

# North Carolina Office of the State Controller

## 2025 Governmental Accounting Update

Day Two: June 4, 2025



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# Today's Agenda

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Governmental Accounting Research System (GARS)

Proposed standards: Severe financial stress and probable dissolution

Ongoing GASB projects and research activities

Post-implementation review of the pension standards

GASB monitoring activities



# GOVERNMENTAL ACCOUNTING RESEARCH SYSTEM (GARS)

*With thanks to Michelle Czerkawski of the GASB*



# What Is GARS?

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Web-based tool for accounting research

- <https://gars.gasb.org>

## Contents

- Original Pronouncements (OP)
- Codification of Governmental Accounting Standards (Codification)
- Comprehensive Implementation Guide (CIG)
- Other Reference: effective dates/transition provisions, links to gasb.org
- Tools: search, glossary term finder, source tracing tool
- Archive

Updated twice a year (as of 6/30 and 12/31)



# Contents: Original Pronouncements

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## GASB

- Statements
- Interpretations
- Technical Bulletins
- Implementation Guides (2015 and later)
- Concepts Statements
- Suggested Guidelines for Voluntary Reporting

## National Council on Governmental Accounting (NCGA)

- Statements
- Interpretations
- Concepts Statements

## AICPA

- Audit & Accounting Guide excerpts
- Statements of Position



# Contents: Codification

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Integration of currently effective accounting and reporting standards for state and local governments

Content drawn from all authoritative pronouncements and organized into broad categories

- I. General principles
- II. Financial reporting
- III. Measurement
- IV. Specific balance sheet and operating statement items
- V. Stand-alone reporting—specialized units and activities



# Codification (continued)

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## Parts I–III

- General topics related to accounting and financial reporting
- Parts I and II based on 12 principles in NCGA Statement 1
- Part III primarily Statement 72 at present
- Numeric numbering (1000, 2100, 3100)

## Parts IV and V

- Specific transactions (Part IV)
- Entities and activities (Part V)
- Alpha-numeric numbering (L20 [leases], Ut5 [utilities])



# Codification (continued)

Paragraphs numbered consecutively within the following numeric format:

Paragraphs .101–.499:	Standards (authoritative—Category A)
Paragraphs .501–.599:	Definitions (authoritative—Category A)
Paragraphs .601–.699:	GASB Technical Bulletins (authoritative—Category B)
Paragraphs .701–.799:	GASB Implementation Guides (authoritative—Category B)
Paragraphs .801–.899:	AICPA Literature cleared by the GASB (authoritative—Category B)
Paragraphs .901–.999:	Nonauthoritative discussion (supplemental guidance and illustrations)

## Sources

- Show the relationship between Codification and OP content
- Placed in brackets at the end of paragraph
- Cite OP paragraphs, including amending sources
- Example: [GASBS 67, ¶32, as amended by GASBS 73, ¶119 and GASBS 82, ¶15]



# Content: CIG

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## Questions and answers (Q&As)

- Arranged into 13 chapters
  - Chapters 1–12
    - Each generally a single topic (or closely related topics)
    - Further organized by subtopic—use headings that reflect the structure of the Statement(s) on which the chapters provide guidance
  - Chapter Z—Q&As about standards not addressed in other chapters
    - Organized by pronouncement
- Identified by chapter number, heading number, and question number (ex, 2.1.3, Z.33.1, Z.I1.1)

Appendices—sources (OP)/status table and nonauthoritative illustrations

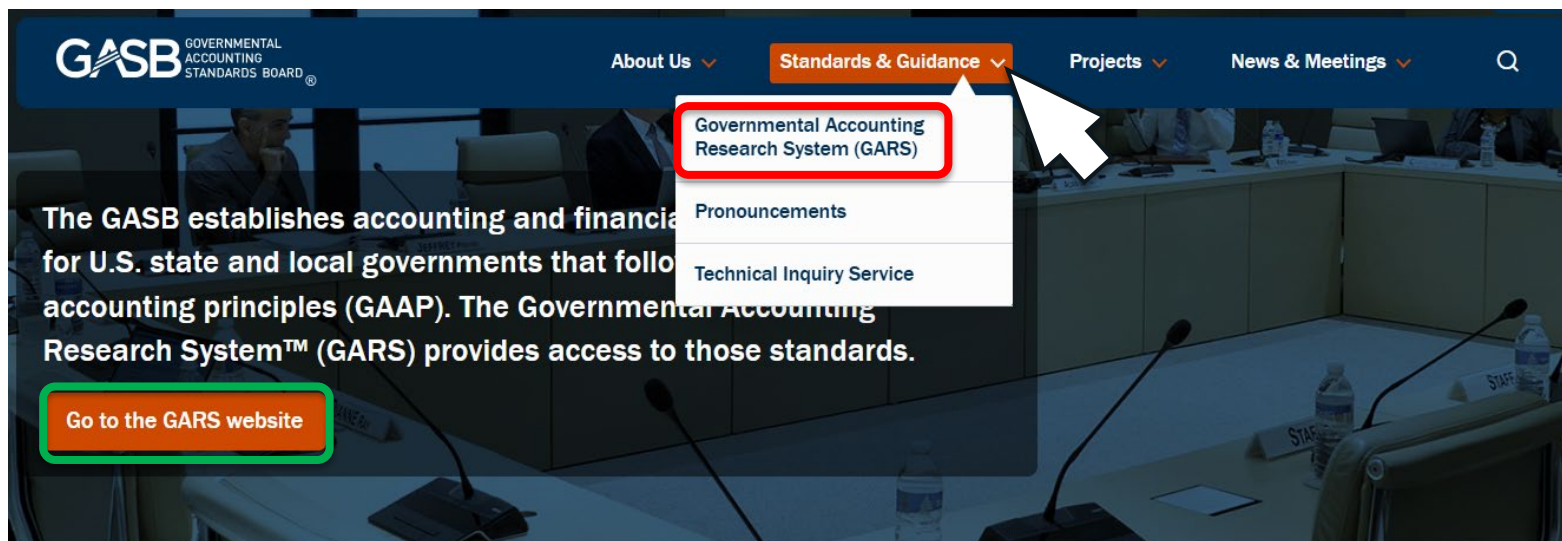


# POLLING QUESTION 1





# Finding GARS



## Severe Financial Stress and Probable Dissolution Disclosures



Feedback Sought on Preliminary Views

## GASB Chair Report & Look at 2025



Quarterly Report and Video Available



# GARS Entry Page



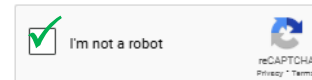
## Governmental Accounting Research System™ — What You Get

The Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and the following tools:

- Intuitive navigation and advanced search
- Show All in One Page feature for joining content on a single page
- Source Tracing Tool to identify the relationships among the content
- Glossary Term Finder for quickly viewing definitions
- Multiple printing options.

## Welcome to the GASB Governmental Accounting Research System

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have to register. Just prove you're  
not the Terminator.**





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Updated through December 31, 2024

## Welcome to the Governmental Accounting Research System™

The Governmental Accounting Research System™ has been updated through December 31, 2024.

### About GARS

The Governmental Accounting Standards Board (GASB) Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and tools.

### What's New in This Update

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2024:

None

This update incorporates into the Original Pronouncements the following pronouncement that was issued by the GASB between July and December 2024:

Statement No. 104, *Disclosure of Certain Capital Assets*

[View documents for public comment >](#)

[Final Pronouncements Not Yet Incorporated into the Content >](#)

### Help


The website offers several resources to enhance your working knowledge of GARS. They include a help page with descriptions of specific functions and features of the site and a downloadable user guide.

[Help Topics >](#)




# GARS Help

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## Help

This page includes an alphabetical list of links with additional information about the functions and features of the Governmental Accounting Research System™ (GARS).



### Help topics (Alphabetical)

Click on any of the topics listed below to learn more about specific functions or features of the GARS website.

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# Original Pronouncements in GARS

<div>  <b>GASB</b> GOVERNMENTAL ACCOUNTING STANDARDS BOARD  <small>Governmental Accounting Research System™</small> </div> <div>  Search         </div> <div>           Codification &gt;         </div> <div> <b>Original Pronouncements &gt;</b> </div> <div>           Comprehensive Implementation Guide &gt;         </div> <div>           Other Reference &gt;         </div> <div>           Tools &gt;         </div> <div>           Archive &gt;         </div> <div>  Logout         </div> <div>           Updated through December 31, 2024         </div>	<div>Foreword</div> <div> <b>Statements of the Governmental Accounting Standards Board (GASBS) &gt;</b> </div> <div>           Interpretations of the Governmental Accounting Standards Board (GASBI) &gt;         </div> <div>           Technical Bulletins of the Governmental Accounting Standards Board (GASBTB) &gt;         </div> <div>           Implementation Guides of the Governmental Accounting Standards Board (GASBIG) &gt;         </div> <div>           Concepts Statements of the Governmental Accounting Standards Board (GASBCS) &gt;         </div> <div>           Statements of the National Council on Governmental Accounting (NCGAS) &gt;         </div> <div>           Interpretations of the National Council on Governmental Accounting (NCGAI) &gt;         </div> <div>           Concepts Statement of the National Council on Governmental Accounting (NCGACS) &gt;         </div> <div>           AICPA Industry Audit and Accounting Guides (AAG) and Statements of Position (SOP) &gt;         </div> <div>           GASB Suggested Guidelines for Voluntary Reporting of the Governmental Accounting Standards Board (GASBSG) &gt;         </div>	<div>           GASBS 1—Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide &gt;         </div> <div>           GASBS 2—Financial Reporting of Deferred Compensation Plans Adopted under the Provisions of Internal Revenue Code Section 457 &gt;         </div> <div> <b>GASBS 3—Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements &gt;</b> </div> <div>           GASBS 4—Applicability of FASB Statement No. 87, “Employers’ Accounting for Pensions,” to State and Local Governmental Employers &gt;         </div> <div>           GASBS 5—Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers &gt;         </div> <div>           GASBS 6—Accounting and Financial Reporting for Special Assessments &gt;         </div> <div>           GASBS 7—Advance Refundings Resulting in Defeasance of Debt &gt;         </div> <div>           GASBS 8—Applicability of FASB Statement No. 93 to Certain State and Local Governmental Entities &gt;         </div>	<div>Status</div> <div>Summary</div> <div>Introduction and Background Information</div> <div>Standards of Governmental Accounting and Financial Reporting</div> <div>Effective Date and Transition</div> <div>Appendix A: Basis for Conclusions</div> <div>Appendix B: Illustration of Note Disclosure for Deposits, Investments, and Reverse Repurchase Agreements</div> <div>Appendix C: Illustration of Note Disclosure for Deposits and Investments</div> <div>Appendix D: Glossary</div> <div>  Show all in one page         </div>
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# OP in GARS (continued)

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[Statements of the Governmental Accounting Standards Board \(GASBS\) ↴](#)

## **GASBS 3—Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements**

### Status

Issued: April 1986

#### Effective Date:

- Financial statements for periods ending after December 15, 1986

#### Affects:

- Amends NCGAI 6, ¶4 and ¶5

#### Affected by:

- Paragraphs 6, 8, 10, and 11 amended by GASBS 31, ¶6
- Paragraphs 6, 8, 10, and 11 amended by GASBS 31, ¶6
- Paragraph 15 amended by GASBS 31, ¶6 and ¶9 and GASBS 72, ¶86
- Paragraphs 18, 19, and 21 amended by GASBS 31, ¶6
- Paragraph 31 amended by GASBS 31, ¶22
- Paragraphs 36, 44, 49–51, 53, 59, and 60 amended by GASBS 31, ¶6
- Footnote 8 amended by GASBS 31, ¶6 and ¶9
- Paragraph 61 amended by GASBS 31, ¶6 and ¶9
- Paragraph 62 amended by GASBS 31, ¶6
- Paragraph 63 amended by GASBS 34, ¶13, ¶91, and ¶106
- Paragraph 64 amended by GASBS 14, ¶11 and ¶63; GASBS 31, ¶18; GASBS 34, ¶6, ¶70, ¶71, and ¶113; superseded by GASBS 40, ¶15
- Paragraph 65 amended by GASBS 14, ¶11 and ¶63 and GASBS 34, ¶6
- Paragraph 67 amended by GASBS 31, ¶6 and ¶9; superseded by GASBS 40, ¶8
- Paragraph 68 amended by GASBS 31, ¶6 and ¶9; superseded by GASBS 40, ¶9
- Footnote 11 amended by GASBS 31, ¶6
- Paragraph 69 amended by GASBS 31, ¶22; superseded by GASBS 40, ¶9
- Paragraph 70 amended by GASBS 14, ¶11 and ¶63; GASBS 31, ¶18; and GASBS 34, ¶70 and ¶71; superseded by GASBS 40, ¶3
- Paragraph 71 amended by GASBS 31, ¶6 and ¶9 and GASBS 14, ¶11 and ¶63; superseded by GASBS 40, ¶c
- Paragraph 72 amended by GASBS 31, ¶6 and ¶9
- Paragraphs 73 and 74 superseded by GASBS 40, ¶3
- Paragraph 78 amended by GASBS 31, ¶6 and GASBI 3, ¶6
- Paragraph 79 amended by GASBS 31, ¶6
- Paragraph 80 amended by GASBI 3, ¶5, ¶6, and fn2
- Paragraph 81 amended by GASBI 3, fn2 and GASBS 62, ¶8

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# OP in GARS (continued)

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Statements of the Governmental Accounting Standards Board (GASBS) ↕

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- Paragraph 67 amended by GASBS 31, ¶6 and ¶9; superseded by GASBS 40, ¶8
- Paragraph 68 amended by GASBS 31, ¶6 and ¶9; superseded by GASBS 40, ¶9
- Footnote 11 amended by GASBS 31, ¶6
- Paragraph 69 amended by GASBS 31, ¶22; superseded by GASBS 40, ¶9
- Paragraph 70 amended by GASBS 14, ¶11 and ¶63; GASBS 31, ¶18; and GASBS 34, ¶70 and ¶71; superseded by GASBS 40, ¶13
- Paragraph 71 amended by GASBS 31, ¶6 and ¶9 and GASBS 14, ¶11 and ¶63; superseded by GASBS 40, ¶6
- Paragraph 72 amended by GASBS 31, ¶6 and ¶9
- Paragraphs 73 and 74 superseded by GASBS 40, ¶3
- Paragraph 78 amended by GASBS 31, ¶6 and GASBI 3, ¶6
- Paragraph 79 amended by GASBS 31, ¶6
- Paragraph 80 amended by GASBI 3, ¶5, ¶6, and fn2
- Paragraph 81 amended by GASBI 3, fn2 and GASBS 62, ¶8



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Statements of the Governmental Accounting Standards Board (GASBS) ↕

## **GASBS 3—Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements**

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- Paragraph 70 amended by GASBS 14, ¶11 and ¶63; GASBS 31, ¶18; and GASBS 34, ¶70 and ¶71; superseded by GASBS 40, ¶3
- Paragraph 71 amended by GASBS 31, ¶6 and ¶9 and GASBS 14, ¶11 and ¶63; superseded by GASBS 40, ¶c
- Paragraph 72 amended by GASBS 31, ¶6 and ¶9
- Paragraphs 73 and 74 superseded by GASBS 40, ¶3
- Paragraph 78 amended by GASBS 31, ¶6 and GASBI 3, ¶6
- Paragraph 79 amended by GASBS 31, ¶6
- Paragraph 80 amended by GASBI 3, ¶5, ¶6, and fn2

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# OP in GARS (continued)

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Statements of the Governmental Accounting Standards Board (GASBS) ↴

GASBS 3—Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements ↴

## Standards of Governmental Accounting and Financial Reporting

### Required Note Disclosures for Deposits with Financial Institutions, Investments (Including Repurchase Agreements), and Reverse Repurchase Agreements

Superseded passages  
are shaded

63. Disclosures about deposits with financial institutions, investments (including repurchase agreements), and reverse state and local governmental financial statements assess the risks an entity takes in investing public funds. As ex should make certain disclosures about:
- a. Legal or contractual provisions for deposits and investments, including repurchase agreements
  - b. Deposits and investments, including repurchase agreements, as of the ♦ balance sheet date and during the period
  - c. Legal or contractual provisions for reverse repurchase agreements
  - d. Reverse repurchase agreements as of the balance sheet date.

