

GASB Chair Report

July 1, 2021–September 30, 2021

ITEM 1: SUMMARY OF THE QUARTER

Following a busy second quarter during which the GASB (the Board) concluded a lengthy due process period on proposals from two comprehensive projects—the Financial Reporting Model Reexamination project and the Revenue and Expense Recognition project—and the issuance of three Exposure Drafts and a Revised Exposure Draft for public comment and a final Implementation Guidance Update, the third quarter of 2021 was marked by a focus on commencing redeliberations and gathering stakeholder feedback on the four due process documents.

As described later in this report, after a 10-month period of public comment, the projects on Financial Reporting Model Reexamination project and Revenue and Expense Recognition resumed Board discussions, with a focus on planning and coordination between the two efforts in light of their significant areas of overlap. By the end of the third quarter, the Board had begun to redeliberate its proposed standards based on the substantial stakeholder feedback received on both projects' due process documents.

The comment periods for the three Exposure Drafts concluded during the third quarter of 2021 and redeliberations began for the Exposure Draft from the Renaming the Comprehensive Annual Financial Report project. (The comment period for the Revised Exposure Draft ended early in the fourth quarter.)

The Exposure Draft for the project on Prior-Period Adjustments, Accounting Changes, and Error Corrections was the occasion for a successful pilot of a new online mechanism for stakeholders to respond to proposals as well as the release of three videos, directed towards users of financial statements, to promote engagement related to that proposal.

Lastly, we continued to field questions from stakeholders on governmental funding received by many state and local governments related to the pandemic. We continue to monitor the needs of our stakeholders in these trying times and will respond if and when we can be helpful.

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, citizens, and other users that is useful for making decisions and assessing accountability. Standards-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 annual input on technical plan priorities and feedback on individual potential standards-setting topics throughout the year.

The following table summarizes the Board's standards-setting activities for the third quarter of 2021:

Number of Projects/Research Activities/Post-Implementation Reviews (PIRs)						
	As of Jun 30 '21	Added	Removed	Final Pronouncements Issued	As of Sep 30 '21	Due Process Documents Issued
Conceptual Framework	2	–	–	–	2	–
Comprehensive Projects	2	–	–	–	2	–
Major Projects	–	–	–	–	–	–
Practice-Issue Projects	6	1	–	–	7	–
Pre-Agenda Research	4	–	(1)		3	
Post-Implementation Reviews	6	–	–		6	
Total	20	1	(1)	0	20	0

The Board's reviewed its technical plan in August 2021. As part of its review of the technical plan for the final third of 2021, the Board considered a potential project on Classification of Nonfinancial Assets, on which pre-agenda research concluded during the quarter. The Board agreed to add a practice-issue project to its current technical agenda, with deliberations expected to begin in mid-2022. The project will focus solely on the *classification* of nonfinancial assets and related subclassifications (for example, capital assets or intangible assets) to ensure they provide the most relevant financial information and are understandable and appropriate to meeting financial reporting objectives. The project will not, however, reexamine recognition or measurement of nonfinancial assets.

No other projects or activities were added to the technical plan. The Board will next review the proposed technical plan for the first third of 2022 at its December 14–16, 2021 meetings.

Following a lengthy due process period of nearly 10 months, the Board began to redeliberate issues based on stakeholder feedback in the two comprehensive projects—Financial Reporting Model Reexamination and Revenue and Expense Recognition. Initial discussions focused on the interrelation between the two projects—specifically with respect to the measurement focus and basis of accounting for governmental fund financial statements—and planning for coordination

between them as the former project proceeds toward a final Statement and the latter toward an Exposure Draft.

Since the conclusion in June of the comment period on the Exposure Draft, *Compensated Absences*, the Board has been redeliberating the proposed standards based on stakeholder feedback. By September, the Board concluded redeliberations and was expecting to review a preballot draft of a final Statement in November.

