
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2022, the State implemented the following pronouncements and implementation guides issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 87, *Leases*,
- Statement No. 93, *Replacement of Interbank Offered Rates (IBOR)* (paragraphs 11b, 13 & 14 only),
- Statement No. 97, *Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans* (all paragraphs except for portions of paragraph 4 and all of paragraph 5),
- Statement No. 99, *Omnibus* (paragraphs 26 through 32 only),
- Implementation Guide No. 2019-3, *Leases*,
- Implementation Guide No. 2020-1 (Questions 4.1-4.5, 4.18 and 5.3), and
- Implementation Guide No. 2021-1 (Question 4.22).

Statement No. 87 requires the recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognizes an inflow or outflow of resources based on the payment provisions of the contract. The standard establishes one model for lease accounting based on the principle that a lease is a financing of the right to use an underlying asset. The lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources.

Statement No. 93 addresses accounting and financial reporting implications that result from the replacement of an IBOR, most notably the London Interbank Offered Rate (LIBOR). Lease contracts that are amended solely to replace IBOR are an exception to the lease modifications guidance in Statement No. 87. Additionally, LIBOR will no longer be an appropriate benchmark interest rate for a derivative instrument that hedges the interest rate of taxable debt when LIBOR ceases to exist.

Statement No. 97 provides clarification for determining whether the primary government is financially accountable for purposes of evaluating potential component units and establishes accounting and financial reporting requirements for Internal Revenue Code Section 457 deferred compensation plans that meet the definition of a pension plan. The Statement also modifies the investment valuation requirements for all Internal Revenue Code Section 457 deferred compensation plans.

Statement No. 99 paragraphs 26 through 32 provide clarification on certain topics which includes the replacement of LIBOR, Supplemental Nutrition Assistance Program (SNAP), disclosure of nonmonetary transactions, pledges of future revenues when resources are not received by the pledging government, focus on government-wide financial statements, and terminology updates.

Implementation Guide No. 2019-3, *Leases* provides additional guidance on the requirements of Statement No. 87.

Implementation Guide No. 2020-1 provides guidance and clarification for questions related to the financial reporting entity, accounting and financial reporting for certain investments and for external investment pools, fiduciary activities, and certain asset retirement obligations.

Implementation Guide No. 2021-1 question 4.22 provides guidance on the effective date and transition of GASB 87.