64. ♦ The disclosures required by this Statement should generally be made for the entity as a whole. Additional or separate disclosures for component units, pension trust funds, or other funds or fund types should be made in certain circumstances as discussed in paragraphs 65, 70, and 71. However, ♦ additional or separate presentation by fund or fund type is not precluded for any other disclosures required by this Statement. ...

### Legal or Contractual Provisions for Deposits and Investments, Including Repurchase Agreements

65. ♦ The entity should briefly describe in the notes to financial statements the types of investments authorized by legal or contractual provisions.<sup>9</sup> If the types of investments authorized for different funds, fund types, or component units differ significantly from those authorized for the ♦ oversight unit and those funds, fund types, or component units have material investment activity compared with the ♦ combined entity's investment activity, the differences in authorized investment types should be disclosed. ...

66. Significant violations during the period of legal or contractual provisions for deposits and investments (including provisions other than those disclosed in accordance with paragraph 65) should also be disclosed. For example, if state statutes require collateral on deposits to be held by the entity's independent third-party agent but the collateral was usually held by the pledging financial institution's trust department, that should be disclosed. ...

### Deposits and Investments, Including Repurchase Agreements, as of the Balance Sheet Date and During the Period

67. ♦ If the bank balances of deposits as of the balance sheet date are entirely insured<sup>10</sup> or collateralized with securities held by the entity or by its agent in the entity's name, that fact should be stated. If not, these disclosures should be made: ...
- a. ♦ Carrying amount of total deposits, if not separately displayed on the balance sheet
  - b. The amount of total bank balance classified in these three categories of credit risk:
    - ♦ Insured or collateralized with securities held by the entity or by its agent in the entity's name
    - ♦ Collateralized with securities held by the pledging financial institution's trust department or agent in the entity's name
    - ♦ Not insured or collateralized. (This includes any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.)

Vertical bars on the left  
indicate a paragraph  
has been amended




## POLLING QUESTION 2





# GASB Codification in GARS



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P22—Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit

P23—Reporting Assets Accumulated for Defined Benefit Pensions Not Provided through Trusts That Meet Specified Criteria

P24—Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution

References

Standards

Definitions

GASB Technical Bulletins

GASB Implementation Guides

AICPA Literature Cleared by the GASB

Nonauthoritative Discussion

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# GASB Codification in GARS (continued)

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Codification ↴

IV. Specific Balance Sheet and Operating Statement Items ↴

## N50—Nonexchange Transactions

### References

#### Sources:

[GASBS 24](#), [GASBS 33](#), [GASBS 34](#), [GASBS 36](#), [GASBS 65](#), [GASBS 85](#), [GASBS 99](#), [GASBTB 2020-1](#), [GASBIG 2015-1](#), [GASBIG 2016-1](#), [GASBIG 2019-1](#), [GASBIG 2021-1](#), [AICPA SLG 2002](#)

#### See also:

[Section 2200](#), “Annual Comprehensive Financial Report”

[Section F30](#), “Financial Guarantees”

[Section I70](#), “Irrevocable Split-Interest Agreements”

[Section P20](#), “Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit”

[Section P21](#), “Pension Activities—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution”

[Section P22](#), “Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit”

[Section P24](#), “Pension Activities—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution”

[Section P50](#), “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Benefit”

[Section P51](#), “Postemployment Benefits Other Than Pensions—Reporting for Benefits Provided through Trusts That Meet Specified Criteria—Defined Contribution”

[Section P52](#), “Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Benefit”

[Section P54](#), “Postemployment Benefits Other Than Pensions—Reporting for Benefits Not Provided through Trusts That Meet Specified Criteria—Defined Contribution”



# GASB Codification in GARS (continued)

Codification ↗

IV. Specific Balance Sheet and Operating Statement Items ↗

N50—Nonexchange Transactions ↗

## Standards

Text in the Codification represents the currently effective standards

### Scope and Applicability of This Section

- .101** This section establishes accounting and financial reporting standards for the nonexchange transactions of state and local governments. It applies to all governments<sup>1</sup> that engage in nonexchange transactions, including primary governments and component units in the same reporting entity whether they are recipients of resources or providers of resources to others. This section also establishes standards for nonexchange transactions through grants and on-behalf payments for fringe benefits and salaries. (Terms defined in paragraph .102 are used in this section.) [GASBS 24, ¶3; GASBS 33, ¶3]
- .102** This section also refers to nongovernmental entities (including individuals) and the federal government's nonexchange transactions with governments. However, the standards in this section do not apply to the federal government's nonexchange transactions with governments.
- .103** The provisions of this section apply to nonexchange transactions involving financial or capital resources.<sup>2</sup> They do not apply to other resources, such as contributed services. Paragraphs .129–.139 provide guidance on accounting and financial reporting for nonexchange transactions that are on-behalf payments for fringe benefits and salaries. The provisions of this section do not apply to guarantees. Section F30 provides guidance for accounting and financial reporting for financial guarantees extended or received that are nonexchange transactions (nonexchange financial guarantees). The provisions of this section also do not apply to employers that receive support from on-behalf payments that are legally required to be made by nonemployer contributing entities directly to a pension or other postemployment benefit (OPEB) plan (including benefit payments made directly as the benefits come due) or the nonemployer contributing entities that are legally required to make those on-behalf payments. Sections P20, P21, P22, and P24 and Sections P50, P51, P52, and P54, respectively, provide guidance for accounting and financial reporting for those payments. The provisions of this section also do not apply to split-interest agreements, which are addressed in Section I70 [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]

Original sources and amending pronouncements are indicated for each paragraph

### Characteristics and Classes of Nonexchange Transactions

- .104** In a nonexchange transaction, a government (including the federal government, as a provider) either gives value (benefit) to another party without directly receiving equal value in exchange or receives value (benefit) from another party without directly giving equal value in exchange. This section groups nonexchange transactions of governments into four classes, based on their principal characteristics:



# GASB Codification in GARS (continued)

**.137** An employer government is not required to allocate on-behalf payments to individual funds. However, the employer government may choose to allocate a portion of the revenue and expenditures or expenses to one or more funds based on the related salaries charged in those funds. If an employer government reports using more than one fund and a single fund is used to report on-behalf payments, that fund usually should be the general fund.<sup>18</sup> [GASBS 24, ¶11, as amended by GASBS 35, ¶5] ...

**.138** Employer governments should disclose in the notes to financial statements the amounts recognized for on-behalf payments for fringe benefits and salaries. [GASBS 24, ¶12] ...

## Paying Government

**.139** A paying government should classify on-behalf payments for fringe benefits and salaries as education expenses for the on-behalf payments that it makes in the same manner that it classifies similar payments. If a government classifies state aid payments to school districts as education expenditures, on-behalf payments or pension contributions for the school districts also should be classified as education expenses/expenditures, rather than as pension expenses/expenditures. [GASBS 24, ¶13, as amended by GASBS 34, ¶16] ...

Standards begin with .101 and may run as high as .499

## Operating Statement Display of Nonexchange Transactions

**.140** Section 2200, paragraphs .135–.141 and paragraphs .191–.194, provides guidance on the financial statement display of nonexchange transactions in the government-wide statement of activities and the proprietary fund statement of revenues, expenses, and changes in fund net position. ...

## Definitions

**.501** This paragraph contains definitions of certain terms as they are used in this section. The meanings in other contexts. ...

Authoritative glossary items are in .501

### Employer entity

The entity that employs the individuals for whom a paying entity makes on-behalf payments for fringe benefits and salaries. The employer entity may be governmental or nongovernmental. [GASBS 24, ¶16] ...

### Exchange and exchange-like transaction(s)

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. [GASBS 33, fn1] ...



# GASB Codification in GARS (continued)

## GASB Implementation Guides

### .701 Scope and Applicability of This Section

Q&As begin with .701

#### **.701-1** Q—Are research grants exchange transactions or nonexchange transactions?

A—Some research grants are exchange transactions, others are nonexchange transactions, and some have both exchange and nonexchange elements. Each grant should be evaluated for elements that qualify as exchanges—for example, patent rights that accrue to the grant provider, or rights to exclusive use of the research results for a period of time. Professional judgment is required to determine if the values exchanged are essentially equal. Elements that do not have the characteristics of an exchange transaction should be accounted for as voluntary nonexchange transactions. [Example 24](#) in nonauthoritative [paragraph .902](#) of this section illustrates a research grant that has the characteristics of an exchange transaction.

[GASBIG 2015-1, QZ.33.1]

#### **.701-2** Q—Are drivers' licenses and business permits exchange or exchange-like transactions, or are they nonexchange transactions?

A—Licenses and permits are generally exchange or exchange-like transactions. [Paragraph 1](#) of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, states that in an exchange or exchange-like transaction, “. . . each party [directly] receives and gives up essentially equal values. . . .” [Paragraph 50](#) of the Basis for Conclusions of Statement 33 further describes exchange-like transactions as follows: “. . . [I]n an exchange-like transaction, there is an identifiable exchange between the reporting government and another party, but the values exchanged may not be quite equal or the direct benefits of the exchange may not be exclusively for the parties to the exchange. Examples include *certain fees for regulatory or professional licenses and permits* . . .” (emphasis added).

Many license and permit fees are designed specifically to offset the cost of processing the license or permit. Drivers' licenses and business permits are generally exchange or exchange-like transactions because the cost of a license or permit typically does not exceed the value of the services and rights received in exchange (the cost of processing the license or permit and the value of the right to drive on public roads or conduct business).

[GASBIG 2015-1, QZ.33.2]

#### **.701-3** Q—Does this section apply to donated services?

A—No. This section applies to nonexchange transactions involving only financial or capital resources, not to contributed services. For example, this section would not apply to a volunteer performing operating functions.

[GASBIG 2015-1, QZ.33.3]



# GASB Codification in GARS (continued)

## AICPA Literature Cleared by the GASB

### Administration Fees for Pass-through Grants

**.801** Recipient governments may receive fees for administering pass-through grants.

### Reporting Nonoperating Revenue

**.802** Nonoperating revenues [ . . . ] generally should include revenues from apportionments, contributions, grants, entitlements, and shared revenues for operating purposes or that may be used, at the recipient's discretion, for either operating purposes or capital outlay. [AICPA SLG 2002, ¶6.73 and ¶12.70]

AICPA guidance cleared by the GASB begins at .801 – this is the last of the authoritative text

## Nonauthoritative Discussion

### Summary Chart


**.901** This exhibit summarizes the four classes of nonexchange transactions established by the GASB and the timing of recognition required for each class. Refer to the paragraphs cited in the exhibit and the AICPA literature for further guidance.

Nonauthoritative text, such as illustrations and flow charts, begin at .901

CLASSES AND TIMING OF RECOGNITION OF NONEXCHANGE TRANSACTIONS	
Class	Recognition
<b>Derived tax revenues</b> Examples: sales taxes, personal and corporate income taxes, motor fuel taxes, and similar taxes on earnings or consumption	<b>Assets*</b> Period when <i>underlying exchange has occurred</i> or when resources are received, whichever is first. <b>Deferred inflows of resources</b> When modified accrual accounting is used, resources that are not "available." <b>Revenues</b> Period when <i>underlying exchange has occurred</i> . (Report advance receipts as a liability.) When modified accrual accounting is used, resources also should be "available." See paragraphs .113 and .127a.



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Chapter 3—Risk Financing and Related Insurance Issues >

Chapter 4—The Financial Reporting Entity >

Chapter 5—Pensions—Plan and Employer Accounting and Reporting >

Chapter 6—Accounting and Financial Reporting for Certain Investments and for External Investment Pools >

Chapter 7—Basic Financial Statements and Management's Discussion and Analysis >

Chapter 8—Postemployment Benefits Other Than Pensions—Plan and Employer Accounting and Reporting >

Chapter 9—The Statistical Section >

Chapter 10—Accounting and Financial Reporting for Derivative Instruments >

Chapter 11—Fiduciary Activities >

**Chapter 12—Leases >**

Chapter Z—Other Implementation Guidance >

References

Questions and Answers

Appendix A12: Sources and Status of Implementation Guidance in Chapter 12

Appendix B12: Nonauthoritative Illustrations

☐ Show all in one page

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# GASB CIG in GARS

Comprehensive Implementation Guide ↴

Chapter 12—Leases ↴

## Questions and Answers

### 12.1 Scope and Applicability of Statement 87

Major sections follow the order of the Statement

#### 12.2 Definition of a Lease

**12.2.1.** Q—A government obtains the right to use land, which has a market rent of \$100,000 per year, for \$1 per year. Should the government apply the requirements in [Statement 87](#) to that transaction? ...

