

GASB Chair Report

April 1, 2023–June 30, 2023

ITEM 1: SUMMARY OF THE QUARTER

During the second quarter, the GASB issued Implementation Guide 2023-1, *Implementation Guidance Update-2023*, and continued deliberations and progress on our two comprehensive projects—the Financial Reporting Model and Revenue and Expense Recognition. We also made significant progress on the projects on Risks and Uncertainties Disclosures and Going Concern Uncertainties and Severe Financial Stress.

As part of our continued deliberations on the Financial Reporting Model, the Board made the tentative decision to remove the proposed changes to the measurement focus and basis of accounting for governmental funds from the project. That decision resulted from the determination that the intended conceptual consistency the changes proposed to achieve, would not be achieved, due to exceptions and complications necessary in the model for the resulting information to be improved. Therefore, the Board no longer believes that the costs are justified when compared to the expected overall public benefit.

Also during the quarter, the Board approved the technical plan for the second third of the year. As part of approving the plan, the Board added a project on infrastructure assets. That project will (1) reexamine the requirements related to reporting infrastructure assets and (2) consider additional information related to the maintenance and preservation of those assets to be provided in financial statements.

We continued the monitoring of electronic financial reporting as we investigate the evolution of government financial reporting and how technology is changing the way users consume that information. This focus was elevated with the passage of the Financial Data Transparency Act (FDTA) in December 2022. The decision about how the FDTA is implemented rests with the Securities and Exchange Commission (SEC). As the Board responsible for establishing and maintaining Generally Accepted Accounting Principles for state and local governments in the United States, we are prepared to play a constructive role in the transition of the FDTA's requirements into practice and have been engaging with the SEC as well as municipal market participants. As part of our work on electronic financial reporting, we have begun work on a financial statement taxonomy.

As the technical questions and implementation support for Statement No. 87, *Leases*, began to slow down as governments neared the end of the implementation phase of that standard, the technical questions and implementation support significantly increased, as expected, for Statement No. 96, *Subscription-Based Information Technology Arrangements*, which is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

ITEM 2: CURRENT TECHNICAL AGENDA AND RELATED ACTIVITIES

The GASB establishes and improves standards of governmental accounting and financial reporting for the purpose of providing information to municipal bond analysts and others in the government investment community, legislators, the citizenry, and other users that is useful for making decisions and assessing accountability. Standard-setting projects on the GASB's current technical agenda are identified based on established criteria related to significance, pervasiveness, feasibility, and cost-benefit considerations. The GASB is advised in its agenda setting by the Governmental Accounting Standards Advisory Council (GASAC), which provides input on technical plan priorities and feedback on individual potential standard-setting topics throughout the year.

The following table summarizes the Board's standard-setting activities for the second quarter of 2023:

Number of Projects/Research Activities/Post-Implementation Reviews (PIRs)						
	As of March 31 '23	Added	Removed	Final Pronouncements Issued	As of June 30 '23	Due Process Documents Issued
Conceptual Framework	1	–	–	–	1	–
Comprehensive Projects	2	–	–	–	2	–
Major Projects	1	1	–	–	2	–
Practice-Issue Projects	3	1	1	–	3	–
Pre-Agenda Research	2	–	1		1	
Post-Implementation Reviews	6	–	–		6	
Total	15	2	2	–	15	–

Current Technical Agenda

The Board reviewed its technical plan for the second third of 2023 in April 2023. As part of approving the plan, the Board added a project related to infrastructure assets and a new monitoring activity for the implementation of Statement 96.

The project on infrastructure assets was approved based on several years of pre-agenda research on capital assets which showed that accounting and financial reporting for most capital assets is working well, but there are opportunities to explore improvements, specifically on infrastructure assets. The project will (1) reexamine the requirements related to reporting infrastructure assets and (2) consider additional information related to the maintenance and preservation of those assets to be provided in financial statements. The following are the primary issues to be considered:

- How should infrastructure assets be recognized and measured in financial statements? Should the optional use of the modified approach continue to be allowed to report infrastructure assets?
- Should additional information related to the maintenance and preservation of infrastructure assets be presented in the financial statements and, if so, what

information and which method of communication should be used to provide that information?

