphs comprise individual topics:

a. Paragraphs 4–7 regarding financial guarantees
b. Paragraphs 8–10 regarding derivative instruments
c. Paragraphs 11–17 regarding leases
d. Paragraphs 18–22 regarding PPPs
e. Paragraphs 23–25 regarding SBITAs.

35. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements for all prior periods presented, if practicable. The cumulative effect, if any, of applying this Statement to periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of applying this Statement.

36. If restatement for all prior periods presented is not practicable, the cumulative effect, if any, of applying this Statement should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period restated (that is, for the earliest period for which it is practicable to apply this Statement).

37. In the first period that this Statement is applied, the notes to financial statements should disclose the nature of the restatement, including identification of the financial statement line items affected (excluding totals and subtotals) and the effects on beginning net position, fund balance, or fund net position, as applicable. If prior periods presented are not restated because it is not practicable to do so, the reason why the restatement was not practicable should be disclosed.

38. For purposes of the disclosure requirement in paragraph 7 of this Statement, the cumulative payments on guarantees may be determined prospectively at transition. If determined prospectively, that disclosure should include the dates over which the cumulative amounts are determined.

The provisions of this Statement need not be applied to immaterial items.

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

Joel Black, *Chair*
Jeffrey J. Previdi, *Vice Chair*
James E. Brown
Brian W. Caputo
Kristopher E. Knight
Dianne E. Ray
Carolyn Smith

Appendix A

BACKGROUND

A1. When specific narrow issues or a significant number of technical inconsistencies in existing standards are identified, the Board periodically addresses them with an Omnibus project. At their June 2020 meeting, members of the Governmental Accounting Standards Advisory Council (GASAC) provided feedback on a potential project to address certain practice issues that had been identified either during the implementation and application of GASB Statements or through technical inquiries from stakeholders. The Board added a project to its current technical agenda in August 2020 with the objective of reviewing and considering solutions for certain practice issues and accounting and financial reporting for exchange and exchange-like financial guarantees.

A2. In June 2020, the Board issued an Exposure Draft, *Omnibus 20XX.* The Board received 18 responses to the Exposure Draft from organizations and individuals. As discussed throughout Appendix B, comments and suggestions from those sources contributed to the requirements of this Statement.

A3. GASAC members provided feedback on the project at their October 2020, April 2021, and December 2021 meetings. The Board's consideration of the individual GASAC member feedback is incorporated throughout Appendix B. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

Appendix B

BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Financial Guarantees

B2. During the deliberations that led to Statement 70, the Board acknowledged that the point at which a liability is recognized for a nonexchange financial guarantee differed from the point at which a liability is recognized for an exchange or exchange-like financial guarantee, as required by Statement 62, as amended. However, the priority in that project was to address nonexchange financial guarantees because they typically do not involve an initial accounting transaction that would result in ongoing analysis and reporting of those transactions, whereas a financial guarantee in an exchange or exchange-like transaction would be recorded in a government's accounting system. Therefore, the Board concluded that amending guidance related to exchange and exchange-like financial guarantees would be more appropriately addressed separately.

B3. The Board discussed whether the point at which a liability related to exchange and exchange-like financial guarantees is recognized should be the same as the point of recognition used for nonexchange financial guarantees. For purposes of that discussion, the definition of an exchange or exchange-like financial guarantee was considered to be the same as the definition of a nonexchange financial guarantee in Statement 70 except that the guarantee is provided by means of an exchange or exchange-like transaction.

B4. The use of a different threshold for recognizing liabilities for nonexchange financial guarantees from that used for exchange and exchange-like financial guarantees could result in different amounts being recognized for guarantees that have the same probability of requiring a payment. That is because the

recognition threshold of *more likely than not* used for nonexchange financial guarantees is subject to less interpretation than the threshold of *probable* (applicable to exchange and exchange-like financial guarantees under Statement 62, as amended).

B5. The Board believes that different recognition requirements for financial guarantee liabilities should not result simply because the transaction is exchange, exchange-like, or nonexchange. As a result, the Board believes that the recognition threshold for liabilities related to exchange and exchange-like financial guarantees should be when the guarantor is more likely than not to make a payment. Although other recognition thresholds were considered (when payment is reasonably certain or probable), the Board believes that those other recognition thresholds would result in a delay in recognition until well after the point at which it is evident that a guarantee payment is more likely than not to be required. In addition, the Board believes that the use of a recognition threshold other than more likely than not would require reconsideration of issues related to Statement 70 and possible amendments to that Statement, which was beyond the scope of the project that led to this Statement.

B6. Statement 62, as amended, requires that payments expected to be made in relation to exchange and exchange-like financial guarantees be included in the measurement of loss contingencies, with no requirement to discount those payments. In contrast, Statement 70 requires that payments expected to be made in relation to nonexchange financial guarantees be discounted. For the same reasons discussed above regarding *recognition* of liabilities related to financial guarantees, the Board believes that the *measurement* of financial guarantees should be the same regardless of whether the transaction is exchange, exchange-like, or nonexchange.

B7. As the Board did for Statement 70, it considered the application of the recognition and measurement guidance to certain circumstances in which a government extends an exchange or exchange-like financial guarantee for an obligation of another government within the same financial reporting entity, such as when a primary government extends a guarantee for an obligation of one of its blended component units. In those circumstances, the Board believes that the government that issued the guaranteed obligation should recognize a receivable in the amount of the liability recognized by the guarantor. Recognition of a receivable provides a mechanism by which the guarantee liability could be eliminated when the financial statements of the component unit are blended with those of the primary government.

B8. Some respondents to the Exposure Draft requested that the Board provide guidance about the recognition of consideration received by a guarantor government. Those respondents believe that not providing guidance on how revenue should be recognized for the consideration received by guarantor governments would continue to lead to inconsistency in practice. However, the Board does not believe that a single prescribed recognition method would be appropriate for all exchange or exchange-like financial guarantee transactions. Consequently, the Board concluded that further research would be necessary to understand the structure of those transactions and decided not to include specific guidance in this Statement for revenue recognition in exchange and exchange-like financial guarantees.

B9. The Board believes that many of the disclosures required for nonexchange financial guarantees by Statement 70 are similar to the disclosures currently required for exchange and exchange-like financial guarantees by Statement 62, as amended. However, the disclosure requirements in Statement 70 are more specific regarding the information required to be disclosed and are expanded if liabilities have been recognized related to guarantees. The Board believes that applying the disclosure requirements from Statement 70 to exchange and exchange-like financial guarantees will ensure consistency for all financial guarantees. The Board also believes that applying those disclosure requirements to exchange and exchange-like financial guarantees will not be a significant additional burden on preparers because the more specific information likely is included in the general descriptions that have been provided for purposes of meeting the disclosure requirements of Statement 62, as amended. Furthermore, the Board believes that the additional information needed for the additional disclosures for liabilities that have been recognized is readily available because it is related to guarantees that are still in effect. That is, because such guarantees are still outstanding, governments should have records related to those guarantees. However, the Board believes that there is a possibility that historical guarantee payment records related to outstanding guarantees extended are not readily available. For that reason, the Board decided to allow prospective implementation of that disclosure requirement.

B10. When the GASB issued Statement 70, prospective implementation of the requirements to disclose cumulative amounts of indemnification payments was permitted. If those requirements were implemented prospectively, the disclosures also were required to include the dates over which the cumulative amounts were determined. Because the prospective requirement was included only in the transition guidance, it was not applicable for the years subsequent to implementation. However, the Board believes that requirement should be ap-

plicable to nonexchange financial guarantees on an ongoing basis and included a requirement in paragraph 7 of this Statement to disclose the dates over which the cumulative amounts were determined.

Derivative Instruments That Are neither Investment Derivative Instruments nor Hedging Derivative Instruments

B11. Statement 53, as amended, requires derivative instruments within its scope to be reported as either investment derivative instruments or hedging derivative instruments. However, concerns have been raised by stakeholders as to whether some derivative instruments do not meet either definition.

B12. As originally defined in Statement 53, the category of investment derivative instruments included all derivative instruments that did not meet the criteria of a hedging derivative instrument. However, Statement 53 was amended by Statement 72 for the definition of an investment: "a security or other asset that (a) a government holds primarily for the purpose of income or profit and (b) has present service capacity based solely on its ability to generate cash or to be sold to generate cash" (paragraph 64).

B13. The Board considered whether there may be divergent interpretations in practice as to whether a derivative instrument that is not a hedging derivative instrument always meets the definition of an investment. The Board believes the question of whether such a derivative instrument is held primarily for the purpose of income or profit is a source of debate. The Board believes that when a government enters into a hedging derivative instrument transaction in order to significantly reduce an identified financial risk but the derivative instrument either never meets the criteria of a hedging derivative instrument or subsequently becomes ineffective at significantly reducing that risk, as defined in Statement 53, the words *primarily* and *solely* in the Statement 72 investment definition may make it difficult for some preparers to conclude that the derivative instrument should be classified as an investment. Additionally, Statement 72 requires that (a) an asset's classification be determined by a government's management at the time of acquisition and (b) the determined classification be retained for financial reporting purposes, even if the government's usage of the asset changes (paragraph 68).

B14. The Board considered three alternatives for reporting derivative instruments that are no longer effective at significantly reducing an identified financial risk. The first alternative was to amend the definition of an investment derivative instrument to reestablish the original guidance in Statement 53; in other words, to define investment derivative instruments in a manner to include all derivative instruments that do not meet the definition of a hedging derivative instrument. The Board rejected that alternative because it may result in a government recognizing activity in the investment revenue category that the Board does not consider to be investment activity.

B15. The second alternative considered by the Board was to replace the investment derivative instrument category with a category defined as derivative instruments that do not meet the definition of a hedging derivative instrument. Such derivative instruments would not be classified as investments. That alternative would result in changes in fair value being reported outside of the investment revenue category. Consequently, governments may recognize activity that meets the Statement 72 definition of an investment separately from the investment revenue category. For that reason, the Board rejected the second alternative.

B16. The third alternative considered by the Board for derivative instruments that are neither investment derivative instruments nor hedging derivative instruments was to report the changes in fair value separately from the investment revenue classification on the resource flows statement. Although the Board acknowledges that this alternative may increase the complexity of applying the provisions of Statement 53, as amended, the Board believes it is the alternative that better reflects the nature of the derivative instruments that were intended to significantly reduce an identified financial risk but either never met or no longer meet the criteria for effectiveness. The Board also believes that when a derivative instrument that initially is categorized as a hedging derivative instrument subsequently becomes ineffective at significantly reducing an identified financial risk, it should no longer be reported as such, nor should it be reported as an investment derivative instrument. In addition, the Board believes that the termination of hedge accounting should be reported on the resource flows statement separately from the investment revenue classification in order to reflect greater transparency regarding the effectiveness of a government's derivative instruments.

B17. The Board believes that the risks associated with holding derivative instruments that are neither investment derivative instruments nor hedging derivative instruments are more similar to the risks associated with holding

investment derivative instruments than the risks associated with holding hedging derivative instruments. For that reason, the Board believes that the disclosure requirements should be the same as those for investment derivative instruments, including the disclosure of certain risks consistent with Statement No. 40, *Deposit and Investment Risk Disclosures,* as amended.

B18. Some respondents to the Exposure Draft requested that the Board clarify the new category of derivative instruments by providing a label and definition, as is done for the other two categories. In addition, some respondents requested that the definition specify the scenario described in paragraph B16—a derivative instrument that was initially categorized as a hedging derivative instrument subsequently becomes ineffective at significantly reducing an identified financial risk. The Board agreed that labeling and defining the third category of derivative instruments would clarify the requirements. However, the Board believes that the definition should not be limited to the situation described above. The Board believes that the category should include all derivative instruments that cannot be classified as hedging derivative instruments or investment derivative instruments. For that reason, this Statement defines an *other derivative instrument* as a derivative instrument that does not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument.