A—No. The definition of a lease in [paragraph 4](#) of Statement 87 specifies that the Statement should be applied only to exchange or exchange-like transactions. [Paragraph 1](#) of Statement 33, classifies all transactions of state and local governments into two categories: (a) exchange and exchange-like and (b) nonexchange. The government's right to use land for \$1 does not meet the description of an exchange or exchange-like transaction because each party does not receive or give up essentially equal value or not quite equal value.

**12.2.2.** Q—A government enters into a multiyear agreement for the right to use a facility. The government has exclusive use of the facility three days a week. Other parties use the facility on the other days. To meet the definition of a lease, is the government required to have uninterrupted control of the right to use the facility? ...

A—No. In determining whether a contract conveys control of the right to use an underlying asset, a government should assess whether it has (a) the right to obtain the present service capacity from use of the underlying asset and (b) the right to determine the nature and manner of use of the underlying asset “as specified in the contract” ([paragraph 5](#) of Statement 87). If the contract specifies that the government has control of those rights during three days of each week, the control criterion is met. The provision in the lease definition that the contract be for a period of time does not require uninterrupted control of the right to use the facility.

**12.2.3.** Q—A government enters into a five-year agreement that provides another entity with the right to use the government's land. The other entity plans to use the land for hunting and is the only party that is allowed to access and use the land during hunting season each year for the term of the agreement. Is the hunting rights agreement a lease? ...

A—Yes. Because the lessee is the only party allowed to access and use the land during the hunting season each year during the term of the five-year agreement, the contract conveys control of the right to use the underlying asset (the land). The provision in the lease definition that the contract be for a period of time does not require uninterrupted control of the right to use the underlying asset.



# GASB CIG in GARS (continued)

## 12.11 Lease Term

**12.11.1.** Q—A developer builds and leases a building to a government. The government is required to make payments during the three-year construction period. The government does not have access to the building until a certificate of occupancy is issued at the end of the construction period. When does the lease term begin? ...

A—The lease term begins when the certificate of occupancy is issued because that is when the government gains access to the building. Paragraph 12 of Statement 87 states that the lease term commences when the lessee has a noncancellable right to use the underlying asset. Paragraph 5 of Statement 87 further explains that control of the right to use the underlying asset is the right to obtain the present service capacity from its use and the right to determine the nature and manner of its use. Thus, the lease term commences when the lessee gains physical possession of the asset or attains access to use the underlying asset. (See also Question 12.41.1.)

**12.11.2.** Q—A lease contract has a noncancellable period of five years and specifies that at the end of the five years, both the lessor and lessee have the right to cancel the lease or may continue the lease, using the same terms on a month-to-month basis. Is the month-to-month holdover period included in the initial assessment of the lease term? ...

A—No. During the holdover period, the lessee has not contracted for a noncancellable right to use an underlying asset, and the lessor is not required to continue providing the asset. That is, the holdover period is cancellable by either party and, therefore, is excluded from the lease term, as defined in paragraph 12 of Statement 87 and paragraph

### 12.12 Noncancellable Period

### 12.13 Options to Extend or Terminate

Some sections or subsections may not yet have Q&As

**12.13.1.** Q—How does a bargain renewal option, such as a 20-year lease at a market rate with a lessee option to renew the lease for an additional 5 years at a 30 percent discount, affect the lessee's initial assessment of the lease term? ...

A—Paragraph 14 of Statement 87 requires that, at the commencement of the lease term, a government assess all factors relevant to the likelihood that the lessee or the lessor will exercise lease extension options or options to terminate identified in paragraphs 12a–12d of that Statement and paragraph 11 of Statement 99. Relevant factors include significant economic incentives and disincentives, such as the cost of exercising the renewal option and the expected condition and maintenance requirements for the underlying asset during the extension period. In this example, if the governmental lessee determines that it is reasonably certain that the option will be exercised, the lease term would be 25 years.




# POLLING QUESTION 3






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V. Stand-Alone Reporting—Specialized Units and Activities → C010 —Combinations and Disposals of Operations → Standards → Government Acquisitions	Statements of the Governmental Accounting Standards Board (GASBS) → GASBS 69—Government Combinations and Disposals of Government Operations → Standards of Governmental Accounting and Financial Reporting → Government Acquisitions	Chapter Z—Other Implementation Guidance → Questions and Answers → Z-33 Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions → Z-33.4.
IV. Specific Balance Sheet and Operating Statement Items → P90— Public-Private and Public-Public Partnerships → Nonauthoritative Discussion → Illustration 2: Public-Public Partnership Arrangement That Meets the Definition of a Service Concession Arrangement to Design, Build, and Operate a New Tunnel	Statements of the Governmental Accounting Standards Board (GASBS) → GASBS 92—Omnibus 2020 → Standards of Governmental Accounting and Financial Reporting → Exception to Acquisition Value in a Government Acquisition	



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Exceptions to Use of Acquisition Value No questions assigned....

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If the hedged item is an expected transaction, as discussed in paragraph .129 of Section D40, there is no asset or liability to be recognized by the combined government at [acquisition value](#). Therefore, a deferred outflow of resources or a deferred inflow of resources attributable to an effective hedge of an expected transaction should be recognized by the combined government at its carrying value. [GASBS 69, fn4]...

Codification → V. Stand-Alone Reporting—Specialized Units and Activities → Co10—Combinations and Disposals of Operations → Standards → Government Acquisitions → [Co10.133](#)

Those deferred outflows of resources and deferred inflows of resources should be adjusted to reflect the difference between the [acquisition value](#) and the carrying value of acquired hedged items. Any remaining deferred outflows of resources or deferred inflows of resources associated with derivative instruments should be accounted for by the acquiring government in conformity with the provisions of paragraph .122 of Section D40. [GASBS 69, ¶136, as amended by GASBS 92, ¶13]...

Codification → I. General Principles → 1400—Reporting Capital Assets → GASB Implementation Guides → Reporting Capital Assets—General Requirements → [702-4](#)

Donated capital assets should initially be reported at their [acquisition value](#), according to paragraph .102 and footnote 1 of this section. How may [acquisition value](#) be calculated? [Acquisition value](#) is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date. [Acquisition value](#) is a market-based entry price....

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[B75](#)

The Board believes that fair value should be replaced by [acquisition value](#) for certain transactions. [Acquisition value](#) is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date. It is a market-based entry price....

Original Pronouncements → Statements of the Governmental Accounting Standards Board (GASBS) → GASBS 72—Fair Value Measurement and Application → Standards of Governmental Accounting and Financial Reporting → Application of Fair Value →

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The price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date, or the amount at which a liability could be liquidated with the counterparty at the acquisition date is referred to as [acquisition value](#) ....

Original Pronouncements → Statements of the Governmental Accounting Standards Board (GASBS) → GASBS 69—Government Combinations and Disposals of Government Operations → Standards of Governmental Accounting and Financial Reporting →

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# Source Tracing Tool: Acronyms

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## Acronyms

The following are acronyms used in the Source Tracing Tool:

Acronym	Document/Organization
AICPA	American Institute of Certified Public Accountants
ASLGU	AICPA "Audits of State and Local Governmental Units" (1974)
GASB	Governmental Accounting Standards Board
GASBCS	GASB Concepts Statement
GASBI	GASB Interpretation
GASBIG	GASB Implementation Guide
GASBS	GASB Statement
GASBSG	GASB Suggested Guidelines for Voluntary Reporting
GASBTB	GASB Technical Bulletin
GG-2011	AICPA Audit and Accounting Guide, "Gaming" (2011)
HCE-2011	AICPA Audit and Accounting Guide, "Healthcare Entities" (2011)
NCGA	National Council on Governmental Accounting
NCGACS	NCGA Concepts Statement
NCGAS	NCGA Statement
NCGAI	NCGA Interpretation
SLG-2002	AICPA Audit and Accounting Guide, "State and Local Governments" (2002)
SOP	AICPA Statement of Position



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# Source Tracing Tool, by OP (continued)

## Report for GASBS 88

OP Reference	Cod Reference/Other Status
GASBS 88 Paragraph ↑	Section ↑
¶1	Introduction
¶2	Scope and applicability
¶3	Amendment instructions
¶4*	1500.128
¶4*	1500.129
¶4*	2300.106
¶4*	2300.120
¶4*	2300.124
¶5	1500.130
¶5*	2300.904
¶6	1500.130
¶6*	1500.129
¶6*	2300.106
¶6*	2300.124
¶6*	2300.703-7
¶6*	2300.706-7

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# Source Tracing Tool, by OP (continued)

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## Statement 88

- 5.** In addition to other requirements to disclose information related to debt in notes to financial statements, a government should disclose in notes to financial statements summarized information about the following items:
- a. Amount of unused lines of credit
  - b. Assets pledged as collateral for debt
  - c. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.
- 6.** In notes to financial statements, a government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

## Codification Section 1500

- .130** A government should disclose in its notes to financial statements summarized information about the following items, separating information regarding direct borrowings and direct placements of debt from other debt.
- a. Amount of unused lines of credit
  - b. Assets pledged as collateral for debt
  - c. Terms specified in debt agreements related to significant (1) events of default with finance-related consequences, (2) termination events with finance-related consequences, and (3) subjective acceleration clauses.

[GASBS 88, ¶5 and ¶6]



# Source Tracing Tool, by OP (continued)

## Report for GASBS 88

OP Reference	Cod Reference/Other Status
GASBS 88 Paragraph ↑	Section ↑
¶1	Introduction
¶2	Scope and applicability
¶3	Amendment instructions
¶4*	1500.128
¶4*	1500.129
¶4*	2300.106
¶4*	2300.120
¶4*	2300.124
¶5	1500.130
¶5*	2300.904
¶6	1500.130
¶6*	1500.129
¶6*	2300.106
¶6*	2300.124
¶6*	2300.703-7
¶6*	2300.706-7

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# Source Tracing Tool, by OP (continued)

## Statement 88

6. In notes to financial statements, a government should separate information in debt disclosures regarding (a) direct borrowings and direct placements of debt from (b) other debt.

## Codification Section 1500

**.129** Governments should disclose the following details in notes to financial statements about debt service requirements to maturity. For this purpose, debt is defined as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed<sup>16</sup> at the date the contractual obligation is established. For this purpose, debt does not include leases, except for contracts reported as a financed purchase of the underlying asset, an operator's liability for installment payments associated with a public-private or public-public partnership, subscription liabilities arising from subscription-based information technology arrangements, or accounts payable. A government should separate information in debt disclosures regarding direct borrowings and direct placements of debt from other debt. Details should include:

- a. Principal and interest requirements to maturity, presented separately, for each of the five subsequent fiscal years and in five-year increments thereafter. Interest requirements for variable-rate debt should be determined using the rate in effect at the financial statement date.
- b. The terms by which interest rates change for variable-rate debt.

[GASBS 38, ¶10, as amended by GASBS 88, ¶4 and ¶6, GASBS 94, ¶58, and GASBS 96, ¶61]



# Source Tracing Tool, by Codification

## Report for 2300

	OP Reference	Cod Reference/Other Status
Pronouncement ↑	Paragraph	Section 2300 ↑
GASBS 14	¶51*	2300.101
GASBS 14	¶61*	2300.101
GASBS 14	¶62*	2300.101
GASBS 14	¶63*	2300.101
GASBS 34	¶6*	2300.101
GASBS 34	¶80*	2300.101
GASBS 34	¶82*	2300.101
GASBS 34	¶131*	2300.101
GASBS 34	¶133*	2300.101
GASBS 68	¶47*	2300.101
GASBS 68	¶82*	2300.101
GASBS 68	¶115*	2300.101
GASBS 98	¶4*	2300.101
NCGAS 1	¶157	2300.101
GASBS 34	¶113	2300.102
GASBS 38	¶5	2300.103
GASBS 14	¶62	2300.104





# POLLING QUESTION 4





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### A

#### AAA general obligations index (Section D40)

[Glossary term usage](#)

An index published by Municipal Market Data composed of interest rates of the highest quality state and local debt issuers. [GASBS 53, ¶82]

#### Account pool (Section P020)

[Glossary term usage](#)

A public entity risk pool in which separate accounts are used to manage the risk financing activities of each pool member and from which the losses of only that member are paid. (The term *claims-servicing pool* is also used.) [GASBIG 2015-1, ¶8]

#### Accountability (accountable) (Section 2100)

[Glossary term usage](#)

The relationship that results from the appointment of a voting majority of an organization's governing board. [2100.109] [GASBS 14, ¶131]

#### Acquisition costs (Section I13)

[Glossary term usage](#)


Costs incurred in the acquisition of new and renewal insurance contracts. Acquisition costs include those costs that vary with and are primarily related to the acquisition of insurance contracts (for example, agent and broker commissions, certain underwriting and policy issue costs, and medical and inspection fees). (paragraphs .113–.139) [GASBS 62, ¶430]

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Final Pronouncements Not Yet Incorporated into the Content

Effective Dates and Certain Transition Provisions


Implementation Guides—Category D (Superseded) ([gasb.org](https://www.gasb.org))


Documents for Public Comment ([gasb.org](https://www.gasb.org))

Updated through December 31, 2024



# Archive of Earlier Versions of GARS

 **GOVERNMENTAL  
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Governmental Accounting Research System™



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# Archive (continued)



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Updated through December 31, 2024

## Welcome to the Governmental Accounting Research System™

① The Governmental Accounting Research System™ has been updated through December 31, 2024.

### About GARS

The Governmental Accounting Standards Board (GASB) Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and tools.

### What's New in This Update

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2024:

None

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2024:

Statement No. 104, *Disclosure of Financial Information*

View documents for public comment

Final Pronouncements Not Yet Incorporated into the Codification

### Help

The website offers several resources to enhance your working knowledge of GARS. They include a help page with descriptions of specific functions and features of the site and a downloadable user guide.


You will be navigating to Archive Version: June 2024.  
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# Archive (continued)

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Updated as of June 30, 2024

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< Back to Current GARS Version

## Archive Content

Use the left navigation to view the Archive content.