The comment period on the Exposure Draft, *The Annual Comprehensive Financial Report*, ended on July 9, 2021. That document proposed a title change in response to observations from stakeholders that pronunciation of the acronym for the existing report name sounds like a profoundly offensive racial term. Stakeholder feedback was overwhelmingly supportive of the change. The Board considered the stakeholder feedback and reviewed a preballot draft of a final Statement in August and expects to review and consider for issuance a final Statement at its October meeting. (Note: The Board voted unanimously on October 11 to issue Statement No. 98, *The Annual Comprehensive Financial Report*.)

The comment periods for two other due process documents concluded during the third quarter:

- Exposure Draft, *Accounting Changes and Error Corrections*
- Exposure Draft, *Omnibus 20XX*.

Redeliberations are expected to begin in both related projects in the fourth quarter of 2021.

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

Project	Summary of Tentative Decisions and Milestones
Compensated Absences	<ul style="list-style-type: none"> • Exceptions to the general recognition requirements should be established for (1) leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period, (2) unlimited leave, and (3) holidays. The exception for (1) should include parental leave, military leave, jury duty, and other types of leave with these characteristics but does not include sick leave or sabbatical leave. • The probability threshold <i>more likely than not</i> should be used to recognize a compensated absences liability. • Guidance related to the flows assumption used to estimate the amount due within one year should not be provided. • Defined contribution pension and OPEB salary-related payments should be recognized when the related leave is earned and reported as part of the compensated absences liability. • Governments should not be required to recognize a compensated absences liability for defined benefit pension and OPEB salary-related payments (as the liability is already considered in the respective pension or OPEB liability).

<p>Conceptual Framework: Recognition</p>	<ul style="list-style-type: none"> • A measurement focus and basis of accounting that has a short-term perspective should be retained. • The recognition terms for the short-term financial resources measurement focus and accrual basis of accounting (short-term method) should be the terms of the binding arrangement (or estimated payments if there is no binding arrangement or the binding arrangement does not include specific payment terms). • The recognition method for long-term transactions and events in the short-term method should be based on the inception date of the transaction (transactions and other events for which the period from inception to conclusion is greater than the recognition period should be recognized when payments are due). • The recognition period of the short-term method should be one year. • In the short-term method, financial assets include cash, assets that are available to be converted to cash, and assets that are consumable in lieu of cash. All liabilities are financial liabilities. • Applicability to the period for outflows of resources and inflows of resources in the short-term method should be determined using the concept of interperiod equity.
<p>Financial Reporting Model Reexamination</p>	<p>In addition to the decisions in the Conceptual Framework project, which apply to this project as well:</p> <ul style="list-style-type: none"> • Governmental funds should continue to be presented as part of the basic financial statements. • If payments are made or received prior to the due date, elements from long-term transactions and other events should be recognized when payments are made or received. • Interfund events should be recognized as short-term transactions. • Inflows of resources arising from short-term transactions are recognized when the underlying transaction occurs, and inflows of resources arising from long-term transactions are recognized when payments are due. • Liabilities should be recognized when a government is required to make payments that extend beyond one year from the inception of the transaction to finance a fixed amount for a short-term purpose. • A <i>short-term purpose</i> should tentatively be defined as obtaining a good or service within the short-term time frame established by the short-term method (one year), and additional alternatives should be considered.
<p>Revenue and Expense Recognition</p>	<ul style="list-style-type: none"> • The scope of the guidance should be defined as a broad positive statement for recognition and measurement of