Leases

Lease Term

B19. For leases within the scope of Statement 87, as amended, the exercise price of a purchase option is included in the calculation of a lease liability if it is reasonably certain of being exercised, in accordance with the provision in paragraph 21e of that Statement. The purchase of the underlying asset is not considered an option to terminate in accordance with the provisions in paragraph 12 of that Statement. Consequently, in certain situations, the presence of a purchase option may result in a lease liability that includes the present value of payments that otherwise would be made subsequent to the expected exercise of a purchase option as if that option were not exercised. Such a result would overstate the present value of the expected payments to be made to the lessor. Therefore, the Board believes that the option to purchase the underlying asset should be considered an option to terminate that should be taken into account in the evaluation of the lease term.

B20. The Board believes that contract provisions that allow for the termination of a lease due to a violation of contract terms and conditions should not be considered an option to terminate because it is contingent upon the action or inaction of one of the parties to the lease. However, because of the prescriptive nature of the original last sentence in paragraph 12 of Statement 87, such a provision could be viewed as an option to terminate. The Board considered explicitly adding violation of lease terms and conditions to the list of contract provisions that should not be considered an option to terminate. However, the Board believes that contract provisions that allow for the termination of a lease only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of another party, should be excluded from options to terminate. Therefore, instead of establishing an additional specific exclusion for violations of contract terms and conditions, this Statement establishes a principle that will provide a basis for the evaluation of a range of contract provisions.

B21. The determination of the term of a PPP and the term of a SBITA in Statements 94 and 96, respectively, is similar to the determination of the term of a lease in Statement 87. Therefore, the Board's decisions related to the determination of the lease term also apply to those Statements.

Short-Term Leases

B22. With respect to determining the term of a lease, paragraph 12 of Statement 87 defines cancellable periods as "periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party. . . ." However, the Board was concerned that the definition of a cancellable period could be misinterpreted. Specifically, paragraph 16 of Statement 87 refers to leases that are cancellable by *either* the lessee or the lessor. The Board believes that the use of the word *either* may lead stakeholders to believe that any periods subject to an option to terminate by a single party would be considered a cancellable period. Question 4.19 of Implementation Guide 2019-3 clarifies that *both* parties to a lease must have the option to terminate in order for the period to be considered cancellable. In addition, with respect to determining the term of a SBITA, the Board defined a cancellable period of a SBITA in paragraph 13 of Statement 96 as a period in which *both* parties to the SBITA have the option to terminate the SBITA without permission from the other party. The Board believes that clarifying that the intent of the language in paragraph 16 of Statement 87 was the same as the language in paragraph 13 of Statement 96 would enhance the understandability of the

guidance and would enable stakeholders to better assess both the circumstances that give rise to cancellable periods in a short-term lease and the effect of those cancellable periods in the determination of whether a lease is short term.

B23. The exclusion of short-term leases from the general recognition and measurement provisions of Statement 87 was a practical expedient for addressing leases that have a maximum possible term of 12 months or less. Since the issuance of Statement 87, stakeholders have raised concerns about the treatment of modifications to short-term leases that extend the initial maximum lease term beyond 12 months. The Board considered how the lease term should be assessed for purposes of determining whether a lease is a short-term lease. If only the original remaining term were considered, the Board was concerned that there may be an opportunity to structure leases and subsequent modifications in such a way as to repeatedly avoid the general recognition and measurement provisions of Statement 87. To minimize such opportunities, the Board believes the entire lease term from inception (the initial term and the extension) should be considered in determining whether the short-term exception still applies. The Board also believes that if a lease no longer is classified as short term, the remaining term should be considered for purposes of measuring the lease asset or lease liability. This Statement also applies that decision to paragraph 13 of Statement 96 for SBITAs.

B24. Some respondents to the Exposure Draft requested that a short-term lease that has been modified be reassessed from the date of the modification. Those respondents believe that (a) the reclassification of an extended short-term lease to a long-term lease would not mathematically produce a significantly different result, (b) a government can circumvent the provision by entering into a new short-term lease rather than modifying an existing short-term lease, and (c) the economic substance of the arrangement is short term because it does not extend beyond the next year. The Board disagrees with the notion that it is unlikely that a modification to extend a short-term lease would mathematically produce a significantly different result. The reclassification of a short-term lease to a long-term lease would result in the recognition of a liability that may be significant if modifying short-term leases is a routine practice of a government.

B25. The Board acknowledges that a government may circumvent the provision by entering into a new short-term lease rather than modifying an existing short-term lease. However, the Board believes the cost and effort of entering into a new lease is a sufficient barrier to prevent governments from doing so

solely for purposes of qualifying for the short-term lease exception. The Board believes that all leases and SBITAs, short term or otherwise, are financings that meet the definition of a liability. The short-term exception was provided in Statement 87 and Statement 96 for cost-benefit purposes and was not expected to be widely used. The Board believes that the assessment of an arrangement as short term should encompass the entirety of the lease or SBITA term, not just the remainder of the term.

Lease Recognition and Measurement

B26. Some stakeholders have expressed concerns about the measurement of a lessee's lease liability with regard to variable payments or variable payments that are fixed in substance that are neither (a) dependent on an index or a rate (included in the measurement of the lease liability) nor (b) based on future performance of the lessee or usage of the underlying asset (excluded from the measurement of the lease liability). The intent of those provisions in paragraphs 21 and 22 of Statement 87 was to include only variable payments that depend on an index or a rate or that are fixed in substance; all other variable payments should be excluded when measuring the lessee's lease liability. This Statement clarifies that intent, as well as the provisions related to the measurement of a lessor's lease receivable.

B27. During the deliberations that led to Statement 87, some stakeholders expressed concerns about the requirement to remeasure a lessee's lease liability or a lessor's lease receivable whenever there was a change in an index or a rate used to determine variable payments. An index or a rate used to determine variable payments could change several times during a lease term. In addition, the incremental borrowing rates that are the basis for the discount rates used by some governments generally would change each reporting period during the lease term. The Board's intent in that provision in Statement 87 was to reduce the remeasurement burden on preparers. However, by stating that the lease liability or lease receivable is *not required* to be remeasured, a government may infer that it has an *option* to remeasure. Furthermore, with no guidance to the contrary, a government might choose to remeasure in some instances but not in others.

B28. The Board was concerned that permissive remeasurement is tantamount to providing for a fair value option for leases. Although the Board's intent in Statement 87, as amended, was not to report a lease liability and a lease asset at fair value, paragraphs 21 and 30 of that Statement require the initial meas-

urement of a lease liability and a lease asset, respectively, to be calculated as the present value of payments expected to be made during the lease term, which is consistent with the income approach for measuring fair value described in Statement 72.

B29. Consequently, this Statement clarifies that governments *should not* remeasure a lease liability or a lease asset solely for a change in an index or a rate used to determine variable payments, nor should the discount rate be reassessed solely for a change in the lessee's incremental borrowing rate. That clarification also applies to (a) the remeasurement of a transferor's receivable for installment payments or an operator's liability for installment payments in Statement 94 and (b) the remeasurement of a subscription liability in Statement 96.

Lease Incentives

B30. Pursuant to the requirements of Statement 87, a government should consider lease incentives in the calculation of a lease liability or lease asset. Paragraph 61 of that Statement states that lease incentives can include the assumption of a lessee's preexisting lease obligations to a third party. In some cases, lease incentive payments related to a preexisting lease obligation would be made either to the lessee or on behalf of the lessee, but the new lessor would not assume the lessee's liability. Unless the preexisting lease is assigned to the new lessor and the lessee is legally released as an obligor in that lease, the new lessor would not record a liability for the amount of the remaining lease payments on the preexisting lease. The Board believes that the language in paragraph 61 of Statement 87 may cause confusion as to whether a new lessor is legally obligated to assume the preexisting lease obligation of the lessee for certain payments to be classified as lease incentives.

B31. Additionally, although Question 4.17 of Implementation Guide No. 2020-1, *Implementation Guidance Update—2020,* clarifies that a lessee continues to report the liability for its preexisting lease obligation, Question 4.17 does not specifically clarify that lease incentives paid to or on behalf of the lessee may not represent the assumption of the preexisting lease obligation by the lessor. This Statement makes that clarification.

PPPs

B32. In addition to amendments to the PPP term and remeasurement of receivables and liabilities, as discussed in paragraphs B21 and B29, respectively, this Statement amends the requirements for remeasurement of a transferor's receivable for the underlying PPP asset and an operator's deferred outflow of resources related to a liability for the underlying PPP asset. The remeasurement guidance in Statement 94 for a transferor's receivable for the underlying PPP asset contains provisions for remeasurement if there is a PPP modification. However, if there is a change in the PPP term that is not the result of a modification, there is no provision for remeasurement for the underlying PPP asset in paragraph 31 of Statement 94. A circumstance could exist in which there is no modification to the PPP term but there is a change in the assumption about whether the right to extend or terminate the PPP will be exercised by an operator or by a transferor, but not both, that is included with the noncancellable period in determining the PPP term. The Board believes that remeasurement of the receivable for the underlying PPP asset should be required if there is a change in the PPP term and, therefore, has included that requirement in this Statement. The Board also believes that provision should require remeasurement only if the change is expected to significantly affect the amount of the receivable.

B33. The remeasurement guidance for the liability for the underlying PPP asset recognized by the operator includes provisions for remeasurement if there is (a) a change in the PPP term or (b) a PPP modification. However, paragraph 54 of Statement 94 does not provide for remeasurement of the deferred outflow of resources related to the liability for the underlying PPP asset if the liability for the underlying PPP asset is remeasured.

B34. The Board believes that remeasurement of the deferred outflow of resources should be required if the liability for the underlying PPP asset is remeasured and, therefore, has included that requirement in this Statement. The Board also believes that the amount of the adjustment for the remeasurement of the deferred outflow of resources should be the same amount as any change resulting from the remeasurement of the liability for the underlying PPP asset, without reducing the deferred inflow of resources below zero.

SBITAs

B35. As discussed in paragraphs B21, B23, and B29, this Statement amends the guidance for the determination of the SBITA term, short-term SBITAs, and the remeasurement of a subscription liability. Those are the only amendments to Statement 96 included in this Statement.

Replacement of LIBOR

B36. As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates. The GASB issued Statement 93 to amend Statement 53 in order to address the accounting and financial reporting implications that result from the replacement of LIBOR. At the time that Statement 93 was issued, LIBOR was expected to cease to exist after December 31, 2021. The Board chose that date as the date after which LIBOR would no longer be an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate risk of taxable debt. Subsequently, LIBOR's administrator, the ICE Benchmark Administration (IBA), announced that the most widely used United States Dollar (USD) LIBOR tenors would continue to be published until June 30, 2023.

B37. Based on that announcement, the Board considered the need to extend the period during which LIBOR is considered an appropriate benchmark interest rate. Because cessation has been delayed only for certain USD LIBOR tenors, the Board believes that simply extending the effective date of paragraph 11b of Statement 93 to June 30, 2023, could lead to confusion as to whether a replacement rate published by the IBA for the LIBOR tenors that have not been extended would be considered an appropriate benchmark interest rate. Furthermore, the Board was concerned that additional delays in LIBOR's cessation would require additional amendments to Statement 93.