**PRELIMINARY VIEWS, *SEVERE FINANCIAL  
STRESS AND PROBABLE DISSOLUTION  
DISCLOSURES***

**March 2025**



# Why Did the GASB Start This Project?

---

The existing standards for going concern uncertainties were established by the AICPA in 1988, but not specifically for governments; they were brought into the GASB literature via Statement 56 essentially as is

The AICPA State and Local Government Expert Panel and the Auditing Standards Board asked the GASB to explore the appropriateness of going concern for governments

The GASB conducted and funded research over nearly seven years and found, among other things:

- Governments rarely receive going concern opinions
- The standards are challenging to apply, resulting in diversity in practice
- Governments rarely cease to exist
- When they do cease to exist, the reasons generally are not financial



# Severe Financial Stress v. Probable Dissolution

---

The Preliminary Views proposes separate evaluations of *severe financial stress* and *probable dissolution*

Severe financial stress standards would focus on a government's financial condition regardless of whether there is uncertainty about its continued existence

Probable dissolution (replacing going concern) standards would focus on uncertainty about a government's continued existence regardless of its financial condition



# POLLING QUESTION 5





# Severe Financial Stress

---

Meeting the severe financial stress condition means that a government is near or at the point of insolvency

- Insolvency means a government is generally not paying its liabilities as they come due or is unable to do so
- Near insolvency means a government is close to but not at the point of insolvency

Disclosures should be made if a government meets the severe financial stress condition as of the financial statement date

Should be assessed and disclosed for the primary government, including its blended component units



# Examples of Indicators

---

## Structural deficiencies

- Recurring periods in which expenses/expenditures exceed revenues
- Consistent working capital deficiencies
- Recurring inability to balance the budget without the use of one-time funds
- Loss of source or provider of resources
- Increased reliance on short-term borrowings in order to continue operations
- For business-type activities, recurring periods in which the subtotal for operating income (loss) and noncapital subsidies is negative

## Need to take action to improve financial condition

- Reduce services
- Seek new sources or methods of financing
- Dispose of assets
- Restructure debt

## Noncompliance or legal matters

- Default on certain bonds
- Not meeting certain obligations to vendors or employees
- Noncompliance with debt service reserve requirements
- Adverse legal proceedings, legislation, or similar matters



# Severe Financial Stress Disclosures

---

If a government meets the severe financial stress condition it should disclose:

- The reasons and causes, including pertinent conditions and events
- The government's evaluation of the significance of the reasons and causes
- Actions taken by the government in response to the severe financial stress condition prior to the date the financial statements are available to be issued
- The known effects of the severe financial stress condition

In subsequent periods:

- If the condition continues to be met, update the disclosures
- If the condition no longer is met, disclose how it was alleviated



# Probable Dissolution

---

Disclosure is required if it is probable that a government will cease to exist as the same legally separate entity within 12 months of the date the financial statements are available to be issued

Evaluate in the aggregate all factors that are relevant to the likelihood of dissolution within the time frame

- Relevant factors are known and reasonable knowable to the government at the date the financial statements are available to be issued

Should be assessed and disclosed for the primary government and each blended component unit



# Examples of Relevant Factors

---

## Operational inefficiencies

- Duplication of effort with another government that could be resolved by merger or acquisition
- Unfilled elected or appointed positions due to lack of citizen participation
- Maintenance of infrastructure developed for a larger population than currently served

## Financial stress

- Filing for bankruptcy
- Meeting the severe financial stress condition

## Dissolution actions

- Recent dissolution of other similarly situated governments
- Negotiations toward a potential merge or acquisition
- Initiation of legal dissolution proceedings

The government's plans to alleviate operational inefficiencies or financial stress or to block dissolution actions



# Probable Dissolution Disclosures

---

If dissolution is probable, a government should disclose:

- A statement that dissolution is probable within 12 months of the date the financial statements are available to be issued
- The reasons and causes, including pertinent conditions and events
- The government's evaluation of the significance of the reasons and causes
- Actions taken by the government in response to the probable dissolution prior to the date the financial statements are available to be issued
- Information about the recoverability or classification of reported asset amounts or the amounts or classifications of liabilities, such as ownership, disposition, and other treatment



# Probable Dissolution Disclosures (cont'd)

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In subsequent periods:

- If dissolution is probable within 12 months of the date the current financial statements are available to be issued, update the disclosures
- If dissolution is not probable, disclose why the result of the evaluation of probable dissolution for the current financial statements differs from the prior financial statements



# What's Next?

---

Six public forums to be held virtually (August 11 & 21) or at the GASB offices (July 29, September 9 & 10)

Redeliberations scheduled to begin October 2025

Exposure Draft planned for June 2026

Final Statement expected June 2027



# POLLING QUESTION 6







# **OTHER CURRENT GASB PROJECTS AND RESEARCH ACTIVITIES**



# Preliminary Views, *Infrastructure Assets*

September 30, 2024



# Why Did the GASB Issue This Document?

---

The basic accounting and financial reporting standards for capital assets, including infrastructure, come from GASB Statement 34, which was issued in 1999

The GASB conducted research beginning in 2019 to review the standards and to evaluate whether the information reported about capital assets could be more:

- Comparable across governments and consistent over time
- Useful for making decisions or assessing government accountability
- Relevant for assessments of a government's economic condition, including its financial position, fiscal capacity, and service capacity
- Reflect the capacity of capital assets to provide services and how it changes over time

The research did not find significant issues for capital assets generally, but identified opportunities to consider issues related to infrastructure assets and to provide additional information related to their maintenance and preservation costs



# Proposals

---

Definition of infrastructure assets substantively the same, with some clarifying language

Infrastructure assets should continue to be recognized in financial statements and measured at historical cost net of accumulated depreciation

The modified approach should be retained as an alternative



# Proposals: Definition

---

The Board's preliminary view is that infrastructure assets are assets that may consist of multiple components 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 maintained or 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 infrastructure assets used to provide a particular type of public service should be considered infrastructure assets.



# Proposals: Historical Cost and Depreciation

---

Estimated useful lives and salvage values should be reviewed periodically and adjusted, if necessary, to better reflect their actual useful lives and salvage values

Each component of an infrastructure asset with a cost that is significant in relation to its total cost should be separately depreciated, if the useful lives of the components are different



# Proposals: Modified Approach

---

Governments should be able to use the modified approach if they have “processes in place” – rather than an asset management system – to:

- Maintain an up-to-date inventory of infrastructure assets
- Perform and summarize condition assessments
- Estimate annual amounts to preserve the assets at the condition levels the government establishes

Governments should continue to perform and document complete condition assessments in a consistent manner at least every three years

If the modified approach criteria are no longer met, a government should report infrastructure assets at historical cost net of accumulated depreciation for subsequent periods



# Deferred Maintenance

---

The GASB concluded that deferred maintenance does not meet the definition of a liability because:

- A government generally would not be legally required to incur maintenance or preservation costs on infrastructure assets at specific times
- Management has the discretion to determine whether infrastructure assets are in an acceptable condition and either need or do not need additional maintenance or preservation work performed to continue to provide services
- A government does not have a social or moral obligation to perform maintenance or preservation activities as it generally has the ability to provide its services through other means
- It is not an obligation to an external party

The GASB concluded that deferred maintenance does not meet the criteria for disclosure because it may be:

- A subjective assessment of the effects of reported information on the government's future financial position
- Predictions about the effects of future events on future financial position



# Proposals: Disclosures

---

Three minor existing disclosures would be removed:

- Description of the modified approach
- Infrastructure assets not reported at transition
- Impaired infrastructure assets that are idle at year-end

The following new disclosures would be required:

- Changes in policies for capitalization thresholds and estimated useful lives
- Historical cost of infrastructure that has exceeded 80% and 100% of its estimated useful life
- Maintenance expenses (preservation expenses for modified approach)
- Policy for monitoring and maintaining or preserving infrastructure

Disclosures should continue to be separated by major class of infrastructure asset



# Proposals: RSI and SI

---

Governments reporting historical cost net of accumulated depreciation should present as RSI:

- A schedule, by major class of infrastructure, for the past 10 years, comparing the estimated annual amount to maintain infrastructure, calculated at the start of the year, with the actual amounts expensed for infrastructure maintenance
- Notes to the schedule regarding factors that significantly affect trends in the information

Governments reporting historical cost net of accumulated depreciation should no longer be encouraged to present as SI the same schedules as governments using the modified approach



# Proposals: Modified Approach RSI

---

## For governments using the modified approach:

- Retain the RSI schedule of assessed condition for the three most recent complete condition assessments
- Expand from 5 to 10 years the RSI schedule comparing the estimated annual amount to preserve the infrastructure at or above the selected condition level with the actual amount expensed
- Notes to the schedules that include (a) the basis for the condition measurement and the measurement scale used to assess and report the condition, (b) the condition level at which the government intends to preserve those infrastructure assets, and (c) factors that significantly affect trends in the information



# What's Next?

---

Three public hearings and two user forums held in February

Redeliberations started in March

Exposure Draft planned for February 2026

Final Statement expected February 2027



# POLLING QUESTION 7







# **Ongoing Project: Revenue and Expense Recognition**



# Why Did the GASB Start This Project?

---

Statement 33 was issued in 1998 and effective in 2001

Post-implementation review found issues in practice with respect to the existing recognition standards, especially differentiating between exchange, exchange-like, and nonexchange transactions

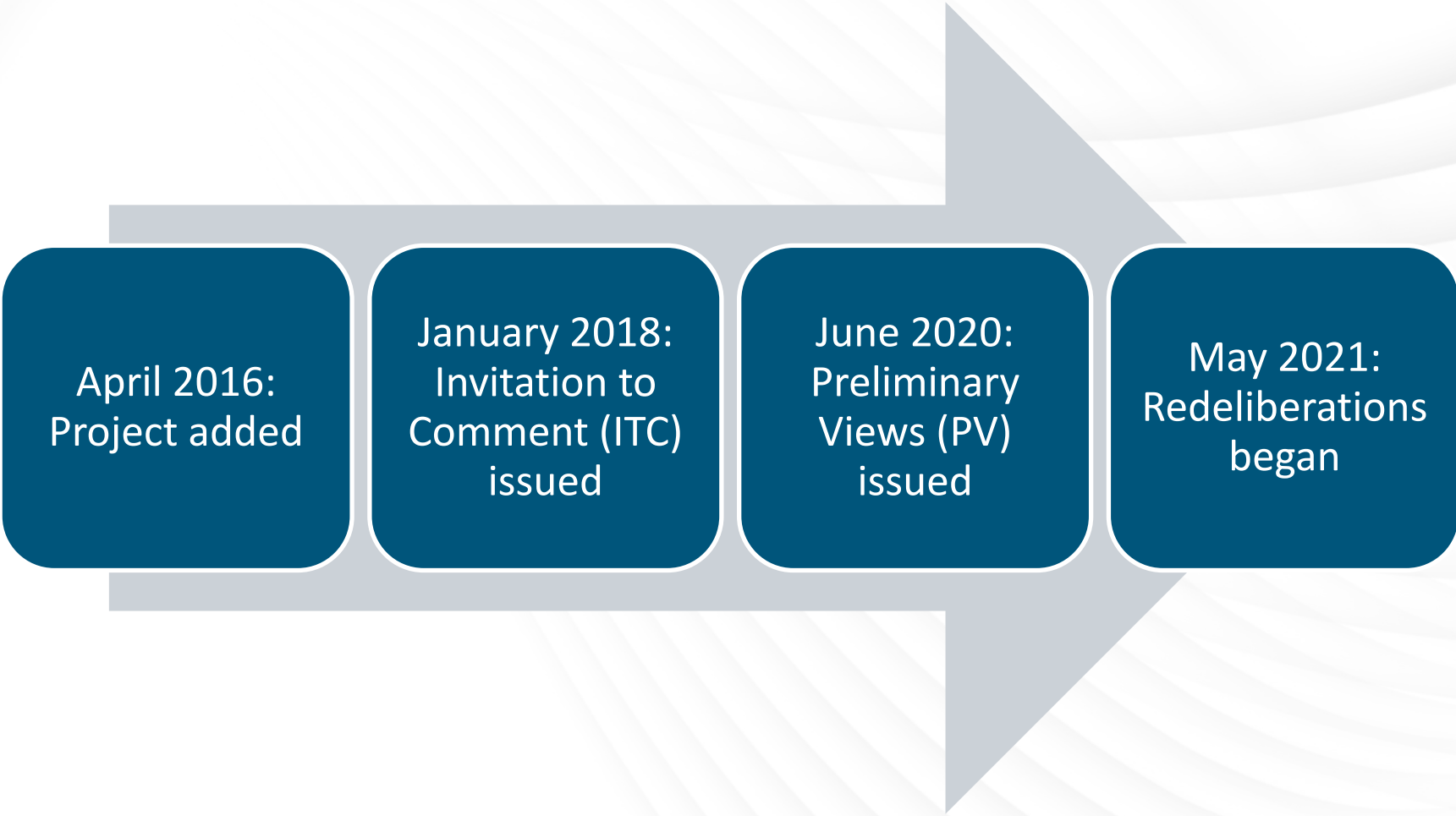
There is very little guidance for exchange revenues and virtually none for exchange expenses

Existing standards significantly predate the GASB's conceptual framework



# Project Timeline Thus Far

---



April 2016:  
Project added

January 2018:  
Invitation to  
Comment (ITC)  
issued

June 2020:  
Preliminary  
Views (PV)  
issued

May 2021:  
Redeliberations  
began



# Tentative Scope of the Model

---

The model is intended to be broadly applicable to both exchange and nonexchange transactions, but would exclude:

- Financial instruments (e.g., investments, derivatives, leases, SBITAs)
- Postemployment benefits (e.g., pensions, OPEB, compensated absences, termination benefits)
- Contingencies (Statement 62)
- Capital assets
- Presentation and classification
- Notes, RSI, and SI



# Overview of the Recognition Model

---

Categorization: What type of transaction is it?

Recognition: What should be reported and when?

Measurement: How much should be reported?