In June 2023, the Board did not object to the issuance of Implementation Guide No. 2023-1, *Implementation Guidance Update—2023*, which includes six new Q&As and one amended Q&A on leases, three new Q&As on subscription-based information technology arrangements, and one new Q&A on accounting changes. Those questions and answers are included in the Implementation Guide to address (1) issues raised by our stakeholders through inquiries posed to us and (2) issues identified by the GASB in anticipation of questions that will arise during implementation of GASB pronouncements. As stakeholders progress in their implementation of Statement 96, we anticipate issuing another update to the Implementation Guide in 2024 as more technical inquiries come in.

In early April 2023, the Board received input from members of the GASAC during their annual discussion of technical plan priorities. The following two topics were ranked as being the highest priority, by far, among all of the GASB's pre-agenda research activities, monitoring activities, and potential standard-setting topics:

- Capital assets (infrastructure asset project subsequently added to the technical agenda)
- Electronic financial reporting (which is currently being actively monitored).

Other highly rated topics included the following:

- Subsequent events (currently in pre-agenda research)
- Financial reporting entity
- Fund balance
- Environmental, social, and governance issues (currently being monitored)
- Digital assets (currently being monitored)
- Environmental credits.

The Board continued to redeliberate issues based on stakeholder feedback on the two comprehensive projects—the Financial Reporting Model and Revenue and Expense Recognition.

For the Financial Reporting Model project, the Board had proposed the use of the short-term financial resources measurement focus for governmental fund financial statements. The expected primary benefit of the short-term measurement focus is presenting information that is conceptually consistent, meaningful, and comparable among governments. The benefits of conceptual consistency are twofold. One is that stakeholders would better understand the nature of the information presented in governmental fund financial statements. The primary information to be conveyed by governmental fund financial statements are considered to be (1) a fund balance at period-end that is available for spending and (2) financial results that may be useful in

evaluating budgetary information. Conceptual consistency also would provide guidance to the Board itself when establishing guidance for new types of transactions, especially those that maybe be complex, or when reassessing existing guidance.

As the Board recently evaluated the proposed measurement focus, they evaluated the expected benefits from the application of the short-term financial resources measurement focus to the governmental fund financial statements. The Board determined that a conceptually pure model that consistently used the transaction as the classification unit of account and had no exceptions to the conceptual basis of the measurement focus would provide less meaningful information because it would report a fund balance that does not reflect all accruals that Board members believe should be recognized in governmental fund financial statements. As a result, the Board determined that in order for the new measurement focus to provide more meaningful information, it would need to include exceptions for certain transactions, resulting in both added complexity and a lack of the conceptual consistency that was a primary objective of creating a new measurement focus. The Board ultimately determined that these exceptions and complications would result in a measurement focus that presents information that is not conceptually consistent, meaningful, and comparable among governments.

With the determination that the intended conceptual consistency would not be achieved, the expected benefits of the proposed changes to the measurement focus and basis of accounting for governmental funds may not be significant, and, therefore, the Board no longer believes that the costs are justified when compared to that expected overall public benefit. As a result, the Board has tentatively decided to take changes to the existing measurement focus and basis of accounting government funds out of the Financial Reporting Model project. The Board believes that an approach that focuses on identifying and addressing the most significant concerns with the existing guidance on the current financial resources measurement focus and modified accrual basis of accounting as a separate project would be preferable for improving the information provided by governmental fund financial statements in which the perceived costs may be justified.

In the Revenue and Expense Recognition project, the Board worked to define the terms *transaction*, *categorization unit of account*, *recognition unit of account*, and *measurement unit of account*. In order to simplify the categorization process in the project, the categorization unit of account was changed to be the transaction. The Board also determined:

- The recognition unit of account for Category A revenue and expense transactions in the scope of this project should be the distinct goods or services.
- The recognition unit of account for Category B derived and imposed transactions is the transaction.

- The recognition unit of account for Category B general aid and shared revenue transactions is identified through the point at which the payments are due.

The Board continued redeliberations on the Risks and Uncertainties Disclosures project and consideration of the feedback received from the Exposure Draft, *Certain Risk Disclosures*. During the quarter, the Board tentatively decided to continue to make adjustments to the disclosure criteria and limited the disclosure requirements in response to stakeholder feedback. The Board also tentatively decided to remove the time frame requirement for the assessment of the substantial impact caused by the event. Additionally, the Board tentatively decided to clarify that the disclosure should be assessed at the level of the primary government with additional assessments for those reporting units that report a liability for revenue debt.

The following are highlights of tentative decisions made by the Board during the quarter.