B38. Rather than extending the effective date of paragraph 11b of Statement 93 by 18 months, the Board considered defining the point at which LIBOR is no longer an appropriate benchmark interest rate as when the IBA ceases to publish LIBOR rates. That would address both the difference in the timing of the cessation of individual tenors and any future extensions, without requiring additional amendments to Statement 93. However, because of concerns that the IBA might continue to publish LIBOR using a different methodology (sometimes referred to as *synthetic* LIBOR), the Board believes the cutoff point for

certain LIBOR tenors as an appropriate benchmark interest rate should be when LIBOR ceases to be determined using the methodology in place as of December 31, 2021. Because the one-week and two-month LIBOR tenors ceased to be published after December 31, 2021, they are no longer appropriate benchmark interest rates.

SNAP

B39. Formerly known as the Food Stamps program, SNAP historically has presented unique accounting considerations related to paper food stamp coupons. Statement 24, as amended, provides guidance to states on when to recognize expenditures related to program disbursements and the amount of assets to recognize for food stamp balances held.

B40. Since the issuance of Statement 24, all states have discontinued the use of paper food stamp coupons in favor of electronic benefit transfers, effectively eliminating the need for unique accounting considerations for physical food stamp coupons. In order to improve the relevance of accounting guidance, the Board believes that the accounting and financial reporting of SNAP transactions should follow the provisions of Statement 33, as amended, which provide guidance on the recognition of assets for government-mandated or voluntary nonexchange transactions that have similar accounting issues as SNAP.

Disclosure of Nonmonetary Transactions

B41. Accounting and financial reporting guidance related to nonmonetary transactions is provided in paragraphs 272–281 of Statement 62. That guidance requires disclosures for nonmonetary transactions, including a requirement to disclose the basis of accounting for each transaction. The Board believes that the use of the phrase *basis of accounting* in paragraph 280 of Statement 62 is not consistent with paragraph 58 of NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles,* as amended, which states that *basis of accounting* refers to when financial statement elements are recognized. The Board believes that the requirement in paragraph 280 was intended to provide information about the measurement attributes of the assets transferred, which are identified in Concepts Statement No. 6, *Measurement of Elements of Financial Statements.* This Statement clarifies that requirement.

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

B42. Paragraph 19 of Statement 48 provides guidance for a government that creates a component unit to issue debt on the government's behalf that is secured with a pledge of the government's revenue. Paragraph 53 of Statement No. 14, *The Financial Reporting Entity,* as amended by paragraph 8 of Statement No. 61, *The Financial Reporting Entity: Omnibus,* requires the component unit in that circumstance to be reported as a blended component unit of the government if the component unit's total debt outstanding, including leases, is expected to be repaid entirely or almost entirely with resources of the primary government. Paragraph 20 of Statement 48 addresses reporting in the separate financial statements of the primary government and the component unit but does not address the process of blending that component unit in those circumstances. The Board believes that because Statement 48, as amended, primarily was written from the perspective of the primary government, guidance should be added to address the process of blending a component unit created to issue debt on behalf of a primary government when that component unit is required to be presented as a blended component unit.

Focus of the Government-Wide Financial Statements

B43. In paragraphs 6 and 13 of Statement 34, as amended, government-wide statements are described as providing information about the reporting government as a whole. Concern has been raised that the phrase *as a whole* is used in other contexts to refer to a circumstance in which a total column for the financial reporting entity is displayed. However, in accordance with paragraph 14 of Statement 34, a total column for the financial reporting entity is not required. Therefore, the Board believes that the phrase *the reporting government as a whole* in paragraphs 6 and 13 of Statement 34, as amended, should be replaced with *the overall reporting government* to eliminate potential confusion about the reporting of a total column for the financial reporting entity in the financial statements and to clarify that the requirements of those paragraphs apply regardless of whether a total column is presented.

Terminology Updates

B44. One of the effects of Statement 63, which became effective for periods beginning after December 15, 2011, was discontinuing the use of the term *balance sheet* to refer to statements of financial position for proprietary funds, effectively limiting use of that term to governmental fund statements of financial position. That Statement also affected other terminology used in previously issued Statements and Interpretations, including elimination of the term *equity* in the context of information presented in proprietary fund financial statements, except in circumstances involving equity interests, as discussed primarily in Statement No. 90, *Majority Equity Interests.* In a recent review of current literature, terminology that is inconsistent with the changes that resulted from Statement 63 was identified. In addition to terminology changes resulting from Statement 63, it also was identified that in Statement 53, the resource flows statement was referred to as the *flow of resources statement.* Therefore, this Statement includes modifications to update the terminology in those pronouncements.

Considerations Related to Benefits and Costs

B45. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B46. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B47. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes the assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B48. This Statement addresses accounting and financial reporting for exchange and exchange-like financial guarantees by aligning the liability recognition and measurement criteria and disclosure requirements with those for nonexchange financial guarantees. The elimination of the different recognition thresholds and disclosure requirements and harmonization of the accounting and financial reporting requirements for all financial guarantees will increase consistency and comparability in financial statements. The potential costs would be related to transition as the recognition threshold in this Statement was not the threshold used in previous guidance. However, the cost incurred related to the change in the liability recognition threshold would only apply to those governments with exchange or exchange-like financial guarantees with a potential liability that has a payment likelihood that falls between the *more likely than not* threshold and the *probable* threshold. In addition, the Board believes the information needed to apply the disclosure requirements is readily available to governments with outstanding financial guarantees and would not result in significant additional cost.

B49. The Board believes that the provisions related to derivative instruments that are neither investment derivative instruments nor hedging derivative instruments would alleviate divergent interpretations in practice. In addition, the Board believes that when a government terminates hedge accounting, reporting the balance of the deferred outflow of resources or deferred inflow of resources on the resource flows statement separately from the investment revenue classification would be more transparent and, thus, more beneficial to users of the financial statements. The potential cost of this Statement would be transition related, as governments may need to reassess existing derivative instruments for which hedge accounting is not required to determine whether they continue to meet the definition of an investment.

B50. The Board believes that the provisions related to leases are necessary for clarification and will be beneficial to users for the ongoing application of Statement 87, as amended. The Board acknowledges that those provisions may require governments to reassess lease terms and the measurement of lease liabilities or receivables when there is a modification of a short-term lease or a purchase option that can be exercised prior to the end of a lease term. The remaining provisions related to leases only provide clarification and are not expected to result in any costs to preparers. The Board believes that because the provisions related to PPPs and SBITAs clarify existing provisions in the original pronouncements and because those provisions will be effective at the same time as the original pronouncements, they will not result in any additional costs.

B51. The Board believes that the provision to extend the period during which LIBOR is considered an appropriate benchmark interest rate will reduce costs to certain preparers who would not be required to terminate hedge accounting too soon (while LIBOR is still being determined using the methodology in place as of December 31, 2021).

B52. The Board believes that the provisions to (a) supersede the guidance related to the distribution of SNAP benefits; (b) amend the guidance related to disclosure of nonmonetary transactions; (c) amend the guidance related to recognition of pledges of future revenue; (d) focus government-wide statements on the overall reporting government, except for fiduciary funds; and (e) update certain terminology will improve the relevance of current accounting guidance with no additional cost to preparers. For example, the guidance provided by Statement 24, as amended, related to the distribution of SNAP benefits was relevant at the time that those provisions were developed but ceased to be relevant when states discontinued the use of paper food stamp coupons. By removing obsolete guidance and ensuring that terminology is consistent throughout GASB literature, it will become more relevant and searchable. Much of the information necessary to comply with the amendments and clarifications in this Statement either already is available to governments or would not be difficult to obtain. Therefore, the Board believes that the expected benefits that will result from implementation of this Statement justify the perceived costs of implementation and ongoing compliance.

Effective Date and Transition

B53. The Board concluded that the provisions in this Statement should be effective as soon as possible. The provisions in this Statement include several technical corrections that the Board believes will have little or no effect on the application of the underlying Statements that will be amended. The Board concluded that those technical corrections to authoritative literature that are not expected to result in a change in practice should be effective immediately.

B54. The provision in this Statement to extend the period during which LIBOR continues to qualify as an appropriate benchmark interest rate for legacy derivative instruments hedging the interest rate risk of taxable debt offers relief to governments that otherwise would not be able to take advantage of the IBA's additional transition period. That provision necessarily needs to be in effect as soon as possible because current guidance would require the termination of hedge accounting as of January 1, 2022. No additional effort would be necessary for governments to apply the LIBOR-related provision of this Statement. Therefore, the Board believes that provision also should be effective immediately.

B55. Because the provisions of Statements 94 and 96 are effective for fiscal years beginning after June 15, 2022, the Board believes that the provisions in this Statement that amend those Statements also should be effective at that time. The Board also believes that the provisions to amend Statement 87, as amended, would be better implemented with Statement 87. However, because Statement 87, as amended, is effective for fiscal years beginning after June 15, 2021, the Board believes that many preparers would not have sufficient time to apply the relevant provisions of this Statement. Therefore, the Board concluded that the provisions to amend Statement 87 should be effective for the subsequent year, fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

B56. The Exposure Draft proposed that the initial implementation of the provisions related to financial guarantees and reporting the flows of certain derivative instruments be effective for *reporting periods* beginning after June 15, 2023. During redeliberations, the Board broadly reconsidered whether GASB pronouncements generally should be first effective for reporting periods or fiscal years. The Board concluded that the effective dates of new pronouncements generally should be stated in terms of *fiscal years and all reporting periods*

thereafter, unless circumstances related to the specific requirements of a pronouncement warrant otherwise. Such an approach allows more time for a government to apply new pronouncements to interim financial statements.

B57. The Board believes that the change in the reporting of the flows of certain derivative instruments, as well as the new guidance related to financial guarantees, may result in a modification of current reporting for some governments and require some analysis for preparers. Consistent with its conclusion regarding initial implementation in general, the Board concluded that those provisions should be effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter, which should provide sufficient opportunity for governments to analyze the new provisions contemporaneously with the provisions of other recently issued Statements.

B58. For the provisions in this Statement that are not effective immediately, the Board believes that earlier implementation should be encouraged. However, because of the nature of the individual topics addressed in this Statement, the Board decided to allow early implementation by individual topic rather than requiring that all provisions in this Statement be implemented early simultaneously.

B59. The Board believes that the provisions of this Statement should be applied retroactively. However, the Board considered the potential for lack of readily available information for the disclosure requirements of cumulative financial guarantee payments that have been made in prior reporting periods on outstanding obligations guaranteed by governments. Accordingly, the Board concluded that those disclosures may be provided prospectively.

Appendix C

CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2022 Update

C1. The instructions that follow update the December 31, 2021 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended for Statements No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* and No. 96, *Subscription-Based Information Technology Arrangements,* and Implementation Guide No. 2021-1, *Implementation Guidance Update—2021,* for the provisions of this Statement that are effective upon issuance or for reporting periods beginning after June 15, 2022. Therefore, references in these instructions to paragraph numbers assume that the effects of Statements 94 and 96 and Implementation Guide 2021-1 have been incorporated prior to the application of these instructions. In addition, this paragraph includes instructions to (a) update the Codification instructions in paragraph D1 of Statement 94 to clarify the intended application of the provisions of that Statement to the reporting of availability payment arrangements in all financial statements, regardless of measurement focus, and (b) adjust material presented in Sections 1400, 1800, 2200, and 2300 of the Codification to remove certain transition-related provisions associated with the application of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments.* Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[In all sections, update cross-references.]

* * *

SUMMARY STATEMENT OF PRINCIPLES **SECTION 1100**

.114 [In subparagraph (c), replace *reporting government as a whole* with *overall reporting government*. In the sources, add GASBS 99, ¶30 to the amending sources of GASBS 34, ¶6 and GASBS 34, ¶13.]