# Tentative Foundational Principles

---

1

Revenues and expenses are of equal importance in resource flows statements

2

Revenues and expenses should be categorized independently and not in relation to each other

3

The government is not acting as an agent for the citizenry (to prevent netting revenues & expenses)

4

Symmetry should be considered, to the extent possible, in applying the 3 components of the model

5

A consistent viewpoint, from the resource provider perspective, should be applied



# Tentative Recognition Methodologies

---

## Revenue Recognition Methodology

- The anchor for a revenue transaction is a receivable or the receipt of consideration before a receivable arises
- A liability should be recognized for consideration received in advance of an enforceable claim that is a receivable
- A deferred inflow should be recognized based on the flow's applicability to a reporting period

## Expense Recognition Methodology

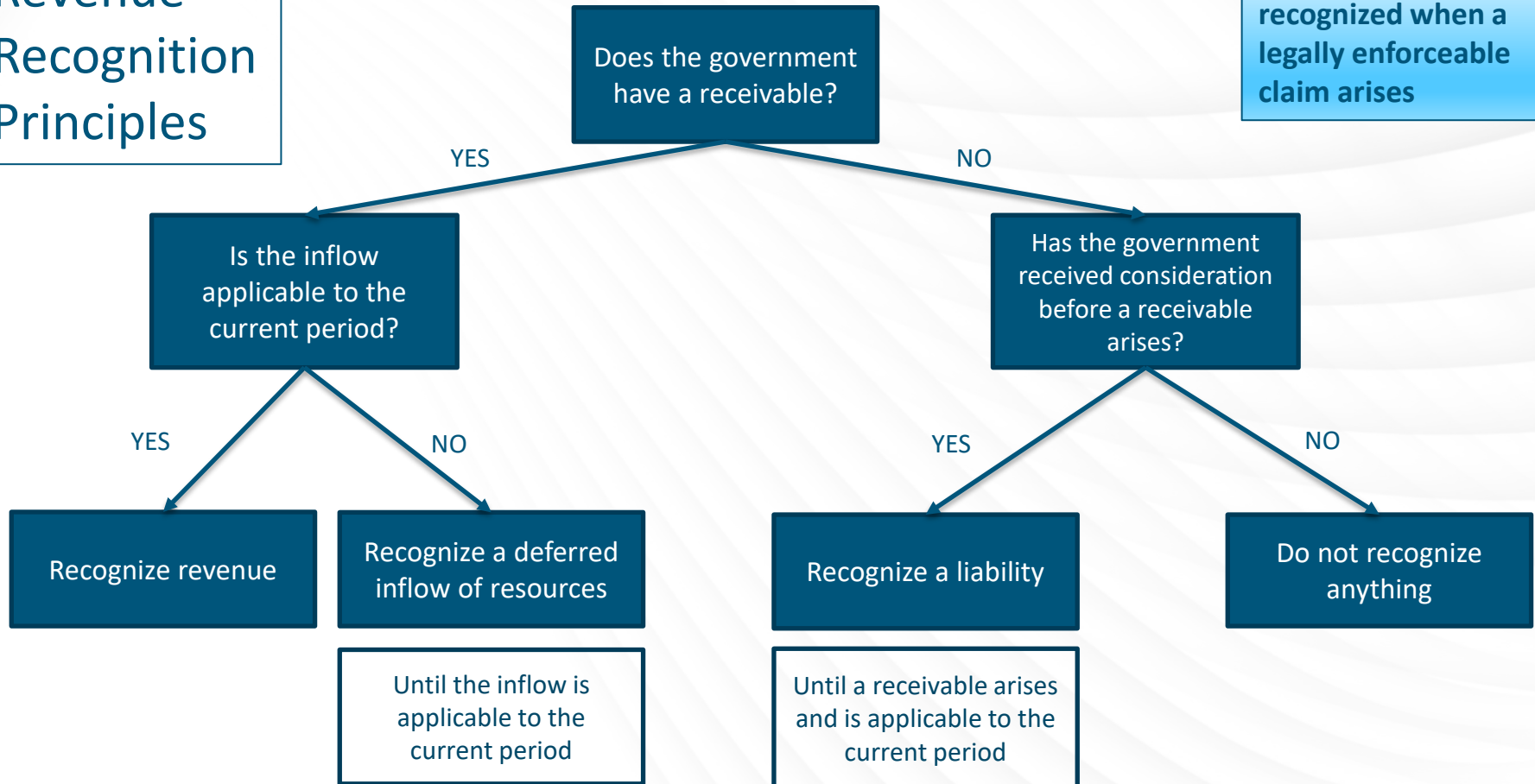
- The anchor for an expense transaction is a payable or the provision of consideration before a payable arises
- A prepaid asset should be recognized for resources provided in advance of a present obligation that is a payable
- A deferred outflow should be recognized based on the flow's applicability to a reporting period



# Tentative Revenue Recognition

## Revenue Recognition Principles

A receivable is recognized when a legally enforceable claim arises

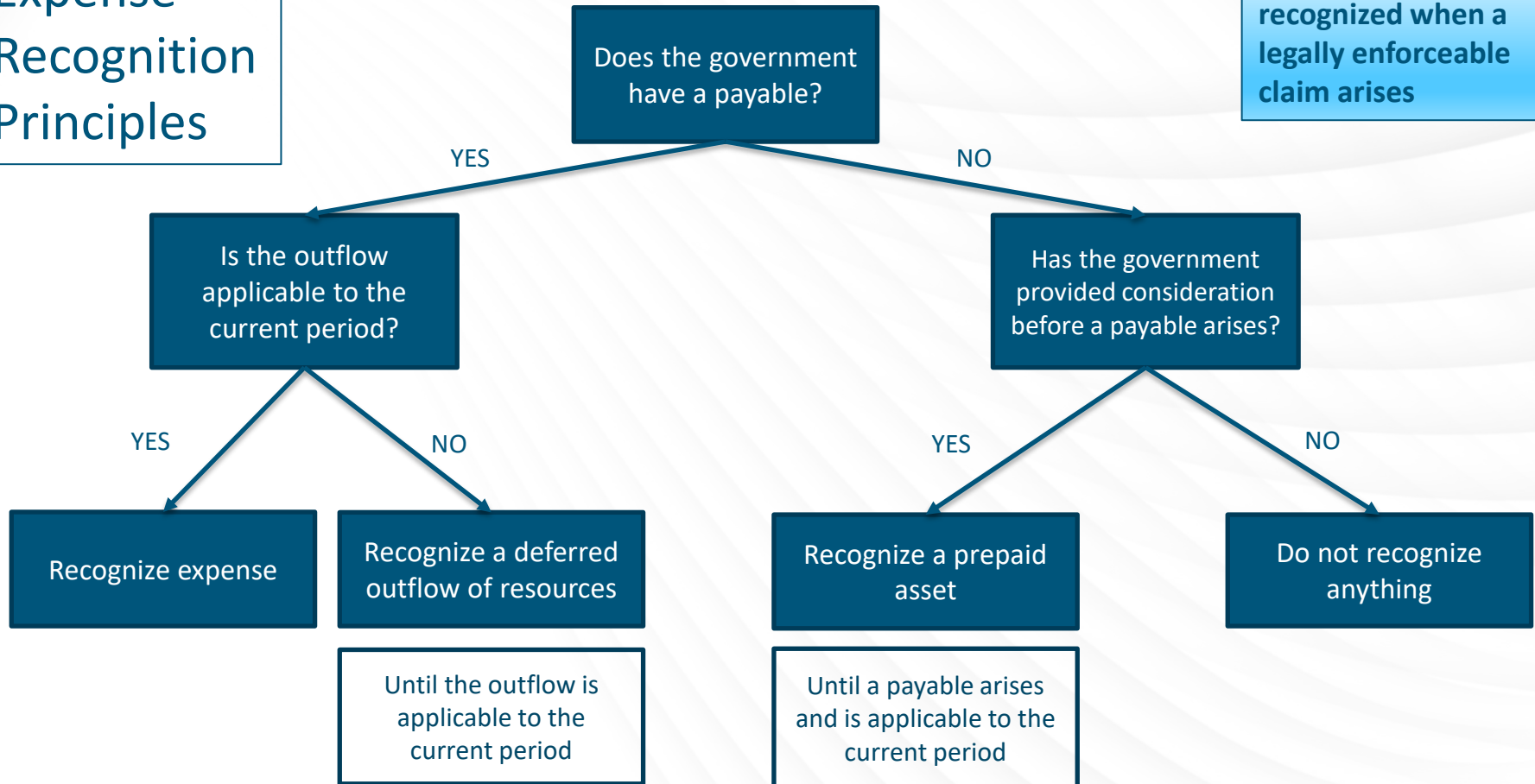




# Tentative Expense Recognition

## Expense Recognition Principles

A payable is recognized when a legally enforceable claim arises





# POLLING QUESTION 8





# Tentative Categorization Provisions

---

A transaction is the most suitable categorization unit of account for categorizing revenues and expenses

The categorization unit of account represents the level of aggregation or disaggregation applicable to an item of information to assess attributes

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



# **Tentative Categorization Provisions (cont'd)**

---

If a transaction is evidenced by more than one binding arrangement, they should be combined for the purpose of identifying the categorization unit of account

If a government has transactions with similar characteristics, it can apply a portfolio approach to categorization



# Tentative Binding Arrangement Provisions

A binding arrangement is an understanding between two or more parties that creates rights, obligations, or both among the parties

Economic substance is characteristic of the binding arrangement

- Economic substance results in an expected change in the risk, amount, or timing of the government's cash flows, or an expected change in the government's service potential

Rebuttable presumption of enforceability is a characteristic of the binding arrangement

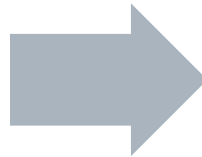


# Tentative Categorization Methodology

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## Identify:

- Binding arrangement
- Transaction(s)
- Parties
- Rights and obligations



## Assess rights and obligations

- Substantive
- Interdependent



# Tentative Category A Provisions

---

The recognition unit of account for Category A revenue and expense transactions is the distinct goods or services

The identification of a distinct good or service should be made in the context of a transaction at the inception of the binding arrangement

The assessment of whether obligations to a customer represent distinct goods or services should be made from the perspective of the customer



# Tentative Criteria: Distinct Good or Service

---

**Criterion 1: The customer can obtain the service capacity of the good or service on its own or together with other readily available resources**

- A readily available resource is one that is sold separately (by the vendor or other vendors), that the customer has previously obtained, including goods or services that the customer already received in the same transaction, or that the customer obtained from other transactions or events
- Factors that indicate that the customer can obtain the service capacity of a good or service include: the customer can use, consume, or sell the good or service for an amount that is greater than nominal, and the vendor has the ability to sell the good or service on a stand-alone basis

**Criterion 2: The goods or services are separately identifiable from other goods or services in the context of the transaction**

- Factors that indicate that two or more obligations are not separately identifiable include that goods or services: are significantly integrated; require significant modifications or customizations; or are highly interrelated



# Tentative Category A Provisions (continued)

---

The satisfaction of a performance obligation occurs when or as there is a transfer of control of distinct goods, distinct services, or distinct bundles

Goods or services are assets, even if momentarily

Control is the customer's ability to utilize the present service capacity of the goods or services by determining the nature and manner of use of its present service capacity

Control over goods or services by a customer (a government or its counterparty) prevents another entity from controlling those resources

Making a service available to a customer (a government or its counterparty) is a form of satisfying a performance obligation



# Tentative Category A Provisions (continued)

There are two modes for the transfer of control of goods or services—the transfer of control over time and the transfer of control at a point in time

At least one of the following criteria identifies the transfer of control of goods or services over time:

- A seller's (government or counterparty) performance creates or enhances an asset that the customer (counterparty or government) controls as the asset is created or enhanced
- A seller's (government or counterparty) performance creates an asset for the customer (counterparty or government) that does not have an alternative use to the seller and the seller has a right to payment for performance completed to date

If the transaction fails the over-time criteria, the mode of transfer of control is at a point in time

Indicators to be used to assist governments in determining at which point in time a transfer of control of goods or services has occurred:

- The seller has the right to receive consideration
- The customer has legal title to the asset
- The asset has been physically transferred to the customer
- The customer has accepted the asset



# POLLING QUESTION 9





# Tentative Category B Transactions

## Imposed transactions

On an underlying transaction

Sales taxes

Income taxes

On actions committed or omitted

Regulatory fees

Punitive fees

On property ownership

Property taxes

## Transactions with qualifying requirements

Federal grants

State grants

## Transactions without qualifying requirements

Contractual binding arrangements

Pledges

PILOTs

Legislative binding arrangements: periodic appropriation

State aid to school districts

Legislative binding arrangements: continuous appropriation

Shared fuel tax



# Tentative Category B Provisions

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## Imposed on underlying transactions

- Recognize a receivable when the underlying transaction has occurred
- Revenue generally recognized at the same time as the receivable
- Recognize a liability for resources received before a receivable arises
- Recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements



# Tentative Category B Provisions (continued)

---

## Imposed on actions committed or omitted

- Recognize a receivable when an individual or entity commits or omits an action
- Revenue generally recognized at the same time as the receivable
- Recognize a liability for resources received before a receivable arises
- Recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements



# Tentative Category B Provisions (continued)

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## Imposed on property ownership

- Recognize a receivable at the imposition date – when a governing body approves a local ordinance or similar legal action that specifies the property tax rate or total property tax amount that citizens are expected to provide for a specific fiscal period or periods
- Recognize a liability for resources received before a receivable arises
- Recognize a deferred inflow of resources when the imposition date is prior to the fiscal year the tax is intended for
- Recognize revenue in the fiscal year the tax is intended for



# Tentative Category B Provisions (continued)

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## Legislative binding arrangements: periodic appropriations

- Recognize a receivable (payable) when payments are due, if:
  - The resource provider has appropriated funds for the provision of resources and the period applicable to the appropriation has begun, and
  - The resource provider intends to provide the resources to the resource recipient
- Revenue (expense) generally recognized at the same time as the receivable (payable)
- Recognize a liability (prepaid asset) for resources received (provided) before a receivable (payable) arises
- Recognize a deferred inflow (outflow) of resources for circumstances in which the recipient government has not yet complied with time requirements



# Tentative Category B Provisions (continued)

## Shared revenue with continuing appropriations

- Recognize a receivable (payable) when the underlying transaction that is shared has occurred, if:
  - The resource provider has appropriated funds for the provision of resources (if required), and
  - The resource provider intends to provide the resources to the resource recipient
- Revenue (expense) generally recognized at the same time as the receivable (payable)
- Recognize a liability (prepaid asset) for resources received (provided) before a receivable (payable) arises
- Recognize a deferred inflow (outflow) of resources for circumstances in which the recipient government has not yet complied with time requirements



# POLLING QUESTION 10





# Tentative Category B Provisions (continued)

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## Transactions subject to qualifying requirements

- Qualifying requirements are conditions either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation that are required to be satisfied by the recipient before said recipient is entitled to the resources
- Pursuant to an executed grant agreement (when one is required), qualifying requirements should be identified by relying on the following two criteria:
  - The incurrence of qualifying costs in compliance with all other applicable requirements that are associated with the determination of qualifying costs
  - Other qualifying requirements, which are specified actions of the government that are not associated with the incurrence of qualifying costs