	<p>revenue and expense, with three scope exclusion principles: (1) not to include guidance related to capital assets and inventory; (2) not to include guidance related to financial instruments, except for contracts that meet normal purchase and normal sales exceptions as specified in paragraph 14 of Statement 53; and (3) not to include guidance for postemployment benefits, compensated absences, or termination benefits.</p> <ul style="list-style-type: none"> • In addition, guidance issued after Statement 65, including guidance being developed in projects on the Board’s current technical agenda, is outside the scope of the project. • The following topics are considered in the scope of the project: (1) revenue recognition guidance for exchange transactions provided in paragraphs 23–28 of Statement 62; (2) expense recognition guidance for exchange transactions provided in paragraph 16 of Statement 34; (3) revenue and expense recognition guidance for nonexchange transactions provided in Statement 33; (4) transactions with characteristics of both loans and grants; (5) revenue and certain expense recognition guidance for special assessments; (6) revenue and expense recognition for pass-through grants provided in paragraph 5 of Statement 24; (7) revenue recognition of escheated property, if applicable; (8) revenue and expense recognition guidance for cable television systems; (9) revenue and expense recognition guidance of service components excluded from the scope of Statements 87, 94, and 96; and (10) consideration provided in the form of a financing component is in the scope developing measurement guidance. • The following topics are excluded from the scope of the project: (1) reexamination of contingency guidance provided in paragraphs 96–113 of Statement 62; (2) guidance for regulated operations provided in paragraphs 476–500 of Statement 62; (3) guidance for interfund activity provided in paragraph 112 of Statement 34 and in Statement 48, as well as reclassifying transactions between the primary government and a blended component unit as internal activity; (4) topics related to the presentation of revenues and expenses, such as classification of operating and nonoperating revenue or program revenue; and (5) topics related to required supplementary information, supplementary information, and notes to financial statements.
<p>Risks and Uncertainties Disclosures</p>	<ul style="list-style-type: none"> • A disclosure of actual mitigation efforts, when the government determines that it has not mitigated the risk to the point that the risk no longer meets the disclosure criteria, should be proposed. • A disclosure of <i>planned</i> mitigation efforts should not be proposed to be required.

	<ul style="list-style-type: none"> • A disclosure of a risk that the government determines has been mitigated to the point that it no longer meets the risk disclosure criteria should not be proposed to be required or encouraged, nor should the related mitigation efforts be proposed to be required or encouraged. • Note disclosures related to (1) current vulnerabilities due to certain concentrations and (2) the government environment should be developed within the described categories and should be accompanied by examples.
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Pre-Agenda Research

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

Research Topic	Significant Activities
Capital Assets	<ul style="list-style-type: none"> • Concluded the development of protocols and other materials for the initial roundtables. • Began to conduct the initial roundtables.
Going Concern Disclosures	<ul style="list-style-type: none"> • Concluded the analysis of ratios calculated for multiple years for a sample of governments that have experienced events of financial stress and calculated various ratios in six categories: liquidity, financial position, performance, debt burden, liability burden, and demographic and economic trends. • Continued drafting the research memorandum.
Interim Financial Reporting	<ul style="list-style-type: none"> • Conducted outreach with auditors and relevant professional organizations regarding their experience auditing GAAP-based interim financial reports. • Began drafting the research memorandum.

Post-Implementation Review

The GASB staff continued the post-implementation review (PIR) of six pronouncements during the third 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:

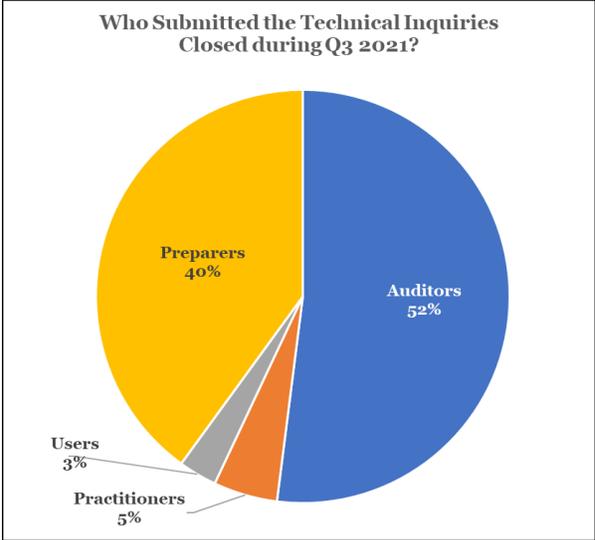
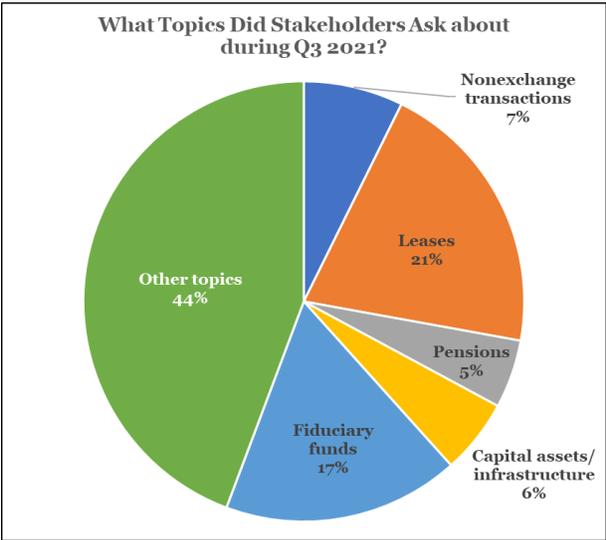
Topic/Pronouncement	Significant Activities
Pensions (Statements 67 and 68)	<ul style="list-style-type: none"> • Continued drafting a summary of the stage two archival research, including a comparison with the results of the implementation-year analysis