* * *

REPORTING CAPITAL ASSETS **SECTION 1400**

.113 [Replace the last sentence with the following:] See paragraphs .114–.118 for a more complete discussion of depreciation.

[Insert new paragraphs .114–.118 as follows, including headings; renumber subsequent paragraphs.]

Methods for Calculating Depreciation

.114 [Insert current paragraph .160.] [GASBS 34, ¶161]

Composite Methods

.115–.118 [Insert current paragraphs .162–.165.] [GASBS 34, ¶163–¶166]

.119 [In current paragraph .114, delete the last sentence.] [GASBS 34, ¶80, as amended by GASBS 63, ¶8]

[Remove current paragraphs .146–.165, including headings and footnotes; renumber subsequent paragraphs and footnotes.]

[Remove current Questions .705-14–.705-16.] [GASBIG 2015-1, Q7.15.1, Q7.15.3, and Q7.15.4]

[Insert new headings .706–.707 and associated questions as follows; renumber subsequent headings and associated questions.]

.706 Methods for Calculating Depreciation

.706-1 [Insert current Question .734-1.] [GASBIG 2015-1, Q7.13.2]

.707 Composite Methods

.707-1–.707-3 [Insert current Questions .705-14–.705-16.] [GASBIG 2015-1, Q7.15.1, Q7.15.3, and Q7.15.4]

.707-4 [Insert current Question .735-1.] [GASBIG 2015-1, Q7.15.2]

.729-2 [In current Question .727-2, replace *paragraph .146 of this section* with *paragraph 148 of Statement 34*.] [GASBIG 2015-1, Q7.104.2]

.729-3 [In current Question .727-3, replace *paragraphs .157 and .159 of this section* with *paragraphs 158 and 160 of Statement 34*; replace *paragraph .158 of this section* with *paragraph 159 of Statement 34*; replace *paragraph .146 of this section* with *paragraph 143 of Statement 34*; replace *footnote 23 of this section* with *paragraph 148 of Statement 34 (footnote 66)*; replace *paragraph .153 of this section* with *paragraph 154 of Statement 34*; and replace *paragraph .162 of this section* with *paragraph 163 of Statement 34*.] [GASBIG 2015-1, Q7.104.5]

.729-4 [In current Question .727-4, replace *Paragraph .149 of this section* with *Paragraph 150 of Statement 34*.] [GASBIG 2015-1, Q7.104.10]

.729-5 [In current Question .727-5, replace *paragraph .153 of this section* with *paragraph 154 of Statement 34*; replace *Paragraph .155 of this section* with *Paragraph 156 of that Statement*; replace *Paragraphs .149 and .150 of this section* with *Paragraphs 150 and 151 of Statement 34*.] [GASBIG 2015-1, Q7.104.11]

[Remove current Questions .727-7, .727-8, and .727-10; renumber remaining question.] [GASBIG 2015-1, Q7.104.15, Q7.104.16, and Q7.104.18]

.730-1 [In current Question .728-1, replace *Paragraph .151 of this section* with *Paragraph 152 of Statement 34*.] [GASBIG 2015-1, Q7.20.8]

.730-3 [In current Question .728-3, replace *paragraph .151 of this section* with *paragraph 152 of Statement 34*.] [GASBIG 2015-1, Q7.105.2]

.730-4 [In current Question .728-4, replace *paragraph .151 of this section* with *paragraph 152 of Statement 34*.] [GASBIG 2015-1, Q7.105.3]

.730-6 [In current Question .728-6, in the question, replace *Paragraph .151 of this section* with *Paragraph 152 of Statement 34*; in the answer, replace *paragraph .151* with *paragraph 152*.] [GASBIG 2015-1, Q7.105.5]

.732-7 [In current Question .730-7, replace *paragraph .153 of this section* with *paragraph 154 of Statement 34*; replace *Paragraph .155 of this section* with *Paragraph 156 of that Statement*; replace *Paragraphs .149 and .150 of this section* with *Paragraphs 150 and 151 of Statement 34*.] [GASBIG 2015-1, Q7.104.11]

.732-9 [In current Question .730-9, replace *paragraph .155 of this section* with *paragraph 156 of Statement 34*.] [GASBIG 2015-1, Q7.106.2]

.732-10 [In current Question .730-10, replace *Paragraph .155 of this section* with *Paragraph 156 of Statement 34*.] [GASBIG 2015-1, Q7.106.3]

.734-2 [In current Question .732-2, replace *Paragraph .158 of this section* with *Paragraph 159 of Statement 34*.] [GASBIG 2015-1, Q7.107.7]

.734-3 [In current Question .732-3, replace *paragraph .158 of this section* with *paragraph 159 of Statement 34*.] [GASBIG 2015-1, Q7.107.8]

* * *

BASIS OF ACCOUNTING **SECTION 1600**

See also: [Delete reference to Section F60.]

* * *

CLASSIFICATION AND TERMINOLOGY **SECTION 1800**

.733-8 [In the question, delete *phase 3*.] [GASBIG 2015-1, Q7.23.8]

* * *

DEFINING THE FINANCIAL REPORTING ENTITY SECTION 2100

.110 [In the second sentence, replace *reporting government as a whole* with *overall reporting government*.] [GASBS 14, ¶11, as amended by GASBS 34, ¶80 and ¶82 and GASBS 63, ¶8; GASBS 34, ¶6, as amended by GASBS 99, ¶30; GASBS 34, ¶13, as amended by GASBS 63, ¶8, GASBS 84, ¶5, and GASBS 99, ¶30; GASBS 34, ¶14 and ¶75; GASBS 34, ¶125, as amended by GASBS 63, ¶8 and GASBS 84, ¶5]

* * *

ANNUAL COMPREHENSIVE FINANCIAL REPORT SECTION 2200

[In subparagraph (c) of the Statement of Principle, ''Annual Financial Reporting,'' replace *reporting government as a whole* with *overall reporting government*.] [NCGAS 1, ¶128, as amended by GASBS 14, ¶11, ¶19, ¶43, and ¶65 and GASBS 98, ¶4; GASBS 14, ¶12 and ¶66, as amended by GASBS 61, ¶4; GASBS 34, ¶6, as amended by GASBS 99, ¶30; GASBS 34, ¶13, as amended by GASBS 63, ¶8, GASBS 84, ¶5, and GASBS 99, ¶30; GASBS 34, ¶14 and ¶15; GASBS 34, ¶125, as amended by GASBS 63, ¶8 and GASBS 84, ¶5; GASBS 44]

.102 [In subparagraph b(1), replace *reporting government as a whole* with *overall reporting government*.] [GASBS 34, ¶6, as amended by GASBS 84, ¶5 and GASBS 99, ¶30]

.111 [In the first sentence, replace *reporting government as a whole* with *overall reporting government*.] [GASBS 34, ¶13, as amended by GASBS 63, ¶8, GASBS 84, ¶5, and GASBS 99, ¶30; GASBS 63, ¶7; GASBS 84, ¶20, ¶23, and ¶24; GASBS 84, ¶22 and ¶25, as amended by GASBS 92, ¶9]

[In footnote 13, replace *balance sheets* with *statements of net position*.] [GASBS 34, fn23, as amended by GASBS 63, ¶8 and GASBS 99, ¶31]

.709-8 [In the question, delete *phase 3*.] [GASBIG 2015-1, Q7.23.8]

.716-7 [Replace *food stamp revenues* with *revenue related to the Supplemental Nutrition Assistance Program*.] [GASBIG 2015-1, Q7.34.4, as amended by GASBS 99, ¶27 and GASBIG 2016-1, Q5.15]

* * *

Sources: [Add GASBS 99.]

.107 [Revise sources as follows:] NCGAI 6, ¶5, as amended; GASBS 34, ¶46, ¶56, ¶77, ¶89, and fn41; GASBS 38, ¶13, as amended by GASBS 63, ¶8; GASBS 42, ¶17, as amended by GASBS 62, ¶45–¶49 and GASBS 63, ¶8; GASBS 46, ¶6, as amended by GASBS 63, ¶8; GASBS 54, ¶23–¶27 and ¶32; GASBS 56, ¶4–¶7 and ¶16–¶19; GASBS 62, ¶33, ¶44, ¶50, ¶52, ¶75, ¶85, ¶87, ¶89, ¶116, ¶170, ¶171, ¶187, ¶210, ¶330, ¶384, ¶429, ¶473, ¶474, ¶493, ¶494, and ¶500; GASBS 62, ¶62, as amended by GASBS 63, ¶8; GASBS 62, ¶280, as amended by GASBS 99, ¶28; GASBS 63, ¶13 and ¶14; GASBS 69, ¶55–¶58; GASBS 70, ¶14–¶17; GASBS 72, ¶80–¶82; GASBS 74, ¶34 and ¶35; GASBS 77, ¶5–¶10; GASBS 94, ¶35, ¶36, and ¶57–¶59; GASBS 96, ¶60 and ¶61; GASBS 99, ¶28

.703-5 [In the answer, delete *(for phase 1 and phase 2 governments)* and *(for phase 3 governments).*] [GASBIG 2016-1, Q4.64]

[Revise Questions .703-6 and .706-4 as follows:]

> Q—What disclosures should a government that has not elected to retroactively report infrastructure make for infrastructure that is not included in the basic financial statements?
>
> A—The requirements related to the selection of accounting policies and methods from existing acceptable alternatives in paragraph .113 of this section and the requirement in paragraph .106a(8) of this section to disclose the policy for capitalizing assets would apply. Governments that have not elected to retroactively report infrastructure should include a statement in their summary of significant accounting policies on an ongoing basis, such as "General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements," "General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003," or other language that indicates how infrastructure was capitalized.
>
> [GASBIG 2015-1, Q7.85.5]

.706-3 [In the answer, delete *(for phase 1 and phase 2 governments)* and *(for phase 3 governments).*] [GASBIG 2016-1, Q4.64]

* * *

REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE **SECTION 2600**

[In subparagraph (c) of the Statement of Principle, "Reporting Entity and Component Unit Presentations," replace *reporting government as a whole* with *overall reporting government*.] [NCGAS 1, ¶128, as amended by GASBS 14, ¶11, ¶19, ¶43, and ¶65 and GASBS 98, ¶4; GASBS 14, ¶12 and ¶66, as amended by GASBS 61, ¶4; GASBS 34, ¶6, as amended by GASBS 99, ¶30; GASBS 34, ¶13, as amended by GASBS 63, ¶8, GASBS 84, ¶5, and GASBS 99, ¶30; GASBS 34, ¶14 and ¶15; GASBS 34, ¶125, as amended by GASBS 63, ¶8 and GASBS 84, ¶5; GASBS 44]

.101 [Replace *reporting government as a whole* with *overall reporting government*.] [GASBS 14, ¶1, ¶9, and ¶11; GASBS 34, ¶6, as amended by GASBS 99, ¶30; GASBS 34, ¶13, as amended by GASBS 63, ¶8, GASBS 84, ¶5, and GASBS 99, ¶30; GASBS 34, ¶14 and ¶15; GASBS 34, ¶125, as amended by GASBS 63, ¶8 and GASBS 84, ¶5]

* * *

AVAILABILITY PAYMENT ARRANGEMENTS **SECTION A90**

[Replace paragraph .101 from paragraph D1 of Statement 94 with the following:]

.101 This section establishes standards of accounting and financial reporting for availability payment arrangements (APAs). The requirements of this section apply to financial statements of all state and local governments. [GASBS 94, ¶3 and ¶8]

* * *

CLAIMS AND JUDGMENTS **SECTION C50**

.113 [Replace *balance sheet date* with *date of the financial statements*.] [GASBS 10, ¶56, as amended by GASBS 99, ¶31]