# Tentative Category B Provisions (continued)

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## Time requirements

- Time requirements are conditions either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation that establish the period(s) when the use (sale, disbursement, or consumption) of resources may begin or should end
- A government should recognize revenue when the usage of resources may begin, as stipulated by time requirements
- Time requirements represent temporary limitations to use resources, not permanent constraints
- Neither appropriations of the resource provider nor contract terms (specifically grant performance periods) are time requirements



# Tentative Category B Provisions (continued)

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## Purpose restrictions

- Purpose restrictions are constraints either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation that limit the types of activities or programs for which resources can be deployed
- Purpose restrictions should not be considered a recognition attribute and, therefore, should not be combined with eligibility requirements
- However, purpose restrictions can simultaneously exist with eligibility requirements and time requirements



# Tentative Category B Provisions (continued)

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## Qualifying requirements

- Recognize a receivable (payable) when (or as) the recipient complies with all applicable qualifying requirements
- Recognize a liability (asset) for resources received before compliance with qualifying requirements
- Recognize a deferred inflow (outflow) of resources for circumstances in which the recipient has complied with qualifying requirements but not time requirements
- Recognize revenue (expense) for circumstances in which the recipient has complied with both qualifying and time requirements



# Tentative Category B Provisions (continued)

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## Contravention of qualifying requirements, purpose restrictions, and time requirements

- Resource recipient: recognize a payable (or a reduction of an asset) and an expense in the period in which the contravention is identified
- Resource provider: recognize a receivable (or a reduction of a liability) and revenue in the period in which the contravention is identified
- Contravention guidance would be applicable for circumstances in which it is probable that the resource provider will request the return of resources or a release from a claim to resources



# Tentative Category B Provisions (continued)

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## Pledges that are not subject to qualifying requirements

- Term endowments should be treated the same as permanent endowments
- Recognize a receivable when the government receives or becomes aware of a binding arrangement
- Revenue generally recognized at the same time as the receivable
- Recognize a liability for resources received before a receivable arises
- Recognize a deferred inflow of resources for circumstances in which the government has not yet complied with time requirements



# What's Next?

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Exposure Draft planned for October 2025

October 2025 – February 2026: comment period;  
public hearings and user forums

Final Statement expected June 2027



# POLLING QUESTION 11







# Research Activities



# Revenue & Expense Recognition Disclosures

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Researching the need for note disclosures associated with transactions that are in the scope of the Revenue and Expense Recognition (RER) project

First phase consists of a survey of financial statement users regarding:

- Whether existing disclosures provide the information they need and what additional information they may need related to (1) the various transactions in the scope of the RER project and (2) the measurement estimates and attributes of the amounts recognized in the RER model

Second phase will consist of focus groups to discuss the types of information identified in the first phase



# GAAP Structure

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Research began by evaluating the effectiveness of the GASB's current dual approach to communicating GAAP—that is, both original pronouncements and a codification, each with equal authoritative status—and how stakeholders engage with the literature

The next stage is to explore whether and how a single structure could be operationalized

- Researching other standards setters' structures
- Developing alternatives for the components that comprise a single-authority structure and conducting stakeholder outreach on the alternatives
- Obtaining broad stakeholder feedback on a proposed structure through a due process document



# Cybersecurity Risk Disclosures

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To determine: (1) the types of cybersecurity threats faced by governments, (2) whether and how these are currently disclosed in the financial statements, and (3) whether financial reporting guidance has the potential to address user needs for this information

Research activities to include:

- Review of GASB and other standards setters' guidance related to cybersecurity
- Search for disclosures that governments are currently making in their AFRs or other public documents
- Evaluation of whether guidance for cybersecurity issues has the potential address the needs of financial statement users without exposing the reporting government to additional risk



# Essentiality of Pension & OPEB Disclosures

To evaluate the notes to financial statements required by the GASB's pension and OPEB standards against the definition and criteria for “essential” in Concepts Statement 7

Notes to financial statements are essential to users in making economic, social, or political decisions or assessing accountability. The term *essential*, as used in this Concepts Statement, conveys the degree of importance that information contained in notes to financial statements should possess. The following are the characteristics of essential information:

- a. The information has or is expected to have a meaningful effect on users' analyses for making decisions or assessing accountability.
- b. A breadth or depth of users utilize or are expected to utilize the information in their analyses for making decisions or assessing accountability.



# Voluntary Digital Financial Reporting

The GASB has been working for several years to develop one or more governmental digital taxonomies for GAAP financial reporting, to be used by governments on a voluntary basis to report their GAAP financial statements in digital formats

First phase of the project is development of an initial due process document, planned for December 2025, to obtain feedback on five parts of the taxonomy:

- Government-wide statement of net position
- Governmental funds statement of revenues, expenditures, and changes in fund balances
- Pension and OPEB RSI schedules
- MD&A
- Summary of significant accounting policies

That selection is intended to cover relevant issues such as structured v. unstructured data, reporting entity, fund structure, basis of accounting, financial statement elements, and all communication methods (except supplemental information)



# Monitoring Activities

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## AICPA Auditing Standards

- Monitor the effect of potential or proposed changes in GAAS established by the AICPA on the state and local government environment
- Provides a basis for evaluating the need to consider modifying accounting and financial reporting standards as a result

## Digital Assets

- Monitor governments' activities with respect to cryptocurrency and other types of digital assets, both as investments and as consideration paid or received in transactions
- Monitor the development of guidance in this area by other standards setters

## Environmental Credits

- Consider the need to develop specific standards for environmental credits programs, such as emissions trading, that are administered by state and local governments



# Monitoring Activities (continued)

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## Environmental, Social, and Governance Reporting

- Monitor governments' activities related to ESG reporting
- Monitor the development of guidance in this area by other standards setters
- [See GASB white paper](#)

## GAAP Utilization

- Update the [research completed in early 2025](#) related to the state requirements associated with financial reporting frameworks for states, counties, municipalities, and special districts and the modeling of GAAP choice based on specified determinants

## Use of Technology in Governments

- Monitor the use of technology in governmental financial reporting and consider its implications for GASB standards



# POLLING QUESTION 12







# **POST-IMPLEMENTATION REVIEW, PENSIONS**



# Post-Implementation Review (PIR)

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PIR is multiyear evaluation of whether major pronouncements are achieving their objectives, including whether they provide financial statement users with relevant information in ways that justify the cost of providing it

PIRs have been completed for pensions (Statements 67 & 68) and fair value (Statement 72) [final reports are here: [PIR Reports](#)]

The PIR for OPEB (Statement 75) is in its final stage and should be completed in 2026

PIRs for fiduciary activities (Statement 84) and leases (Statement 87) are ongoing



# PIR Process Since 2020 (really 2017)

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New process intended to accelerate the review of major pronouncements and collect information *as the standards are being implemented*

## Three objectives of a PIR:

- To determine whether the standards are accomplishing their stated purpose
- To evaluate the implementation and continuing application costs and related benefits of the standards
- To provide feedback to improve the standards-setting process



# PIR Objectives

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1. To determine whether the standards are accomplishing their stated purpose, the PIR process evaluates whether:
  - a. The standards resolved the issues underlying its need
  - b. Decision-useful information is being reported to, and being used by, financial statement users
  - c. The standards are operational; that is, stakeholders can apply them as intended, they are understandable, and preparers are able to report the information reliably
  - d. Any significant unexpected changes to financial reporting or operating practices resulted from applying the standards
  - e. Any significant unanticipated consequences resulted from applying the standards



# PIR Objectives (continued)

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2. To evaluate the implementation and continuing application costs and related benefits of the standards, the PIR process evaluates whether:

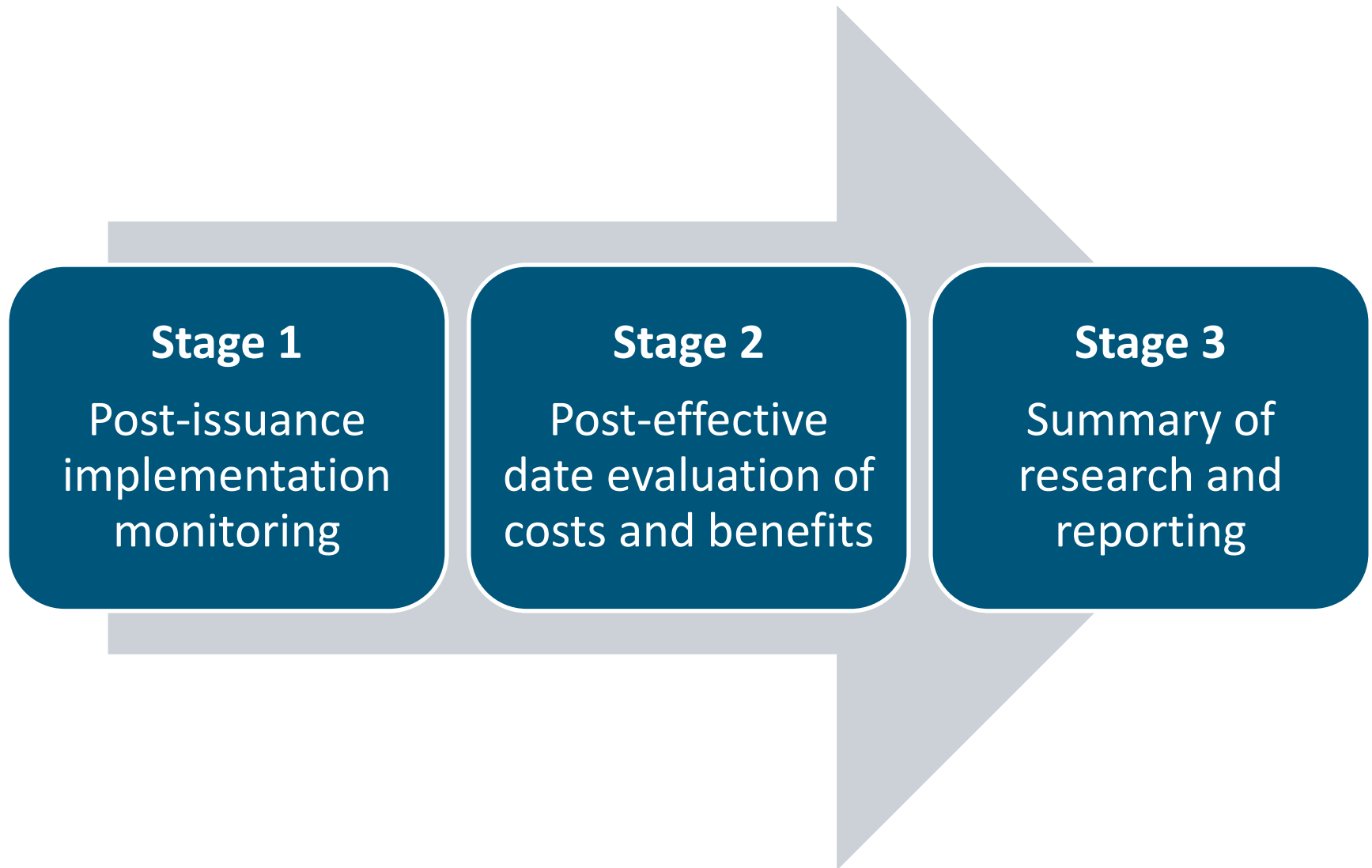
- a. Implementation and continuing application costs are consistent with the costs that the Board considered and stakeholders expected
- b. Benefits are consistent with the benefits the Board intended and stakeholders expected

3. To provide feedback to improve the standards-setting process, the PIR process evaluates whether the results suggest that improvements are needed



# PIR Stages

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# POLLING QUESTION 13





# Pensions PIR

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Statement No. 67, *Financial Reporting for Pension Plans*

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Statement No. 68, *Accounting and Financial Reporting for Pensions*

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Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*

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Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*

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Statement No. 82, *Pension Issues*

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*Guide to Implementation of GASB Statement 67 on Financial Reporting for Pension Plans*

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*Guide to Implementation of GASB Statement 68 on Accounting and Financial Reporting for Pensions*

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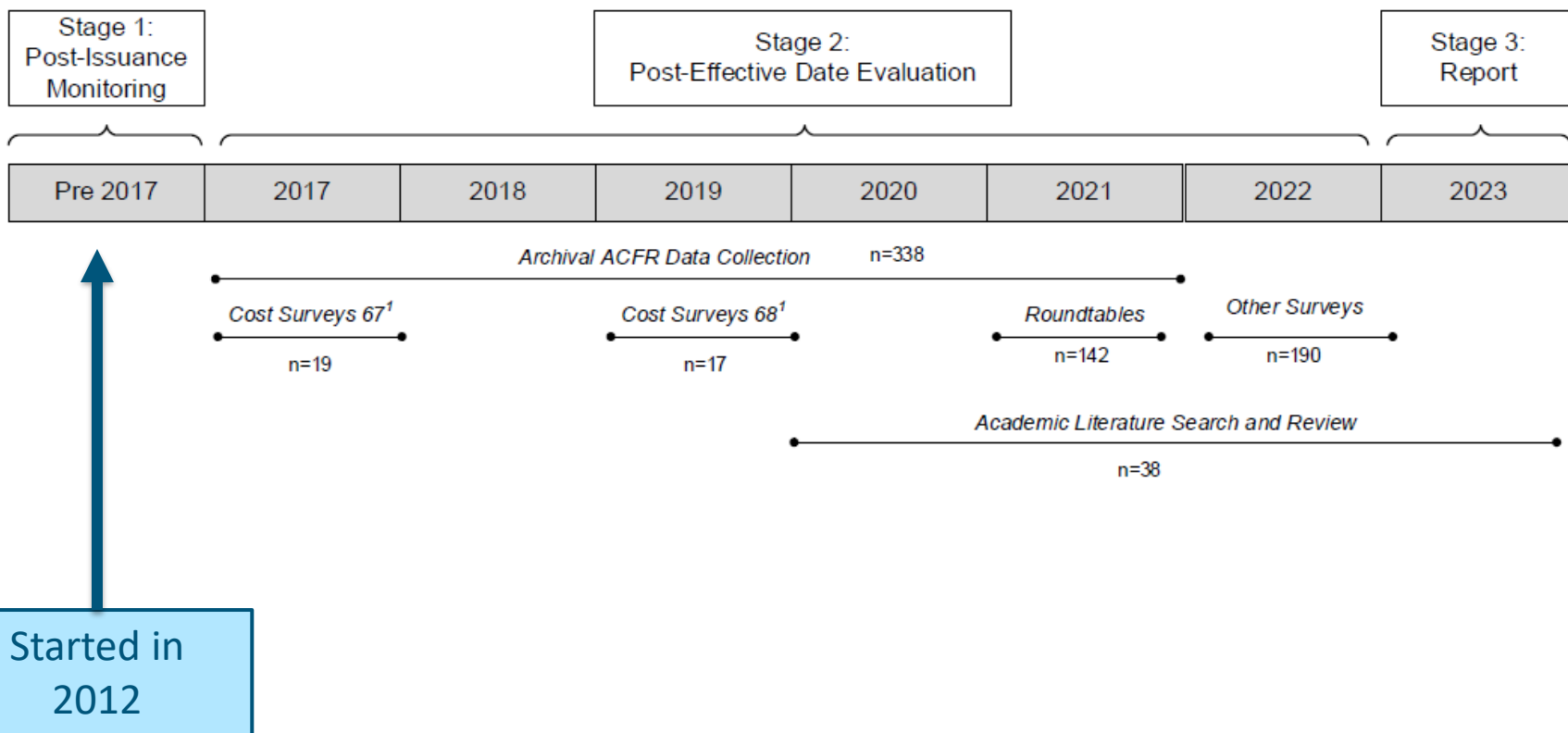
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Additional Q&As in Implementation Guide Nos. 2016-1 to 2020-1