Project	Summary of Tentative Decisions and Milestones
Financial Reporting Model	<ul style="list-style-type: none"> • The guidance for issues related to the reporting of governmental funds should be removed from the scope of this project and not be included in a final Statement. • The existing guidance for <i>unusual in nature and infrequency of occurrence</i> should be modified to be less restrictive.
Revenue and Expense Recognition	<ul style="list-style-type: none"> • Categorization: <ul style="list-style-type: none"> ○ The categorization unit of account represents the level of aggregation or disaggregation applicable to an item of information to assess attributes that are relevant in the identification of the scope of specific guidance. • Transaction: <ul style="list-style-type: none"> ○ A transaction is a type of economic activity between the government and at least one counterparty that is evidenced by one or more binding arrangements. ○ A transaction is the most suitable categorization unit of account in this project. <ul style="list-style-type: none"> ▪ In instances in which a transaction is evidenced by more than one binding arrangement, the binding arrangements should be combined for purposes of identifying the categorization unit of account. ○ For circumstances in which a government has transactions with similar characteristics, the government can opt to apply a portfolio approach to categorization. • Binding Arrangement: <ul style="list-style-type: none"> ○ A binding arrangement is an understanding between two or more parties that creates rights, obligations, or both among the parties to a binding arrangement. • Recognition: <ul style="list-style-type: none"> ○ The recognition unit of account represents the level of aggregation or disaggregation applicable to an item of information to assess whether it meets the definition of an element of financial statements.

	<ul style="list-style-type: none"> ○ The recognition unit of account for Category A revenue and expense transactions in the scope of this project should be the distinct goods or services. ○ The recognition unit of account for Category B derived and imposed transactions is the transaction. ○ The recognition unit of account for Category B general aid and shared revenue transactions is identified through the point at which the payments are due. • Measurement: <ul style="list-style-type: none"> ○ The measurement unit of account represents the level of aggregation or disaggregation applicable to assets and liabilities to assess the relevant measurement attribute applicable to them.
Going Concern Uncertainties and Severe Financial Stress	<ul style="list-style-type: none"> • The term <i>financial stress</i> should continue to be used as part of the description of the condition a government is experiencing. • The alternative under which financial stress would be defined by a comprehensive model with specified ratios and indicators will not be developed. • Financial stress is a range of conditions, defined as when the government either is in the circumstance or has had to take extraordinary measures to avoid being in that circumstance. • The modifier for financial stress in this project should not be <i>substantial</i>, as used in the context of substantial impact in the Risks and Uncertainties project. • The modifier used to describe the degree of the financial stress in this project should be <i>severe</i>. • The term <i>severe</i> should be defined as “a degree greater than substantial, including, but not limited to, catastrophic matters.”
Risks and Uncertainties Disclosures	<ul style="list-style-type: none"> • In paragraph 6c of the Exposure Draft, the phrase “within three years of the financial statement date” to describe the time frame for the substantial impact caused by the event should be removed. • The phrase in the paragraph 7 introduction will be changed from “and their potential effect on the government’s ability to provide services at the level provided in the current reporting period or to meet its obligations as they come due” to “and the government’s vulnerability to the risk of a substantial impact.” • The disclosure requirement in paragraph 7b will be changed to “If it has occurred before the financial statements are available to be issued, a description of

	<p>each event associated with the concentration or constraint that could cause the substantial impact.”</p> <ul style="list-style-type: none"> • The disclosure requirement in paragraph 7c will be changed to “A description of actions taken by the government prior to the date the financial statements are available to be issued to mitigate the risk.” • All other aspects of paragraph 7 will be carried forward. • Paragraph 8 should be modified to (1) convey that the information disclosed corresponds to the reporting units presented in the financial statements, (2) eliminate the reference to the disclosure criteria, (3) add language that the same information for more than one reporting unit should be combined to avoid unnecessary duplication, and (4) clarify that the information disclosed is subject to requirements in paragraph 63 of Statement No. 14, <i>The Financial Reporting Entity</i>, for discretely presented component units. • The note disclosures required by a final Statement may supplement or overlap other note disclosure requirements. Therefore, in certain circumstances, governments should combine the information with that required by other note disclosure guidance to avoid unnecessary duplication. • The Basis for Conclusions should specifically describe how (1) the concept of “risk” and (2) information provided pursuant to other guidance may inform a government’s judgments about when a risk disclosure should no longer be included in notes to financial statements. • An additional assessment of the disclosure criteria should be made for those reporting units that report a liability for revenue debt.
Classification of Nonfinancial Assets	<ul style="list-style-type: none"> • The definition of <i>held for sale</i> should include the following criteria: <ul style="list-style-type: none"> ○ The government has decided to sell the asset. ○ It is probable that the sale will occur within one year of the financial statement date. • The following factors should be considered when evaluating whether it is probable that the sale will occur: <ul style="list-style-type: none"> ○ The asset is available for immediate sale in its present condition. ○ An active program to locate a buyer has been initiated, incorporating the idea of an asset being put out for bid.