	<ul style="list-style-type: none"> Conducted the remaining two stakeholder roundtables in July and a final roundtable with the GASAC at its August meeting, bringing the total number of roundtables conducted to eleven.
Fair Value Measurement and Application (Statement 72)	<ul style="list-style-type: none"> Continued the collection of financial reports and data entry for fifth-year archival analysis. Began planning for stakeholder roundtables.
Other Postemployment Benefits (Statement 75)	<ul style="list-style-type: none"> Continued the archival analysis for the post-implementation year for all governments in the sample.
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 pre-implementation year, implementation year, and post-implementation year.
Leases (Statement 87)	<ul style="list-style-type: none"> Continued to recruit volunteers to participate in the PIR. Continued to administer cost surveys for the pre-implementation year, implementation year, and post-implementation year.

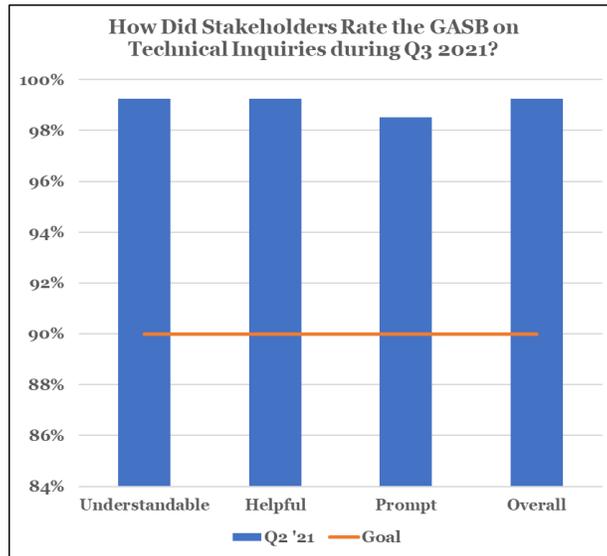
ITEM 3: IMPLEMENTATION SUPPORT

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 closed 219 technical inquiries during the third quarter of 2021, in addition to answering numerous other informational inquiries. The following graphs describe the topics addressed in the closed technical inquiries and who those technical inquiries were from.