* * *

DEMAND BONDS **SECTION D30**

[In footnote 4, replace *balance sheets* with *statements of net position*.] [GASBS 34, fn23, as amended by GASBS 63, ¶8 and GASBS 99, ¶31]

.111 [Replace *balance sheet date* with *balance sheet/statement of net position date*.] [GASBI 1, ¶11, as amended by GASBS 88, ¶6 and GASBS 99, ¶31]

* * *

DERIVATIVE INSTRUMENTS **SECTION D40**

.116 [Replace *flow of resources statement* with *resource flows statement*.] [GASBS 53, ¶20, as amended by GASBS 63, ¶8 and GASBS 99, ¶32; GASBS 72, ¶75; GASBS 93, ¶4–¶9]

[In footnote 7, replace *flow of resources statement* with *resource flows statement*.] [GASBS 53, fn7, as amended by GASBS 63, ¶8 and GASBS 99, ¶32]

.122 [Replace *flow of resources statement* with *resource flows statement*.] [GASBS 53, ¶23, as amended by GASBS 63, ¶8 and GASBS 99, ¶32; GASBS 93, ¶4, ¶6, ¶10, and ¶11]

.125 [Replace *flow of resources statement* with *resource flows statement*.] [GASBS 53, ¶25, as amended by GASBS 99, ¶32]

.135 [Replace the penultimate sentence with the following:] For taxable debt, the appropriate benchmark interest rates are an interest rate on direct Treasury obligations of the U.S. government, the London Interbank Offered Rate (LIBOR) until it is no longer determined by the ICE Benchmark Administration

using the methodology in place as of December 31, 2021, the Effective Federal Funds Rate (EFFR), and a SOFR. [GASBS 53, ¶35, as amended by GASBS 93, ¶11 and GASBS 99, ¶26; GASBS 93, ¶11; GASBS 99, ¶26]

.707-7 [Revise the sources as follows:] GASBIG 2015-1, Q10.13.7, as amended by GASBS 93, ¶10 and ¶11 and GASBS 99, ¶26

* * *

FOOD STAMPS **SECTION F60**

[Delete entire section.] [GASBS 24, ¶6 and fn3–fn5, superseded by GASBS 99, ¶27]

* * *

LEASES **SECTION L20**

Sources: [Add GASBS 99.]

.107 [Add GASBS 99, ¶13–¶16 to the sources.]

.108 [Add GASBS 99, ¶11–¶17 to the sources.]

.109 [Delete the sentences after subparagraph (d).] [GASBS 87, ¶12]

[Insert new paragraphs .110–.112 as follows; renumber subsequent paragraphs.]

.110 For purposes of applying paragraph .109, an option to terminate is an unconditional right that exists within the contract. A provision that gives a lessee or lessor the right to terminate the lease only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the lease contract, should not be considered an option to terminate the lease for purposes of determining the lease term. For example, provisions that allow for termination of a lease due to a violation of lease terms and conditions, such as a default on payments, are not considered options to terminate the lease. [GASBS 99, ¶11]

.111 If a lessee has the option to purchase the underlying asset during the lease term and the contract is not a contract that transfers ownership that is required to be reported in accordance with paragraph .119 of this section, the lease term should exclude the period, if any, after the date at which the option is reasonably certain to be exercised. [GASBS 99, ¶11]

.112 Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the lease term. For example, a rolling month-to-month lease, or a lease that continues into a holdover period until a new lease contract is signed, would not be enforceable if both the lessee and the lessor have an option to terminate and, therefore, either could cancel the lease at any time. [GASBS 87, ¶12]

.114 [In current paragraph .111, replace *paragraphs .109a–.109d* with *paragraphs .109a–.109d and .111*.] [GASBS 87, ¶14; GASBS 99, ¶11]

.116 [Replace current paragraph .113 with the following:] A short-term lease is a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. As discussed in paragraph .112, periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancellable periods and should be excluded from the maximum possible term. For a lease that has cancellable periods, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term of that lease is the noncancellable period, including any notice periods. A lease that previously had been determined to be short term and that has been modified to extend the initial maximum possible term under the lease contract should be reassessed from the inception of the lease. If the reassessed maximum possible term is greater than 12 months, the lease should no longer be considered a short-term lease. For a lease that is reclassified from a short-term lease, the lease term should be assessed beginning at the date of the modification for purposes of measuring the lease receivable or lease liability. [GASBS 87, ¶12; GASBS 87, ¶16, as amended by GASBS 99, ¶12; GASBS 99, ¶12]

.119 [In current paragraph .116, delete *(see paragraph .109)*; insert the following at the end of the paragraph:] For this purpose, provisions that allow for termination of a lease due to (1) purchase of the underlying asset, (2) payment of all sums due, or (3) default on payments are not considered termination options. [GASBS 87, ¶12 and ¶19; GASBS 99, ¶11]

.120 [In current paragraph .117, add GASBS 99, ¶12 to the sources.]

.121 [In current paragraph .118, add GASBS 99, ¶13 and ¶17 to the sources.]

.122 [In current paragraph .119, replace the first sentence with the following:] Variable payments other than those identified in paragraph .121, such as those based on future performance of the lessee or usage of the underlying asset, should not be included in the measurement of the lease liability. [GASBS 87, ¶22, as amended by GASBS 99, ¶13; GASBS 99, ¶13]

.126 [In current paragraph .123, replace the last sentence with the following:] A lease liability should not be remeasured solely for a change in an index or a rate used to determine variable payments. [GASBS 87, ¶26, as amended by GASBS 99, ¶14; GASBS 99, ¶14]

.128 [In current paragraph .125, replace the paragraph with the following:] A lease liability should not be remeasured, nor should the discount rate be reassessed, solely for a change in the lessee's incremental borrowing rate. [GASBS 87, ¶28, as amended by GASBS 99, ¶14; GASBS 99, ¶14]

.130 [In current paragraph .127, add GASBS 99, ¶17 to the sources.]

.133 [In current paragraph .130, add GASBS 99, ¶14 to the sources.]

.136 [In current paragraph .133, add GASBS 99, ¶13 to the sources.]

.140 [In current paragraph .137, add GASBS 99, ¶11 and ¶12 to the sources.]

.142 [In current paragraph .139, add GASBS 99, ¶15 and ¶16 to the sources.]

.144 [In current paragraph .141, add GASBS 99, ¶15 and ¶17 to the sources.]

.145 [In current paragraph .142, replace the first sentence with the following:] Variable payments other than those identified in paragraph .144, such as those based on future performance of the lessee or usage of the underlying asset, should not be included in the measurement of the lease receivable. [GASBS 87, ¶45, as amended by GASBS 99, ¶15; GASBS 99, ¶15]

.150 [In current paragraph .147, replace the last sentence with the following:] A lease receivable should not be remeasured solely for a change in an index or a rate used to determine variable payments. [GASBS 87, ¶50, as amended by GASBS 99, ¶16; GASBS 99, ¶16]

.153 [In current paragraph .150, add GASBS 99, ¶17 to the sources.]

.154 [In current paragraph .151, add GASBS 99, ¶16 to the sources.]

.161 [In current paragraph .158, replace the last sentence with the following:] A lease incentive is equivalent to a rebate or discount and includes an assumption of, or an agreement to pay, a lessee's preexisting lease obligations to a third party, other reimbursements of lessee costs, rent holidays, and reductions of interest or principal charges by the lessor. [GASBS 87, ¶61, as amended by GASBS 99, ¶17; GASBS 99, ¶17]

.162 [In current paragraph .159, add GASBS 99, ¶13–¶16 to the sources.]

.702-2 [Replace *paragraph .109* with *paragraphs .109–.112*.] [GASBIG 2019-3, Q4.13, as amended by GASBS 99, ¶11]

.702-3 [Replace *lease extension or termination options* with *lease extension options or options to terminate*; replace *paragraphs .109a–.109d* with *paragraphs .109a–.109d and .111*.] [GASBIG 2019-3, Q4.14, as amended by GASBS 99, ¶11]

.702-4 [Replace *.109* with *.112*.]

.703-3 [Delete the second and the third sentences in the answer; replace *Paragraph .109 of this section defines* with *Paragraphs .112 and .116 of this section define*.] [GASBIG 2019-3, Q4.19, as amended by GASBS 99, ¶12]

.708-8 [Revise the sources as follows:] GASBIG 2019-3, Q4.28, as amended by GASBS 99, ¶13

.708-9 [Replace *paragraphs .109–.112* with *paragraphs .109–.115*; replace *a termination option* with *an option to terminate*.] [GASBIG 2019-3, Q4.29, as amended by GASBS 99, ¶11]

.709-3 [Revise the sources as follows:] GASBIG 2019-3, Q4.34, as amended by GASBS 99, ¶14

.714-1 [Revise the sources as follows:] GASBIG 2019-3, Q4.46, as amended by GASBS 99, ¶15 and ¶16

.715-1 [Revise the sources as follows:] GASBIG 2019-3, Q4.47, as amended by GASBS 99, ¶15

.715-2 [Revise the sources as follows:] GASBIG 2019-3, Q4.48, as amended by GASBS 99, ¶15

.725-2 [Replace *.109* with *.112*.]

* * *

NONEXCHANGE TRANSACTIONS **SECTION N50**

Sources: [Add GASBS 99.]

See also: [Delete reference to Section F60.]

.103 [Delete *or food stamps*.] [GASBS 24, ¶3, as amended by GASBS 68, ¶5, GASBS 73, ¶4, ¶5, and ¶7, GASBS 75, ¶6, and GASBS 99, ¶27; GASBS 33, ¶5, as amended by GASBS 68, ¶5, GASBS 70, ¶4, GASBS 73, ¶4, ¶5, and ¶7, GASBS 75, ¶6, GASBS 81, ¶4, and GASBS 99, ¶27; GASBS 99, ¶27]

* * *

NONMONETARY TRANSACTIONS **SECTION N70**

Sources: [Add GASBS 99.]

.101 [Add GASBS 99, ¶28 to the sources.]

.102 [Add GASBS 99, ¶28 to the sources.]

.109 [Replace *basis of accounting for* with *measurement attribute(s) applied*.] [GASBS 62, ¶280, as amended by GASBS 99, ¶28; GASBS 99, ¶28]

* * *

PUBLIC-PUBLIC AND PUBLIC-PRIVATE PARTNERSHIPS SECTION P90

Sources: [Add GASBS 99.]

.104 [Add GASBS 99, ¶18–¶22 to the sources.]

.106 [Delete the sentences after subparagraph (d).] [GASBS 94, ¶10]

[Insert new paragraphs .107–.108 as follows; renumber subsequent paragraphs.]

.107 For purposes of applying paragraph .106, an option to terminate is an unconditional right that exists within the contract. A provision that gives a transferor or operator the right to terminate the PPP only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the contract, should not be considered an option to terminate the PPP for purposes of determining the PPP term. For example, provisions that allow for the termination of a PPP due to a violation of PPP terms and conditions, such as a default on payments, are not considered options to terminate the PPP. [GASBS 94, ¶10, as amended by GASBS 99, ¶18; GASBS 99, ¶18]

.108 Periods for which both the operator and the transferor have an option to terminate the PPP without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the PPP term. For example, a PPP that continues into a holdover period until a new PPP arrangement is entered into would not be enforceable if both the operator and the transferor have an option to terminate and, therefore, either could cancel the PPP at any time. [GASBS 94, ¶10]

.126 [In current paragraph .124, replace the last sentence of the paragraph with the following:] A receivable for installment payments should not be remeasured solely for a change in an index or a rate used to determine variable payments. [GASBS 94, ¶28, as amended by GASBS 99, ¶19; GASBS 99, ¶19]

.129 [In current paragraph .127, insert new sentence after the first sentence as follows:] That receivable should be remeasured if there is a change in the PPP term and the change is expected to significantly affect the amount of the operator's estimated carrying value of the underlying PPP asset as of the expected date of the transfer of ownership. [GASBS 94, ¶31; GASBS 99, ¶20]

.131 [In current paragraph .129, add GASBS 99, ¶19 and ¶20 to the sources.]