	<ul style="list-style-type: none"> ○ Market conditions for the type of asset. ○ Regulatory approvals needed to sell the asset. • The guidance on held for sale should not incorporate the following as either a criterion or a factor to consider: <ul style="list-style-type: none"> ○ The asset being marketed at a reasonable price ○ The likelihood of significant changes to the plan to sell the asset. • The definition of held for sale should not include exceptions to the time frame criterion or for newly acquired assets. • The held for sale criteria should not define or use the term <i>disposal group</i>. • The term <i>nonfinancial asset</i> should not be defined in this project. • The transition provisions of the proposed guidance require retroactive application. • The effective date of the proposed guidance will be fiscal years beginning after June 15, 2025, and will encourage earlier application.
Implementation Guidance—Update	<ul style="list-style-type: none"> • The Board did not object to the issuance of an Exposure Draft of a proposed supplemental Implementation Guide, <i>Additional Proposal for Implementation Guidance Update—2023</i>.
Infrastructure Assets	<ul style="list-style-type: none"> • Infrastructure assets should be defined as “assets that are part of a network of long-lived capital assets utilized to provide a particular type of public service, that are stationary in nature, and that can be preserved for a significant number of years.” Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and communication networks. Only buildings that are part of a network of assets used to provide a particular type of public service should be considered infrastructure assets. • Infrastructure assets should continue to be recognized in the financial statements. • Infrastructure assets should continue to be measured using the historical cost depreciation approach with an allowance for governments to elect to use preservation method.

Pre-Agenda Research

The GASB staff continued work on our pre-agenda research topics during the quarter. Significant activities during the second quarter were as follows:

Research Topic	Significant Activities
Capital Assets	<ul style="list-style-type: none">• Project prospectus presented at April 2023 meeting and approved as a project.
Subsequent Events	<ul style="list-style-type: none">• Analyzed preparer, auditor, and user survey responses.• Prepared research memorandum for presentation at July 2023 meeting.

Post-Implementation Review

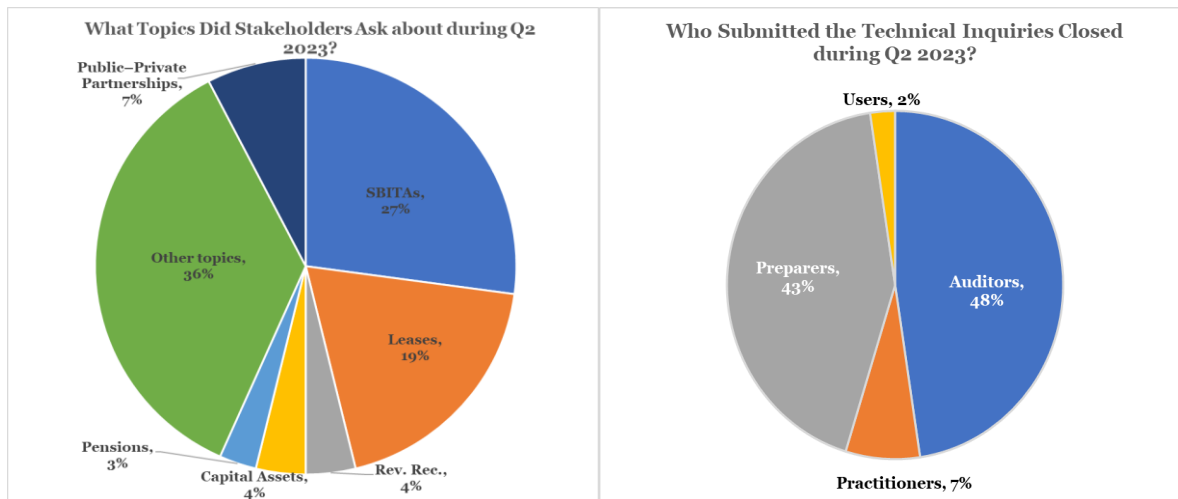
The GASB staff continued the post-implementation review (PIR) of six pronouncements during the quarter. (It should be noted that PIRs address related pronouncements—for example, the pensions PIR also covers Statements 71, 73, 78, and 82 and portions of Statement 85. PIRs also cover related implementation guidance; there are free-standing Implementation Guides for all Statements addressed by the PIRs except Statement 72.) Significant activities were as follows:

Topic/Pronouncement	Significant Activities
Pensions (Statements 67 and 68)	<ul style="list-style-type: none">• Staff is summarizing results and writing a report.
Fair Value Measurement and Application (Statement 72)	<ul style="list-style-type: none">• Finished collection of annual financial reports for archival analysis.• Prepared for stakeholder roundtables.
Other Postemployment Benefits (Statement 75)	<ul style="list-style-type: none">• Continued to analyze results from the archival research.• Five live roundtables and two virtual roundtables have been scheduled for September through November of 2023.
Fiduciary Activities (Statement 84)	<ul style="list-style-type: none">• Continued collection of annual financial reports for archival analysis.• Continued to administer cost surveys for the implementation year and post-implementation year.• Continued to send survey reminders.
Leases (Statement 87)	<ul style="list-style-type: none">• Continued collection of annual financial reports for archival analysis.• Continued to administer cost surveys for the pre-implementation year, implementation year, and post-implementation year.

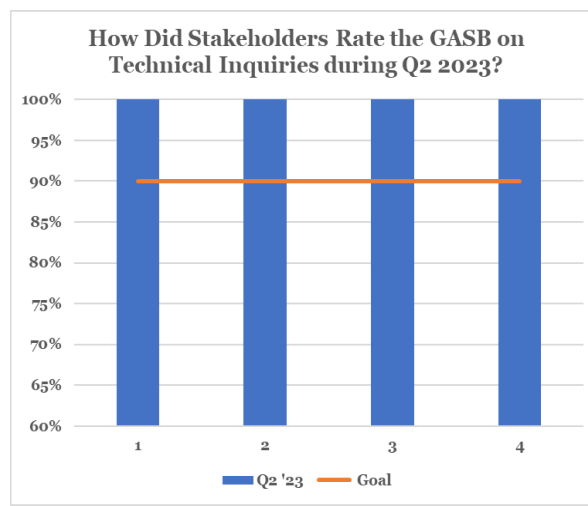
Implementation Support

During the period between the issuance of a pronouncement and its effective date (and even after the effective date), the GASB is active in providing support to stakeholders in understanding and applying the standards. In addition to communication and educational activities (see the section later in this report), implementation support takes two primary forms—publishing implementation guidance and answering technical inquiries from stakeholders.

The GASB staff resolved 210 technical inquiries during the second quarter of 2023 in addition to answering numerous other informational inquiries. The following graphs illustrate the topics addressed in the closed technical inquiries and who those technical inquiries were from.



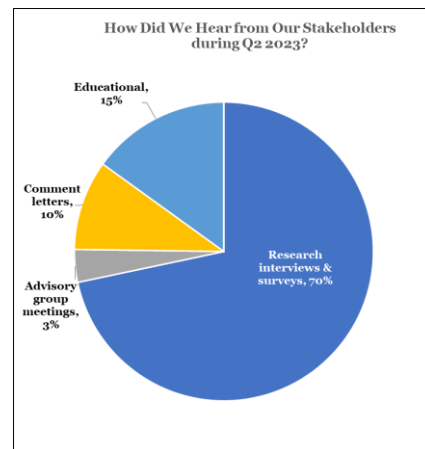
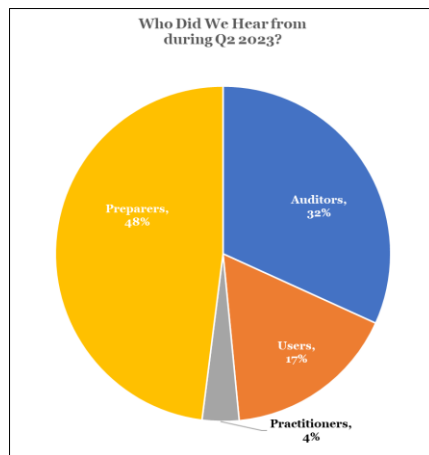
Stakeholders continued to rate the GASB staff's technical inquiry service very highly in the quarter, well exceeding the GASB's performance goals:



ITEM 3: STAKEHOLDER ENGAGEMENT

Throughout its pre-agenda research activities, current technical agenda projects, implementation support activities, and PIR activities, the GASB conducts extensive outreach to stakeholders to better understand the underlying issues; the technical challenges they present to governments and their auditors; and the costs and benefits associated with applying the standards, auditing the resulting financial reporting, and using the resulting information for making decisions and assessing accountability.