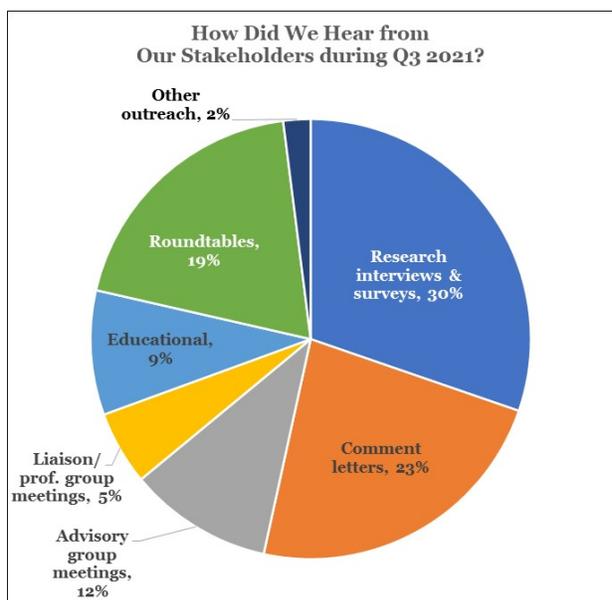
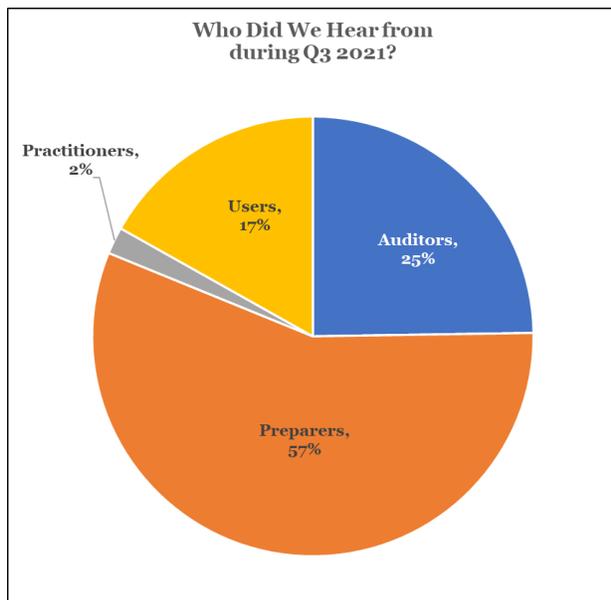
Stakeholders continued to rate the GASB staff's technical inquiry service very highly in the third quarter, well exceeding the GASB's performance goals:



ITEM 4: 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 third quarter of 2021 and who they heard from:



Preparers		Auditors	
States, counties, cities	50%	CPA firms	37%
School districts, special districts	7%	State auditors	22%
Colleges and universities	9%	Professional groups	37%
Other business-type activities	16%	Other Auditors	4%
Professional groups	12%	Users	
Retirement funds	6%	Citizen and advocacy	8%
		Municipal bond industry	50%
		Academics	18%
		Legislative and oversight	6%
		Other users	18%

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:

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|---|---|
| <ol style="list-style-type: none"> 1. Federal Accounting Standards Advisory Board 2. Government Finance Officers Association 3. Government Finance Research Center 4. Kroll Bond Rating Agency 5. Municipal Analysts Group of New York 6. Municipal Securities Rulemaking Board | <ol style="list-style-type: none"> 7. National Federation of Municipal Analysts 8. Native American Finance Officers Association 9. S&P Global Ratings 10. Securities Industry and Financial Markets Association |
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The GASB did not participate in any liaison-type activities with federal and regulatory bodies during the third quarter.

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

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|---|---|
| <ol style="list-style-type: none"> 1. American Institute of Certified Public Accountants State and Local Government Expert Panel 2. American Institute of Certified Public Accountants Technical Issues Committee | <ol style="list-style-type: none"> 3. Municipal Securities Rulemaking Board—Electronic Reporting 4. Revenue and Expense Recognition Task Force 5. National State Auditors, Comptrollers and Treasurers Committee on Accounting, Reporting and Auditing |
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ITEM 4: STAKEHOLDER EDUCATION AND COMMUNICATIONS

The GASB routinely communicates with stakeholders regarding its standards-setting and other activities and provides educational activities through stakeholder organizations and directly. The GASB offered the following educational opportunities in the third quarter of 2021:

Videos and Podcasts

The GASB released three videos, directed at engaging with users, for the Accounting Changes and Error Corrections project.