.142 [In current paragraph .140, add GASBS 99, ¶21 to the sources.]

.143 [In current paragraph .141, replace the last sentence of the paragraph with the following:] A liability for installment payments should not be remeasured solely for a change in an index or a rate used to determine variable payments. [GASBS 94, ¶45, as amended by GASBS 99, ¶21; GASBS 99, ¶21]

.145 [In current paragraph .143, replace the paragraph with the following:] A liability for installment payments should not be remeasured, nor should the discount rate be reassessed, solely for a change in an operator's incremental borrowing rate. [GASBS 94, ¶47, as amended by GASBS 99, ¶21; GASBS 99, ¶21]

.149 [In current paragraph .147, add GASBS 99, ¶21 to the sources.]

.152 [In current paragraph .150, insert the following at the end of the paragraph:] The deferred outflow of resources should be adjusted by the same amount as any change resulting from the remeasurement of the liability for the underlying PPP asset, as discussed in paragraph .151. However, if that change reduces the deferred outflow of resources to zero, any remaining amount should be reported in the resource flows statement. [GASBS 94, ¶54; GASBS 99, ¶22]

.167 [In current paragraph .165, add GASBS 99, ¶20 to the sources.]

.169 [In current paragraph .167, add GASBS 99, ¶22 to the sources.]

* * *

REAL ESTATE **SECTION R30**

Sources: [Add GASBS 99.]

.101 [Add GASBS 99, ¶28 to the sources.]

* * *

SALES AND PLEDGES OF RECEIVABLES AND FUTURE REVENUES AND INTRA-ENTITY TRANSFERS OF ASSETS AND FUTURE REVENUES **SECTION S20**

Sources: [Add GASBS 99.]

.119 [Replace *At the time* with *When issuing stand-alone financial statements, at the time*.] [GASBS 48, ¶20; GASBS 99, ¶29]

[Insert new paragraph .120 as follows; renumber subsequent paragraphs.]

.120 [GASBS 99, ¶29; omit the first sentence.]

* * *

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS **SECTION S80**

Sources: [Add GASBS 99.]

.106 [Delete the sentences after subparagraph (d).] [GASBS 96, ¶9]

[Insert new paragraphs .107–.108 as follows; renumber subsequent paragraphs.]

.107 For purposes of applying paragraph .106, an option to terminate is an unconditional right that exists within the SBITA contract. A provision that gives a party to the SBITA the right to terminate the SBITA contract only in certain circumstances or upon the occurrence of certain events, such as the action or inaction of the other party to the SBITA contract, should not be considered an option to terminate the SBITA for purposes of determining the SBITA term. For

example, provisions that allow for the termination of a SBITA due to a violation of SBITA terms and conditions, such as a default on payments, are not considered options to terminate the SBITA. [GASBS 96, ¶9, as amended by GASBS 99, ¶23; GASBS 99, ¶23]

.108 Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term. For example, a rolling month-to-month SBITA, or a SBITA that continues into a holdover period until a new SBITA contract is entered into, would not be enforceable if both the government and the SBITA vendor have an option to terminate and, therefore, either could cancel the SBITA at any time. [GASBS 96, ¶9]

.112 [In current paragraph .110, replace *.106* with *.108*; insert the following at the end of the paragraph:] A SBITA that previously had been determined to be short term and has been modified to extend the initial maximum possible term under the SBITA contract should be reassessed from the inception of the SBITA. If the reassessed maximum possible term is greater than 12 months, the SBITA should no longer be considered a short-term SBITA for purposes of this section. For a modified SBITA that is reclassified from a short-term SBITA, the SBITA term should be assessed beginning at the date of the modification for purposes of measuring the subscription liability. [GASBS 96, ¶13; GASBS 99, ¶24]

.114 [In current paragraph .112, add GASBS 99, ¶24 to the sources.]

.119 [In current paragraph .117, add GASBS 99, ¶25 to the sources.]

.120 [In current paragraph .118, replace the last sentence with the following:] A subscription liability should not be remeasured solely for a change in an index or a rate used to determine variable payments. [GASBS 96, ¶21, as amended by GASBS 99, ¶25; GASBS 99, ¶25]

.122 [Revise current paragraph .120, as follows:] A subscription liability should not be remeasured, nor should the discount rate be reassessed, solely for a change in a government's incremental borrowing rate. [GASBS 96, ¶23, as amended by GASBS 99, ¶25; GASBS 99, ¶25]

.127 [In current paragraph .125, add GASBS 99, ¶25 to the sources.]

.137 [In current paragraph .135, add GASBS 99, ¶25 to the sources.]

* * *

PUBLIC ENTITY RISK POOLS **SECTION Po20**

.146 [In subparagraphs (e) and (g), replace *balance sheet* with *statement of net position*.] [GASBS 10, ¶49, as amended by GASBS 65, ¶20 and GASBS 99, ¶31; GASBS 30, ¶6, as amended by GASBS 99, ¶31; GASBS 65, ¶20; GASBS 72, ¶80–¶82]

.518–.519 [Replace *balance sheet date* with *statement of net position date*.] [GASBS 10, ¶130, as amended by GASBS 99, ¶31]

* * *

REGULATED OPERATIONS **SECTION RE10**

.110 [Replace *fund equity* with *assets that were not obtained from borrowings*; replace *equity funds* with *other assets used*.] [GASBS 62, ¶485, as amended by GASBS 63, ¶8, GASBS 89, ¶4, and GASBS 99, ¶31]

[In footnote 7, replace *fund equity* with *the equity interest*.] [GASBS 62, fn228, as amended by GASBS 99, ¶31]

.701-2 [Revise the sources as follows:] GASBIG 2015-1, Q10.13.7, as amended by GASBS 93, ¶10 and ¶11 and GASBS 99, ¶26

* * *

C2. The instructions that follow update the instructions in paragraph C1 of this Statement for the provisions of this Statement that become effective for fiscal years beginning after June 15, 2023. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[In all sections, update cross-references.]

* * *

REPORTING LIABILITIES **SECTION 1500**

See also: [Add reference to Section F30.]

[Insert new paragraph .132, including heading, as follows:]

Financial Guarantees

.132 Accounting and financial reporting for financial guarantees is discussed in Section F30.

[Insert new heading .720 and associated text as follows:]

.720 Financial Guarantees

No questions assigned.

* * *

FAIR VALUE MEASUREMENT **SECTION 3100**

.161 [In subparagraph (c), replace the last sentence with the following:] For example, paragraph .169 of Section D40 requires derivative instrument disclosures that distinguish hedging derivative instruments, investment derivative instruments, and other derivative instruments. [GASBS 72, ¶80, as amended by GASBS 84, ¶5 and ¶14–¶18 and GASBS 99, ¶8]

* * *

CASH DEPOSITS WITH FINANCIAL INSTITUTIONS **SECTION C20**

.707-5 [Revise the sources as follows:] GASBIG 2015-1, Q1.65.5, as amended by GASBS 99, ¶8

* * *

CLAIMS AND JUDGMENTS **SECTION C50**

Sources: [Add GASBS 99.]

.153 [Delete subparagraph (b); renumber subsequent subparagraphs.] [GASBS 62, ¶98, as amended by GASBS 70, ¶4, GASBS 91, ¶4, and GASBS 99, ¶4]

.154 [Delete subparagraph (h); in subparagraph (i), delete *in an exchange or exchange-like transaction associated with a conduit debt obligation*.] [GASBS 62, ¶99, as amended by GASBS 70, ¶4, GASBS 91, ¶4, and GASBS 99, ¶4]

[In footnote 20, replace the last two sentences with the following:] The accounting and financial reporting standards for the risks of loss associated with guarantees of indebtedness of others in an exchange or exchange-like transaction associated with a conduit debt obligation are provided in Section C65, "Conduit Debt Obligations." Other guarantees of indebtedness of others are addressed in Section F30, "Financial Guarantees." [GASBS 62, fn38; GASBS 70, ¶4; GASBS 91, ¶4; GASBS 99, ¶4]

[Delete current paragraphs .164–.165, including the footnote; renumber subsequent footnotes.] [GASBS 62, ¶109–¶110, as amended, and fn43, superseded by GASBS 99, ¶7]

* * *

DERIVATIVE INSTRUMENTS **SECTION D40**

Sources: [Add GASBS 99.]

.108 [In the last sentence, replace *Other derivative instruments* with *Some derivative instruments*.] [GASBS 53, ¶12, as amended by GASBS 99, ¶8]

.116 [Revise the paragraph as follows:] Derivative instruments should be measured at fair value, except for the measurement of fully benefit-responsive SGICs as provided in paragraph .167. Changes in fair values of derivative instruments should be reported as follows:

a. Changes in fair values of investment derivative instruments should be reported within the investment revenue classification on the resource flows statement.[7]
b. Changes in fair values of hedging derivative instruments should be recognized through the application of hedge accounting. Under hedge accounting, the changes in fair values of hedging derivative instruments are reported as either deferred inflows or deferred outflows in the statement of net position.[8] For example, the increase in fair value of an interest rate swap that is a hedging derivative instrument should be reported as a deferred inflow in the statement of net position. In proprietary and fiduciary fund-based financial statements, the fund that reports or is expected to report the hedged item should report the hedging derivative instrument. Hedge accounting should be applied beginning in the period that a hedging derivative instrument is established and until a termination event occurs. Termination events are more fully described in paragraphs .118–.125.
c. Changes in fair values of **other derivative instruments** should be reported on the resource flows statement separately from the investment revenue classification.

[GASBS 53, ¶20, as amended by GASBS 63, ¶8 and GASBS 99, ¶8 and ¶32; GASBS 72, ¶75; GASBS 93, ¶4–¶9; GASBS 99, ¶8–¶10]

[7][Insert current footnote 7; add GASBS 99, fn1 to the sources.]

[8][Insert current footnote 8.]

.122 [Replace the first two sentences with the following:] If a termination event as described in paragraphs .118a–.118d occurs, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination*. [GASBS 53, ¶23, as amended by GASBS 63, ¶8 and GASBS 99, ¶9 and ¶32; GASBS 93, ¶4, ¶6, ¶10, and ¶11; GASBS 99, ¶9]

.125 [In subparagraph a(1) replace *within the investment revenue classification* with *separately from the investment revenue classification*.] [GASBS 53, ¶25, as amended by GASBS 99, ¶10 and ¶32; GASBS 99, ¶10]

.169 [Replace the third sentence with the following and replace subparagraph (d) as indicated below:] The information should then be divided into the following categories—hedging derivative instruments (distinguishing between fair value hedges and cash flow hedges), investment derivative instruments, and other derivative instruments.

d. Fair values of derivative instruments reclassified from hedging derivative instruments to other derivative instruments.