The following graphs and charts summarize how the GASB heard from stakeholders during the second quarter of 2023 and who we heard from:



Preparers		Auditors	
General purpose governments	72%	CPA firms	66%
School districts, special districts	2%	State auditors	18%
Colleges and universities	7%	Professional groups	10%
Public power	7%	Other auditors	3%
Professional groups	7%	Internal Auditors	3%
Retirement funds	5%	Users	
Water and sewer	0%	Citizen and advocacy	10%
Transportation	0%	Municipal bond industry	70%
		Academics	13%
		Legislative and oversight	0%
		Other users	7%

Note: Totals in the charts and table may not add to 100% due to rounding.

The GASB participated in liaison-type activities with the following organizations:

- | | |
|---|--|
| <ol style="list-style-type: none">1. National Association of State Auditors, Comptrollers and Treasurers2. U.S. Securities and Exchange Commission Office of Municipal Securities3. Moody's Investors Service | <ol style="list-style-type: none">4. Fitch Ratings5. National Federation of Municipal Analysts6. University of New Hampshire |
|---|--|

The GASB chair or staff participated in project-specific outreach activities with the following groups:

- | | |
|---|---|
| <ol style="list-style-type: none">1. American Institute of Certified Public Accountants—Government and Not-for-Profit Conference Planning Committee2. Association of Government Accountants Professional Development Training Planning Committee | <ol style="list-style-type: none">3. Federal Accounting Standards Advisory Board4. Subsequent Events team met with an academic research team from various universities5. Going Concern Uncertainties and Severe Financial Stress Task Force |
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ITEM 5: STAKEHOLDER EDUCATION AND COMMUNICATIONS

The GASB routinely communicates with stakeholders regarding its standard-setting and other activities and provides educational activities through stakeholder organizations and directly. The GASB offered the following educational opportunities in the second quarter of 2023:

Videos and Podcasts

- Meet GASB Project Manager Joe Wicklund
- GASAC Chair Looks Ahead at Future Priorities
- The GASB PTA Experience

Speeches

Board or staff members delivered speeches to the following organizations or at the referenced event:

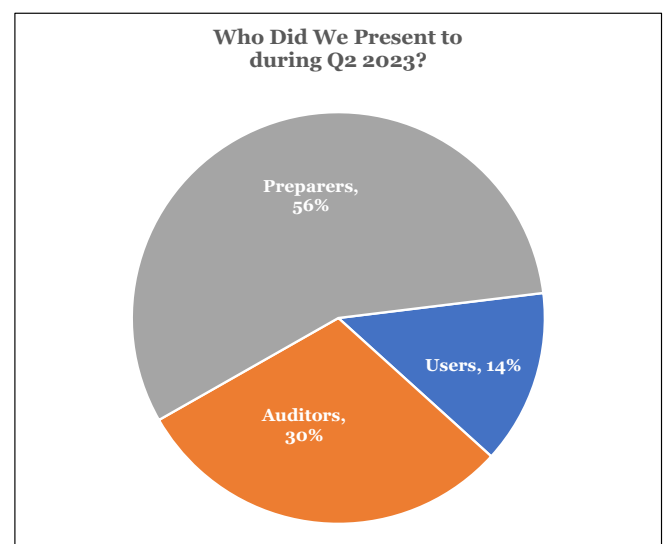
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|---|--|
| 1. American Public Power Association | 13. Florida Government Finance Officers Association |
| 2. Arkansas Legislative Audit | 14. Florida Institute of Certified Public Accountants |
| 3. Association of Government Accountants—Boston Chapter | 15. Government Finance Officers Association |
| 4. Association of Government Accountants—Central Ohio Chapter | 16. Healthcare Financial Management Association |
| 5. Association of Government Accountants—Des Moines Chapter | 17. Illinois Society of Certified Public Accountants |
| 6. Association of Government Accountants—Montgomery/Prince George's County Maryland | 18. Kansas Society of Certified Public Accountants |
| 7. Association of Local Government Auditors | 19. Kentucky Society of Certified Public Accountants |
| 8. Association of School Business Officials International | 20. Massachusetts Society of Certified Public Accountants |
| 9. Berman Hopkins CPAs | 21. Missouri Society of Certified Public Accountants |
| 10. California Society of Certified Public Accountants | 22. Montana Society of Certified Public Accountants |
| 11. California State Association of County Auditors | 23. National Association of College and University Business Officers—Higher Education Accounting Forum |
| 12. Connecticut Society of Certified Public Accountants | |