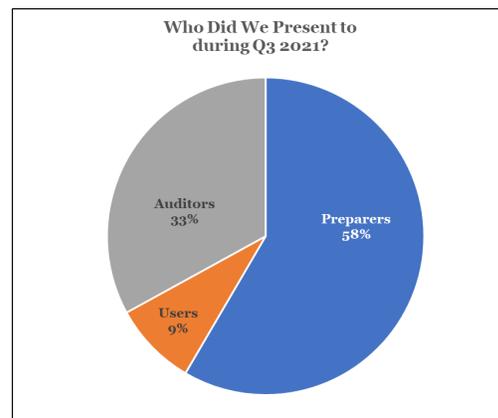
Speeches

Board or staff members delivered virtual speeches at the following conferences and events:

1. American Institute of Certified Public Accountants
2. American Public Power Association
3. Arkansas Society of Certified Public Accountants
4. Association of Government Accountants
5. Association of Government Accountants—Atlanta Chapter
6. Fidelity Investments
7. Florida Institute of Certified Public Accountants
8. Georgia Society of Certified Public Accountants
9. Government Finance Officers Association
10. Illinois Government Finance Officers Association
11. Missouri Society of Certified Public Accountants
12. Moss Adams
13. National Association of State Auditors, Comptrollers and Treasurers
14. National Center for Education Statistics
15. Native American Finance Officers Association
16. New England States Government Finance Officers Association
17. New York State Conference of Mayors
18. Pennsylvania Association of Certified Public Accountants
19. Southern Municipal Finance Society
20. Texas Society of Certified Public Accountants
21. The Brookings Institution
22. Washington Finance Officers Association

Type	Speeches	Audience
Auditors	14	2,411
Preparers	13	4,325
Users	4	635

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



Other Communications

The following GASB-related press releases and media advisories were issued:

- GASB Proposes Omnibus Statement Addressing Wide Range of Practice Issues
- GASB Issues Proposal to Enhance Concepts for Notes to Financial Statements.

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

ITEM 5: 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 chief of staff, 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.

ITEM 6: STRATEGIC, ADMINISTRATIVE, AND PROCEDURAL ACTIVITIES

During the third quarter of 2021, 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 July–September 2021.
2. A newly designed on-line, electronic input form was launched as a pilot for the Exposure Draft resulting from the Prior-Period Adjustments, Accounting Changes, and Error Corrections project. Stakeholders were able to use the form to provide input by answering questions related to the proposal. Of the 37 comment letters received, 8 were submitted using the on-line form. Feedback from those who used the form was very positive.

Administrative Matters

1. GASB staff attended in-house, FAF-sponsored training courses.

Procedural Matters

1. The chair and senior staff continued a periodic review of the GASB's Rules of Procedure, which were last amended in December 2017.
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GASB Technical Plan: Overview (as of 9/30/21)

Current Technical Agenda

Status	Project	Issued		To Be Issued		
		ITC/PV	ED/RED	ITC/PV	ED	Final
	Conceptual Framework: Disclosure Framework	-	2/20; 6/21	-	-	2Q22
	Recognition	6/11; 9/18	6/20	-	-	2Q23
	Comprehensive Projects: Financial Reporting Model	12/16; 9/18	6/20	-	-	2Q23
	Revenue and Expense Recognition	1/18; 6/21	-	-	1Q25	2Q27
	Practice-Issue Projects: Classification of Nonfinancial Assets	-	-	-	2Q23	1Q24
	Compensated Absences	-	2/21	-	-	4Q21
	Implementation Guidance Update	-	-	-	4Q22	2Q23
	Omnibus	-	6/21	-	-	2Q22
	Prior-Period Adjustments, Accounting Changes, and Error Corrections	-	5/21	-	-	2Q22
	Renaming the Comprehensive Annual Financial Report	-	4/21	-	-	4Q21
	Risks and Uncertainties Disclosures	-	-	-	1Q22	1Q23



Within benchmark



May not be completed within current benchmark



Outside benchmark

GASB Technical Plan: Overview (As of 9/30/21)

Pre-Agenda Research

Capital Assets
Going Concern Disclosures—Reexamination of Statement 56
Interim Financial Reporting

Post-Implementation Review

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