[GASBS 53, ¶69, as amended by GASBS 72, ¶81 and GASBS 99, ¶8; GASBS 99, ¶8]

[Revise the heading that precedes paragraph .177 as follows:] Investment Derivative Instruments and Other Derivative Instruments

.177 [Revise the paragraph as follows:] For investment derivative instruments and other derivative instruments, governments should disclose their exposure to the following risks that could give rise to financial loss. Risk disclosures required by this paragraph are limited to derivative instruments that are reported as of the end of the reporting period. Disclosures required by this paragraph may contain information that also is required by other paragraphs. However, these disclosures should be presented in the context of a derivative instrument's risk:

a. *Credit risk.* If an investment derivative instrument or an other derivative instrument exposes a government to credit risk (that is, the government reports the derivative instrument as an asset), the government should disclose that exposure. That disclosure should be consistent with the requirements of paragraph .174a.
b. *Interest rate risk.* If an investment derivative instrument or an other derivative instrument exposes a government to interest rate risk, the government should disclose that exposure consistent with the disclosure required by paragraphs .155 and .156 of Section I50. Further, a derivative instrument that is an interest rate swap is an additional example of an instrument that has a fair value that is highly sensitive to interest rate changes as discussed in paragraph .157 of Section I50. The fair value, notional amount, reference rate, and embedded options should be disclosed.
c. *Foreign currency risk.* If an investment derivative instrument or an other derivative instrument exposes a government to foreign currency risk, the government should disclose that exposure consistent with the disclosures required by paragraph .158 of Section I50.

[GASBS 53, ¶76, as amended by GASBS 93, ¶11; GASBS 99, ¶8]

[Insert new paragraph .542 as follows; renumber subsequent paragraphs:]

.542 **Other derivative instrument.** A derivative instrument that does not meet the definition of an investment derivative instrument or the definition of a hedging derivative instrument. For example, a derivative instrument that was intended to be a hedge, but does not meet the hedge effectiveness criteria, is neither an investment derivative instrument nor a hedging derivative instrument. [GASBS 99, ¶8]

.707-6 [Replace the last two sentences of the answer with the following:] On the other hand, if the derivative instrument does not meet the requirements of a hedging derivative instrument, the derivative instrument should be considered an other derivative instrument. The payment provided by the derivative instrument should be reported separately from the investment revenue classification on the resource flows statement (paragraph .116 of this section). [GASBIG 2015-1, Q10.13.6, as amended by GASBS 93, ¶10 and GASBS 99, ¶8]

.708-2 [Replace the answer with the following:] No. Derivative instruments that are no longer hedging derivative instruments should be considered other derivative instruments. For such derivative instruments, the disclosure requirements in paragraphs .169 and .177 of this section should be applied. [GASBIG 2016-1, Q4.67, as amended by GASBS 99, ¶8]

.708-3 [Replace the answer with the following:] The fair value increase or decrease on a hedging derivative instrument that is terminated prior to the occurrence of the expected transaction should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph .122 of this section). [GASBIG 2015-1, Q10.15.3, as amended by GASBS 99, ¶9]

.708-5 [Replace the penultimate sentence of the answer with the following:] The balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph .122 of this section). [GASBIG 2015-1, Q10.15.6, as amended by GASBS 93, ¶4 and ¶6 and GASBS 99, ¶9]

.708-8 [Replace the last sentence of the answer with the following:] At the termination date, in addition to reporting the balance of the deferred outflow of resources or deferred inflow of resources related to changes in fair value of the swap on the resource flows statement separately from the investment revenue classification and captioning it *increase (decrease) upon hedge termination,* the government should report a receivable or payable for the amount to be received or paid at the settlement date. [GASBIG 2019-1, Q4.6, as amended by GASBS 99, ¶9]

.709-4 [Revise the answer as follows:] The notional amount of the hedging interest rate swap is no longer consistent with the hedged bonds. The bonds are now over-hedged. The evaluation of hedge effectiveness would consider only the remaining portion of the swap that is undisturbed by the debt extinguishment. For example, if the latter 2 years of a 10-year bond issue are extinguished, that portion of the deferred outflows of resources or deferred inflows of resources that relates to the final 2 years of the hedging interest rate swap should be recognized as an inflow of resources or an outflow of resources in the current reporting period. The remainder of the interest rate swap would become an other derivative instrument. That portion of the interest rate swap that relates to the extinguished debt should be removed from the hedging relationship. That

is, the amount in the deferred outflows of resources or deferred inflows of resources that relates to the extinguished debt should be recognized as an inflow of resources or outflow of resources in the current reporting period. [GASBIG 2015-1, Q10.16.4, as amended by GASBS 92, ¶13 and GASBS 99, ¶8 and ¶9]

.709-5 [Replace the penultimate sentence with the following:] The remainder of the interest rate swap would become an other derivative instrument and should not be included in the original hedging relationship in subsequent periods. [GASBIG 2015-1, Q10.16.5, as amended by GASBS 99, ¶8]

.710-2 [In the second paragraph of the answer, replace the last sentence with the following:] In the period in which this best estimate changes to indicate a termination event, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph .122 of this section). [GASBIG 2015-1, Q10.18.1, as amended by GASBS 93, ¶10 and GASBS 99, ¶9]

.710-3 [Replace the last sentence of the answer with the following:] The amount in the deferred outflow of resources or deferred inflow of resources account attributable to those eight payments should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph .122 of this section). [GASBIG 2015-1, Q10.18.2, as amended by GASBS 99, ¶9]

.710-4 [Replace the sixth sentence of the answer with the following:] The fair value changes of the swap attributable to its first payment should be removed from the deferred outflow of resources or deferred inflow of resources account, reported on the resource flows statement separately from the investment revenue classification, and captioned *increase (decrease) upon hedge termination* (paragraphs .118b and .122 of this section). [GASBIG 2015-1, Q10.18.3, as amended by GASBS 99, ¶9]

.710-5 [Replace the last sentence of the answer with the following:] If the utility allows the futures contracts to mature and the expected transaction has not occurred by the maturity date, then a termination event has occurred and the amount of the deferred outflow of resources or deferred inflow of resources attributable to the unpurchased natural gas should be reported on the resource

flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph .122 of this section). [GASBIG 2015-1, Q10.18.4, as amended by GASBS 99, ¶9]

[Revise heading .731 as follows:] Investment Derivative Instruments and Other Derivative Instruments

* * *

[Insert new section as follows:]

FINANCIAL GUARANTEES **SECTION F30**

Sources: GASBS 70, GASBS 91, GASBS 99, GASBTB 2020-1, GASBIG 2016-1

Scope and Applicability of This Section

.101 This section establishes accounting and financial reporting standards for financial guarantees extended by a state or local government, including guarantees provided in (a) exchange or exchange-like transactions[1] (exchange or exchange-like financial guarantees) and (b) nonexchange transactions (nonexchange financial guarantees). It also addresses accounting and financial reporting for nonexchange financial guarantees received by a state or local government and for the reporting of all intra-entity financial guarantees involving blended component units by governments that issue a guaranteed obligation. The provisions of this section should be applied to financial statements of all state and local governments. [GASBS 70, ¶4; GASBS 99, ¶4]

---

[1][Insert footnote 1 from current Section N30, "Nonexchange Financial Guarantees," excluding the first sentence.] [GASBS 70, fn1; GASBS 99, fn1]

.102 As used in this section, a financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, that requires the guarantor to indemnify a third-party obligation holder under specified conditions. [GASBS 70, ¶4; GASBS 99, ¶4]

.103 This section does not apply to guarantees related to special assessment debt within the scope of Section S40, "Special Assessments;" financial guarantee contracts within the scope of Section D40, "Derivative Instruments;" or guarantees related to conduit debt obligations within the scope of Section C65, "Conduit Debt Obligations." [GASBS 70, ¶5, as amended by GASBS 91, ¶4; GASBS 99, ¶5]

.104–.105 [Insert paragraphs .103–.104 from current Section N30, including the associated headings; delete *nonexchange* from the headings and the paragraphs. Add GASBS 99, ¶6 to the sources of both paragraphs.]

.106 [Insert paragraph .105 from current Section N30, including the associated heading and the footnote; delete *nonexchange* from the first sentence of the paragraph. Add GASBS 99, ¶6 to the sources of the paragraph and the footnote.]

.107 [Insert paragraph .106 from current Section N30, including the associated heading; delete *nonexchange* from the first and second sentences of the paragraph. Add GASBS 99, ¶6 to the sources of the paragraph.]

Governments Issuing an Obligation That Has Received a Nonexchange Financial Guarantee

.108–.109 [Insert paragraphs .107–.108 from current Section N30.]

.110 [Insert paragraph .109 from current Section N30, including the associated heading; delete *nonexchange* from the heading and the paragraph. Add GASBS 99, ¶6 to the sources of the paragraph.]

.111–.112 [Insert paragraphs .110–.111 from current Section N30, including the associated headings; delete *nonexchange* from the headings and the paragraphs. Revise paragraph .112b as follows, and add GASBS 99, ¶7 to the sources of both paragraphs:] Cumulative amounts of indemnification payments that have been made on guarantees that are outstanding at the reporting date and, if the cumulative amount disclosed as paid by the government related to a guarantee does not equal the total amounts actually paid on the guarantee because the cumulative amount was determined prospectively at transition, the government should disclose the dates over which the cumulative amount was determined.

Governments That Issue Obligations That Have Received Nonexchange Financial Guarantees

.113 [Insert paragraph .112 from current Section N30; insert the following at the end of subparagraph (e):] and, if the cumulative amount disclosed as paid by the government related to a guarantee does not equal the total amounts actually paid on the guarantee because the cumulative amount was determined prospectively at transition, the government should disclose the dates over which the cumulative amount was determined. [GASBS 70, ¶16; GASBS 99, ¶7]

.114 [Insert paragraph .113 from current Section N30; insert the following at the end of subparagraph (b):] and, if the cumulative amount disclosed as paid by the government related to a guarantee does not equal the total amounts actually paid on the guarantee because the cumulative amount was determined prospectively at transition, the government should disclose the dates over which the cumulative amount was determined. [GASBS 70, ¶17; GASBS 99, ¶7]

GASB TECHNICAL BULLETINS

[Insert paragraph .601 from current Section N30, including headings.]

GASB IMPLEMENTATION GUIDES

.701–.705 [Insert headings .701–.705, including the associated text, from current Section N30; delete *nonexchange* in the headings.]

.706 Governments Issuing an Obligation That Has Received a Nonexchange Financial Guarantee

No questions assigned.

.707–.709 [Insert headings .707–.709, including the associated text, from current Section N30; delete *nonexchange* in the headings.]

.710 Governments That Issue Obligations That Have Received Nonexchange Financial Guarantees

No questions assigned.

* * *

INVESTMENTS **SECTION I50**

.140 [In subparagraph (c), replace the last sentence with the following:] For example, paragraph .169 of Section D40 requires derivative instrument disclosures that distinguish hedging derivative instruments, investment derivative instruments, and other derivative instruments. [GASBS 72, ¶80, as amended by GASBS 84, ¶5 and ¶14–¶18 and GASBS 99, ¶8]

.742-4 [Revise the sources as follows:] GASBIG 2015-1, Q1.65.5, as amended by GASBS 99, ¶8

* * *

NONEXCHANGE FINANCIAL GUARANTEES **SECTION N30**

[Delete entire section.]

* * *

NONEXCHANGE TRANSACTIONS **SECTION N50**

See also: [Delete reference to Section N30; add reference to Section F30.]

* * *

Codification of Governmental Accounting and Financial Reporting Standards—First Update Following the Date at Which LIBOR Is No Longer an Appropriate Benchmark Interest Rate

C3. The instructions that follow update the instructions in paragraph C1 of this Statement for the effects of modifications to the methodology used to determine LIBOR such that LIBOR is no longer an appropriate benchmark interest rate in accordance with paragraph 26 of this Statement.