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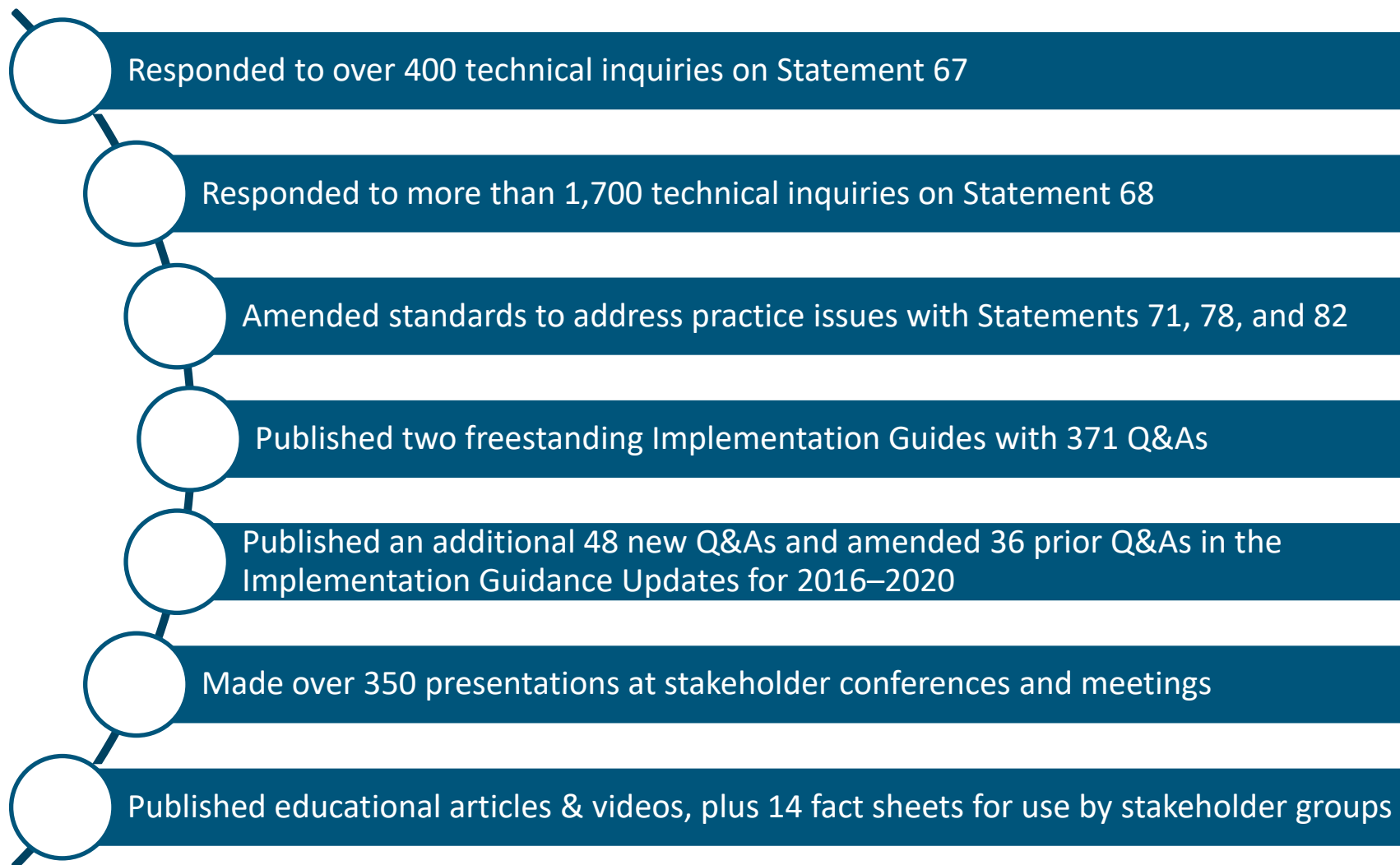
# Pension PIR Timeline





# Stage 1 Activities

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# Stage 2 Activities

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10 roundtable discussions with 116 participants:

- 17 actuaries and benefit consultants
- 22 governmental employers
- 16 pension plan representatives
- 26 auditors
- 35 users

An additional roundtable conducted with 26 GASAC members

Posed neutral questions seeking feedback on both the positive and negative aspects of the standards



# Stage 2 Activities (continued)

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## 5 separate surveys with a total of 190 responses:

- 19 actuarial and benefit consultant firms
- 69 government preparers
- 39 pension plan representatives
- 47 auditors
- 16 users

## Review of academic literature



# Stage 2 Activities (continued)

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## Archival analysis of pension plan financial statements

- 102 pension plans
- First year of implementation (2014) and fifth year (2018)

## Archival analysis of employer financial statements

- 236 governments of various types and sizes
- Participating in 456 pension plans
- First year of implementation (2015) and fourth year (2018)



# Findings: Were the Objectives Achieved?

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“Overall, Statements 67 and 68 resolved the primary issues underlying the stated need for the standards, which involved inherently complex accounting issues, affected a wide range of stakeholders, and spanned every facet of accounting and financial reporting, including recognition, measurement, disclosure, and presentation for both pension plans and governmental employers...”

“As a result of the magnitude of the two Statements, we found some remaining disagreement, as expected, among stakeholders about certain aspects of the standards related to recognition, measurement, and disclosure.”



# Findings: Objectives (continued)

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“Statement 67 improves financial reporting by state and local governmental pension plans through enhanced note disclosures and enhanced required supplementary information (RSI) presented by the pension plans.”

“Statement 68 improves accounting and financial reporting for pensions by state and local governmental employers mainly through

- (1) recognition of the net pension liability that reflects transactions and events associated with pensions, which decoupled financial reporting from the funding-based model in the prior pension standards and reflects the long-term nature of employment relationships
- (2) a more comprehensive measure of pension expense, which assists users in assessing the relationship between a government’s inflows of resources and its total cost (including pension expense) of providing government services each period and provides them with information about the government’s pension obligations and the resources available to satisfy those obligations; and
- (3) enhanced note disclosures and RSI about pensions.
- All of those improvements provide decision-useful information that enhances the value of the information for assessing accountability and interperiod equity.”



# Findings: Objectives (continued)

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Stakeholders participating in the PIR generally agreed that the implementation of Statements 67 and 68 resulted in improvements in accounting and financial reporting by:

- Decoupling financial reporting from the funding-based model of the prior pension standards (Statement 27)
- Focusing on the effects of all transactions and events that create and modify an employer's obligations for pensions
- Providing better cost information to assist users in assessing interperiod equity
- Providing information about the government's pension obligations and the resources available to satisfy those obligations



# Findings: Objectives (continued)

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Disagreements with certain provisions of the Statements identified during the PIR process were generally consistent with the feedback received and considered throughout the due process in their development

- In situations in which (1) negative pension expense offsets unrelated costs on the face of the financial statements or (2) a large pension liability creates a deficit net position within a particular fund or reporting entity that would otherwise have a surplus, some participants believe comparability and interpretation of financial statements are adversely affected
- Some participants specifically disagreed with the recognition of the proportionate share of the collective net pension liability for participating cost-sharing employers
- Some preparers and actuaries disagreed with the requirement to recognize deferrals, primarily because of operational challenges associated with applying deferrals rather than for conceptual reasons



# Findings: Objectives (continued)

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## Disagreements (continued)

- Some preparers and practitioners disagreed with the treatment of the deferred retirement option program (DROP) provisions because they believe that it is inconsistent with funding, or because individuals entering into a DROP are required to be treated as retired for accounting and financial reporting purposes
- Some preparers and practitioners disagreed with including ad hoc COLAs that are substantively automatic in the measurement of the total pension liability generally because they believe it is inconsistent with funding
- Some preparers and practitioners disagreed with the fair value measurement for pension plans' investments in the statement of fiduciary net position because they believe it results in increased volatility in financial reporting, which may decrease the value of the information



# Findings: Objectives (continued)

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## Disagreements (continued)

- Some participants disagreed with the use of a blended discount rate, with some preferring only a municipal bond rate or only a risk-free rate
- Some participants cited an additional challenge in that the crossover point is subject to volatility resulting from the fair value measurement of pension plans' investments
- Some participants disagreed with establishing a participating employer's proportionate share in a manner consistent with the way in which contributions to the plan are determined
- Some users reported not finding pension expense useful in its current form because it does not align with the government's budget
- Some participants were concerned about volatility that could turn a net pension liability into an asset and then back into a liability within a relatively short period



# Findings: Objectives (continued)

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## Disagreements (continued)

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# Findings (continued)

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“The application of Statements 67 and 68 provides users of financial statements with decision-useful information.”

Participants generally reported that Statements 67 and 68 improved transparency, accountability, and clarity through improved quality of information

The discount rate sensitivity analysis was frequently cited as very helpful across all participant types

Many users noted that the trend information included in the 10-year schedules and its related drivers are important to understanding the story of the plan over time, including the dynamics of how a government funds its pension contributions relative to its services



# Findings (continued)

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“Overall, Statements 67 and 68 are operational. Some stakeholders identified challenges in applying certain provisions of the standards, such as:

- the calculation and recognition of pension-related deferrals,
- the calculation of proportionate shares for cost-sharing employers, and
- the application of certain pension provisions to certain closed plans and frozen plans.
- Those challenges may indicate a potential opportunity for additional clarification as well as educational and outreach efforts.”



# Findings: Operationality

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Operationality is primarily concerned with preparers', pension plans', actuaries', and auditors' views on whether the standards (1) are understandable, (2) can be applied as intended, and (3) enable information about pensions and pension plans to be reported reliably

Operational challenges identified by participants include (1) those that may indicate an opportunity for additional educational outreach or clarification and (2) those with provisions that require the use of professional judgment



# Findings: Operationality (continued)

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## Opportunities for additional educational outreach or clarification

- Calculation and maintenance of deferrals
- Application of pension guidance to closed and frozen plans

## Use of professional judgment

- Most common: determining proportionate share of the collective NPL
- Differentiating between a qualified trust and equivalent arrangements
- Determining which factors indicate that a significant change in total pension liability has occurred between the actuarial valuation date and the measurement date and which update procedures are necessary to roll forward the results of the most recent actuarial valuation
- Determining how and when to choose a 20-year municipal bond rate
- Determining when ad hoc COLAs are substantively automatic



# Findings: Unexpected Changes/Consequences

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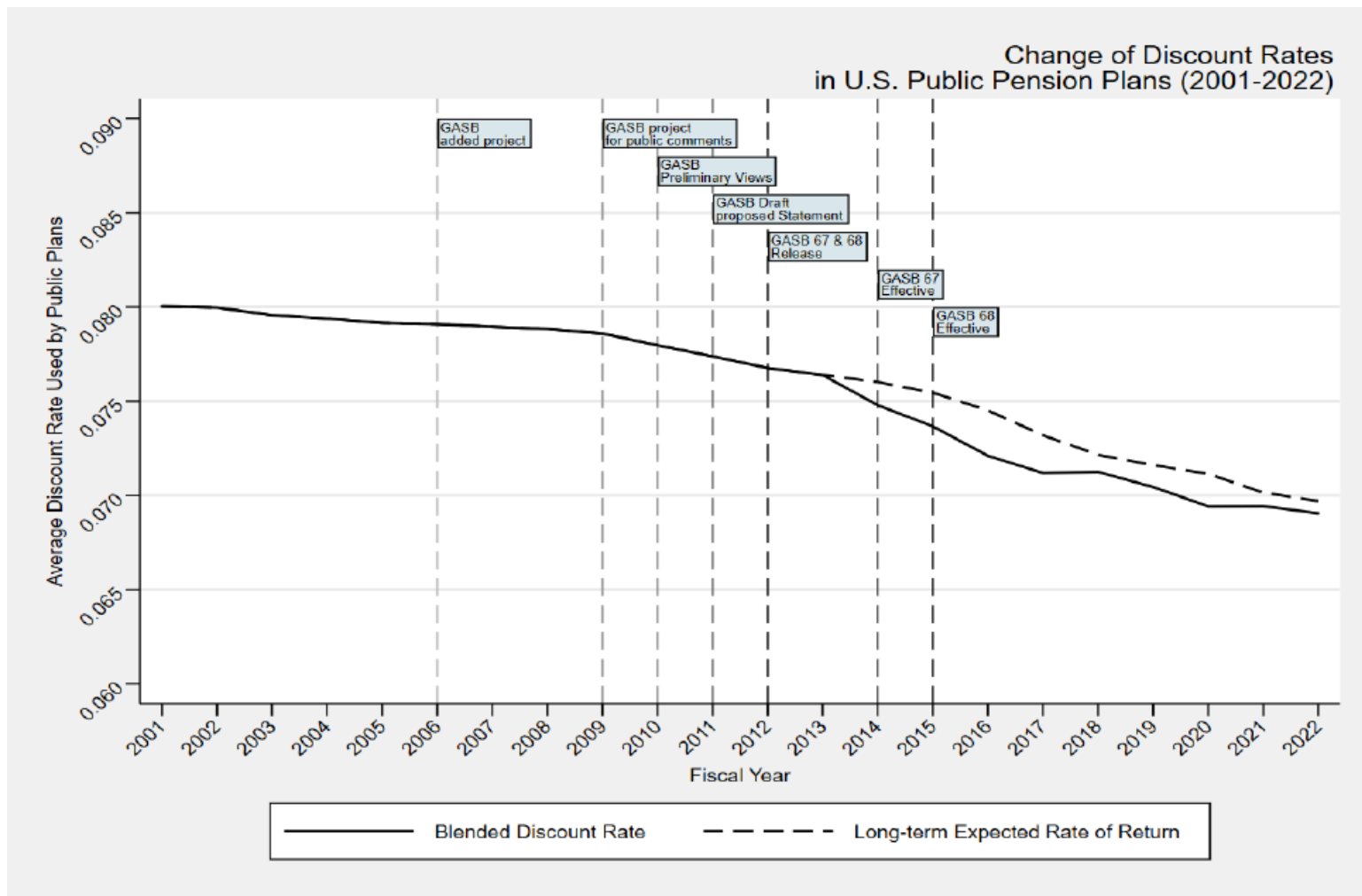
“Our review does not suggest any significant unexpected changes to financial reporting or operating practices as a result of applying Statements 67 and 68.”