24. National State Auditors Association
25. Nebraska Society of Certified Public Accountants
26. New Hampshire Government Finance Officers
27. Oklahoma Society of Certified Public Accountants
28. Oregon Society of Certified Public Accountants
29. Tennessee Society of Certified Public Accountants
30. U.S. Securities and Exchange Commission Municipal Securities Conference

31. University of Central Florida
32. Vermont Government Finance Officers Association
33. Virginia Fiscal Officers of Colleges and Universities State Supported
34. Virginia Government Finance Officers
35. Washington Society of Certified Public Accountants
36. Wisconsin School of Business
37. Yale School of Management

Type	Speeches	Audience
Auditors	20	2,722
Preparers	14	5,105
Users	4	1,240

Note: Actual attendance was higher because not all organizations provide attendance figures.



Other Communications

The following GASB-related media advisories were issued:

- Financial Accounting Foundation Trustees Enhance Stakeholder Feedback Procedures and Transparency for Standard-Setting Process
- GASB Proposes Guidance to Assist with Application of Subscription-Based Information Technology Arrangements

The GASB chair and staff participated in numerous interviews with media.

ITEM 6: FAF/FASB/GASB INTERACTION

The GASB chair and staff routinely meet with the chair and staff of the FASB and the management and staff of the FAF to coordinate on joint activities and keep them apprised of the work of the Board and staff. In addition to sharing Board meeting minutes with the FASB technical director and GASAC meeting minutes with the FAF Vice President of Board Operations & Governance, the FASB and GASB directors met monthly to discuss their technical agenda projects and other matters of mutual interest, and the FASB and GASB chairs and their respective directors held their quarterly meeting to discuss technical issues and other matters of mutual interest. The staff also met with the FAF Committee for Community Outreach and Activities; the FAF Diversity, Equity, and Inclusion Committee; the Professional Development Committee; and the FASB's Not-for-Profit Advisory Committee.

ITEM 7: STRATEGIC, ADMINISTRATIVE, AND PROCEDURAL ACTIVITIES

During the second quarter of 2023, the Board and staff engaged in the following strategic, administrative, and procedural activities:

Strategic Matters









1. The project pages on the GASB website were updated to include minutes and tentative Board decisions from the Board's meetings in April–June 2023.

Administrative Matters

1. The GASB staff attended in-house (and remote), FAF-sponsored training courses.

GASB Technical Plan: Overview (As of 6/30/23)

Current Technical Agenda

Status	Project	Issued		To Be Issued		
		ITC/PV	ED/RED	ITC/PV	ED	Final
	Conceptual Framework: Recognition	6/11; 9/18	6/20	–	–	1Q24
	Comprehensive Projects: Financial Reporting Model	12/16; 9/18	6/20	–	–	1Q24
	Revenue and Expense Recognition	1/18; 6/20	–	–	1Q25	2Q27
	Major Projects: Going Concern Uncertainties and Severe Financial Stress	–	–	3Q24	1Q26	2Q27
	Infrastructure Assets	–	–	3Q24	1Q26	2Q27
	Practice-Issue Projects: Implementation Guidance- Update	–	–	–	4Q23	2Q24
	Classification of Nonfinancial Assets	–	–	–	3Q23	2Q24
	Risks and Uncertainties Disclosures	–	6/22	–	–	4Q23



Within benchmark



May not be completed within current benchmark



Outside benchmark

GASB Technical Plan: Overview (As of 6/30/23)

Pre-Agenda Research

Subsequent Events

Post-Implementation Review

Statements 67 and 68—Pensions
Statement 72—Fair Value Measurement and Application
Statement 75—Other Postemployment Benefits
Statement 84—Fiduciary Activities
Statement 87—Leases