* * *

INVESTMENTS **SECTION I50**

.741-27 [Replace *the 3-month London Interbank Offered Rate* with *a Secured Overnight Financing Rate (SOFR).*] [GASBIG 2016-1, Q4.7, as amended by GASBS 99, ¶26]

* * *

DERIVATIVE INSTRUMENTS **SECTION D40**

.135 [Replace the penultimate sentence with the following:] For taxable debt, the appropriate benchmark interest rates are an interest rate on direct Treasury obligations of the U.S. government, the Effective Federal Funds Rate (EFFR), and a SOFR. [GASBS 53, ¶35, as amended by GASBS 93, ¶11 and GASBS 99, ¶26; GASBS 93, ¶11]

* * *

Comprehensive Implementation Guide—June 2022 Update

C4. The instructions that follow update the December 31, 2021 *Comprehensive Implementation Guide,* as amended for Statements 94 and 96 and Implementation Guide 2021-1, for the provisions of this Statement that are effective

upon issuance or for reporting periods beginning after June 15, 2022. In addition, this paragraph includes instructions to remove from the *Comprehensive Implementation Guide* certain transition-related provisions associated with the application of Statement 34.

* * *

7.23.8. [In the question, delete *phase 3*.] [GASBIG 2015-1, Q7.23.8]

[Revise Question 7.34.4 as follows:]

7.34.4. Q—Are pass-through grants and on-behalf payments reported in accordance with the requirements of Statement 24, as amended, revenue related to the Supplemental Nutrition Assistance Program (SNAP) reported in accordance with the requirements of Statement 33, as amended, and revenue recognized as a result of a special funding situation in accordance with the requirements of Statement 68, as amended, or Statement 73, as applicable, considered general or program revenues?

A—Revenues recognized pursuant to the requirements of Statement 24, as amended, those recognized for SNAP pursuant to the requirements of Statement 33, as amended, and those recognized pursuant to the special funding situation requirements of Statement 68, as amended, or Statement 73, as applicable, are examples of "type b revenues" in paragraph 47 of Statement 34 and should be reported as program revenues because they are specifically attributable to a program and reduce the net cost of that program to the reporting government. (See Question Z.24.1 regarding on-behalf payments for employee benefits.)

[GASBIG 2015-1, Q7.34.4, as amended by GASBS 99, ¶27 and GASBIG 2016-1, Q5.15]

7.85.4. [In the answer, delete *(for phase 1 and phase 2 governments)* and *(for phase 3 governments)*.] [GASBIG 2016-1, Q4.64]

[Revise Question 7.85.5 as follows:]

7.85.5. Q—What disclosures should a government that has not elected to retroactively report infrastructure make for infrastructure that is not included in the basic financial statements?

A—The requirements related to the selection of accounting policies and methods from existing acceptable alternatives in paragraph 93 of Statement 62 and the paragraph 115e of Statement 34 requirement to disclose the policy for capitalizing assets would apply. Governments that have not elected to retroactively report infrastructure should include a statement in their summary of significant accounting policies on an ongoing basis, such as "General infrastructure assets acquired prior to July 1, 2003, are not reported in the basic financial statements," "General infrastructure assets include all roads and bridges and other infrastructure assets acquired subsequent to July 1, 2003," or other language that indicates how infrastructure was capitalized.

[GASBIG 2015-1, Q7.85.5]

[Replace current Questions 7.104.15, 7.104.16, and 7.104.18 with *Question number not used*.]

10.13.7. [Replace *paragraphs 26–62 of Statement 53, as amended, and paragraphs 10 and 11 of Statement 93* with *paragraphs 26–62 of Statement 53, as amended, paragraphs 10 and 11 of Statement 93, as amended, and paragraph 26 of Statement 99*.] [GASBIG 2015-1, Q10.13.7, as amended by GASBS 93, ¶10 and ¶11 and GASBS 99, ¶26]

12.11.2. [Replace *paragraph 12 of Statement 87* with *paragraph 12 of Statement 87 and paragraph 11 of Statement 99*.] [GASBIG 2019-3, Q4.13, as amended by GASBS 99, ¶11]

12.13.1. [Replace *lease extension or termination options* with *lease extension options or options to terminate*; replace *paragraphs 12a–12d of that Statement* with *paragraphs 12a–12d of that Statement and paragraph 11 of Statement 99*.] [GASBIG 2019-3, Q4.14, as amended by GASBS 99, ¶11]

12.17.3. [Delete the second and the third sentences in the answer; replace *Paragraph 12 of Statement 87 defines* with *Paragraph 12 of Statement 87 and paragraph 12 of Statement 99 define*.] [GASBIG 2019-3, Q4.19, as amended by GASBS 99, ¶12]

12.26.3. [Replace *Paragraph 22 of Statement 87* with *Paragraph 22 of Statement 87, as amended, and paragraph 13 of Statement 99*; replace *in paragraph 22* with *in paragraph 22, as amended*.] [GASBIG 2019-3, Q4.28, as amended by GASBS 99, ¶13]

12.29.1. [Replace *paragraphs 12–15 of that Statement* with *paragraphs 12–15 of that Statement and paragraph 11 of Statement 99*; replace *a termination option* with *an option to terminate*.] [GASBIG 2019-3, Q4.29, as amended by GASBS 99, ¶11]

12.45.1. [Replace *paragraphs 25–29 of Statement 87* with *paragraphs 25–29 of Statement 87 and paragraph 14 of Statement 99*.] [GASBIG 2019-3, Q4.34, as amended by GASBS 99, ¶14]

12.62.1. [Replace *paragraphs 44–59 of Statement 87* with *paragraphs 44–59 of Statement 87, as amended, and paragraphs 15 and 16 of Statement 99*.] [GASBIG 2019-3, Q4.46, as amended by GASBS 99, ¶15 and ¶16]

12.67.1. [Replace *paragraph 45 of Statement 87* with *paragraph 45 of Statement 87, as amended, and paragraph 15 of Statement 99*.] [GASBIG 2019-3, Q4.47, as amended by GASBS 99, ¶15]

12.70.1. [Replace *paragraphs 45 and 46 of Statement 87* with *paragraphs 45 and 46 of Statement 87, as amended, and paragraph 15 of Statement 99*.] [GASBIG 2019-3, Q4.48, as amended by GASBS 99, ¶15]

* * *

Comprehensive Implementation Guide—June 2023 Update

C5. The instructions that follow update paragraph C4 of this Statement for the provisions of this Statement that are effective for fiscal years beginning after June 15, 2023.

* * *

1.65.5. [Replace *Statement No. 53,* Accounting and Financial Reporting for Derivative Instruments, with *Statements No. 53,* Accounting and Financial Reporting for Derivative Instruments, *and No. 99,* Omnibus 2022.] [GASBIG 2015-1, Q1.65.5, as amended by GASBS 99, ¶8]

10.13.6. [Replace the last two sentences of the answer with the following:] On the other hand, if the derivative instrument does not meet the requirements of a hedging derivative instrument, the derivative instrument should be considered an other derivative instrument. The payment provided by the derivative instrument should be reported separately from the investment revenue classification on the resource flows statement (paragraph 8 of Statement 99). [GASBIG 2015-1, Q10.13.6, as amended by GASBS 93, ¶10 and GASBS 99, ¶8]

10.15.2. [Replace the answer with the following:] No. Derivative instruments that are no longer hedging derivative instruments should be classified as other derivative instruments. For such derivative instruments, the disclosure requirements in paragraphs 69 and 76 of Statement 53, as amended, should be applied. [GASBIG 2016-1, Q4.67, as amended by GASBS 99, ¶8]

10.15.3. [Replace the answer with the following:] The fair value increase or decrease on a hedging derivative instrument that is terminated prior to the occurrence of the expected transaction should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.15.3, as amended by GASBS 99, ¶9]

10.15.6. [Replace the penultimate sentence of the answer with the following:] The balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.15.6, as amended by GASBS 93, ¶4 and ¶6 and GASBS 99, ¶9]

10.15.10. [Replace the last sentence of the answer with the following:] At the termination date, in addition to reporting the balance of the deferred outflow of resources or deferred inflow of resources related to changes in fair value of the swap on the resource flows statement separately from the investment revenue classification and captioning it *increase (decrease) upon hedge termination,* the government should report a receivable or payable for the amount to be received or paid at the settlement date. [GASBIG 2019-1, Q4.6, as amended by GASBS 99, ¶9]

10.16.4. [Revise the answer as follows:] The notional amount of the hedging interest rate swap is no longer consistent with the hedged bonds. The bonds are now over-hedged. The evaluation of hedge effectiveness would consider only the remaining portion of the swap that is undisturbed by the debt extinguishment. For example, if the latter 2 years of a 10-year bond issue are extinguished, that portion of the deferred outflows of resources or deferred inflows of resources that relates to the final 2 years of the hedging interest rate swap should be recognized as an inflow of resources or an outflow of resources in the current reporting period. The remainder of the interest rate swap would become an other derivative instrument. That portion of the interest rate swap that relates to the extinguished debt should be removed from the hedging relationship. That is, the amount in the deferred outflows of resources or deferred inflows of resources that relates to the extinguished debt should be recognized as an inflow of resources or outflow of resources in the current reporting period. [GASBIG 2015-1, Q10.16.4, as amended by GASBS 92, ¶13 and GASBS 99, ¶8 and ¶9]

10.16.5. [Replace the penultimate sentence with the following:] The remainder of the interest rate swap would become an other derivative instrument and should not be included in the original hedging relationship in subsequent periods. [GASBIG 2015-1, Q10.16.5, as amended by GASBS 99, ¶8]

10.18.1. [In the second paragraph of the answer, replace the last sentence with the following:] In the period in which this best estimate changes to indicate a termination event, the balance of the deferred outflow of resources or deferred inflow of resources should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.18.1, as amended by GASBS 93, ¶10 and GASBS 99, ¶9]

10.18.2. [Replace the last sentence of the answer with the following:] The amount in the deferred outflow of resources or deferred inflow of resources account attributable to those eight payments should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.18.2, as amended by GASBS 99, ¶9]

10.18.3. [Replace the sixth sentence of the answer with the following:] The fair value changes of the swap attributable to its first payment should be removed from the deferred outflow of resources or deferred inflow of resources account, reported on the resource flows statement separately from the investment revenue classification, and captioned *increase (decrease) upon hedge termination* in the resource flows statement (paragraph 22b of Statement 53 and paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.18.3, as amended by GASBS 99, ¶9]

10.18.4. [Replace the last sentence of the answer with the following:] If the utility allows the futures contracts to mature and the expected transaction has not occurred by the maturity date, then a termination event has occurred and the amount of the deferred outflow of resources or deferred inflow of resources attributable to the unpurchased natural gas should be reported on the resource flows statement separately from the investment revenue classification and should be captioned *increase (decrease) upon hedge termination* (paragraph 9 of Statement 99). [GASBIG 2015-1, Q10.18.4, as amended by GASBS 99, ¶9]

* * *

Comprehensive Implementation Guide—First Update Following the Date at Which LIBOR Is No Longer an Appropriate Benchmark Interest Rate

C6. The instructions that follow update the instructions in paragraph C4 of this Statement for the effects of modifications to the methodology used to determine LIBOR such that LIBOR is no longer an appropriate benchmark interest rate in accordance with paragraph 26 of this Statement.

* * *

1.64.12. [Replace *the 3-month London Interbank Offered Rate* with *a Secured Overnight Financing Rate (SOFR)*.] [GASBIG 2016-1, Q4.7, as amended by GASBS 99, ¶26]

10.13.7. [Replace *paragraphs 26–62 of Statement 53, as amended, paragraphs 10 and 11 of Statement 93, and paragraph 26 of Statement 99* with *paragraphs 26–62 of Statement 53, as amended, and paragraphs 10 and 11 of Statement 93, as amended*.] [GASBIG 2015-1, Q10.13.7, as amended by GASBS 93, ¶10 and ¶11 and GASBS 99, ¶26]

* * *