“Our review does not suggest any significant unanticipated consequences. We did note three peripheral consequences that may have resulted from the use of information provided by the application of the two standards.

- First, some governments responded to the recognition of the net pension liability with increased funding for contributions to pension plans and management of compensation-related expenditures.
- Second, some academic studies noted changes in investment portfolios to achieve higher long-term expected returns, which may introduce more risk, depending upon investment policies.
- Third, we observed a decrease in the average discount rate utilized following the implementation of the Statements.”



# Findings: Discount Rate



Source: Hoang and Chen (2023)



# Findings: Costs and Benefits

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“Consistent with the comprehensive nature of the Statements, implementation costs were significant and were contemplated by the Board and documented in a field test in the Exposure Draft stage of the projects. In addition, the costs of continued application of the Statements reflect an expected peak in the first year following implementation with a significant decrease in the second year of implementation, which is partially a result of extensive educational and outreach efforts since the issuance of the final Statements.”

“Overall, the expected benefits of Statements 67 and 68—improved user understanding about pension plans and pensions, including governments’ net pension liabilities and contributions to pension plans, better decision making and assessment of accountability and interperiod equity, greater comparability and consistency, and increased transparency—have been achieved.”



# Findings: Costs

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The overall costs incurred were significant and the effort (costs and hours) for pension plans was significantly higher than for employer governments

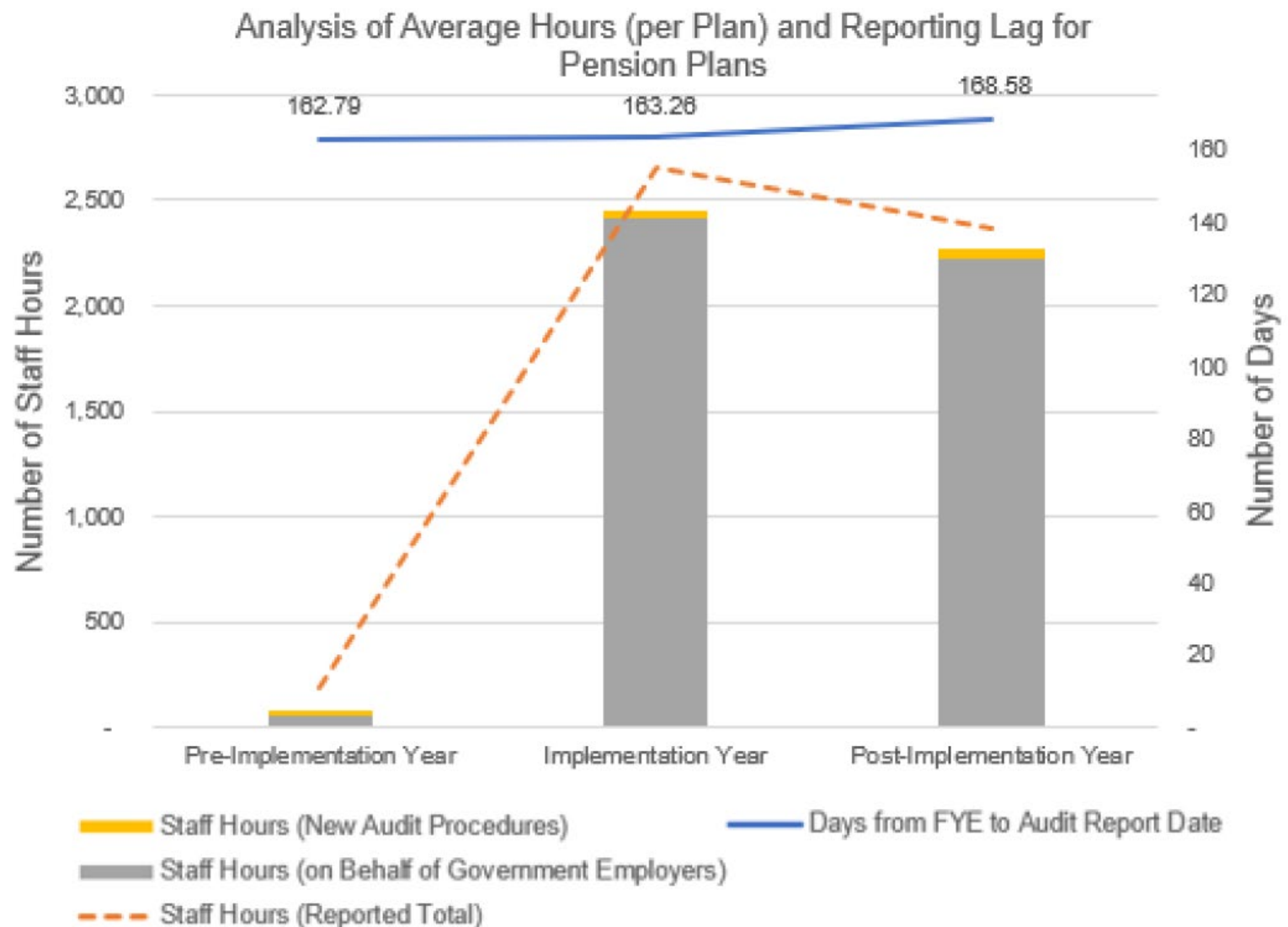
Those findings are consistent with the Board's expectations during the development of the standards and with the field test results from the Exposure Draft

Costs associated with multiple-employer cost-sharing plans were frequently cited as a concern, especially for smaller government preparers and their auditors; most common costs cited were:

- Audit fees related to auditing procedures performed for proportionate share calculations
- Consultant fees to perform proportionate share calculations

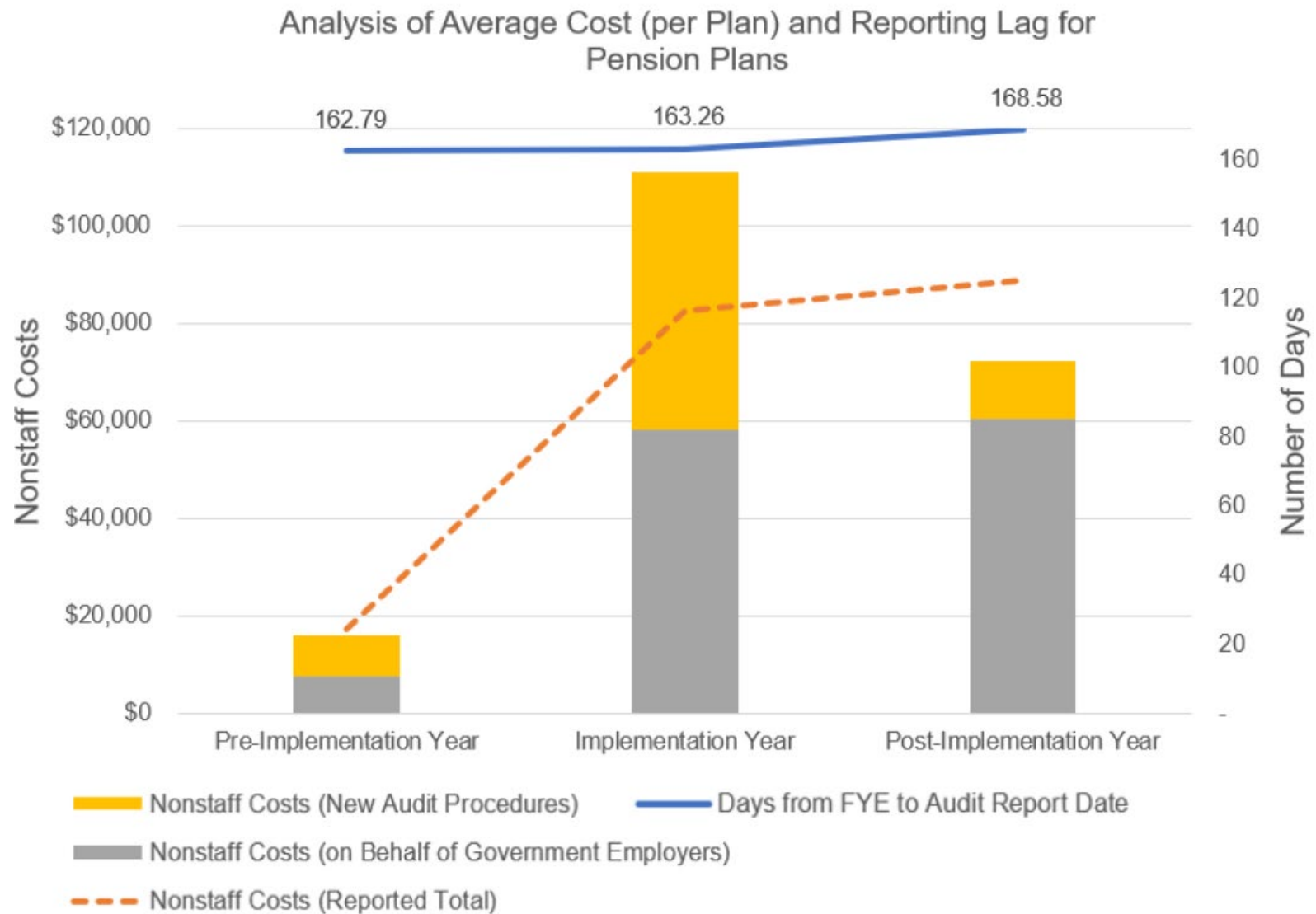


# Staff Hours: Plans



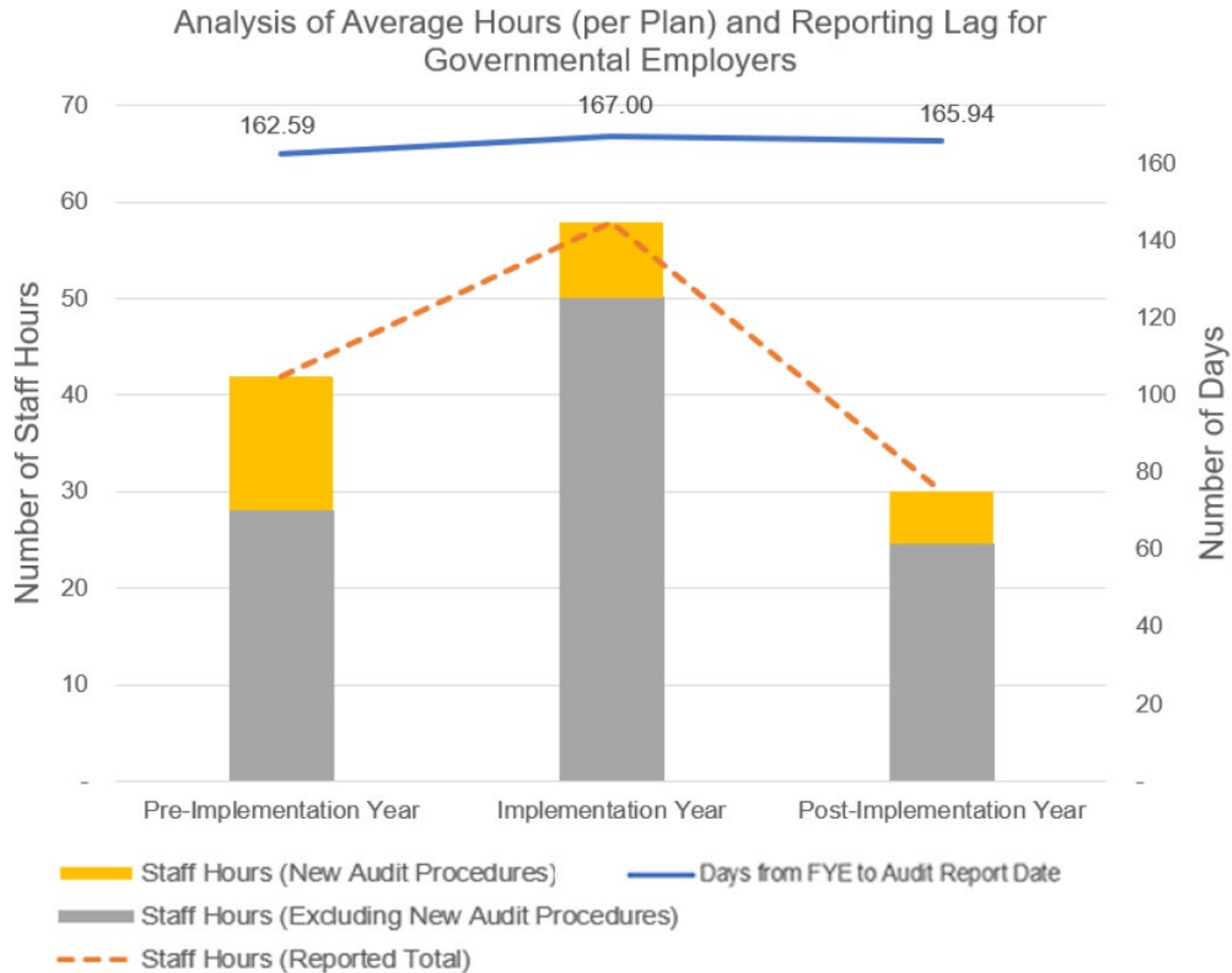


# Non-Staff Costs: Plans



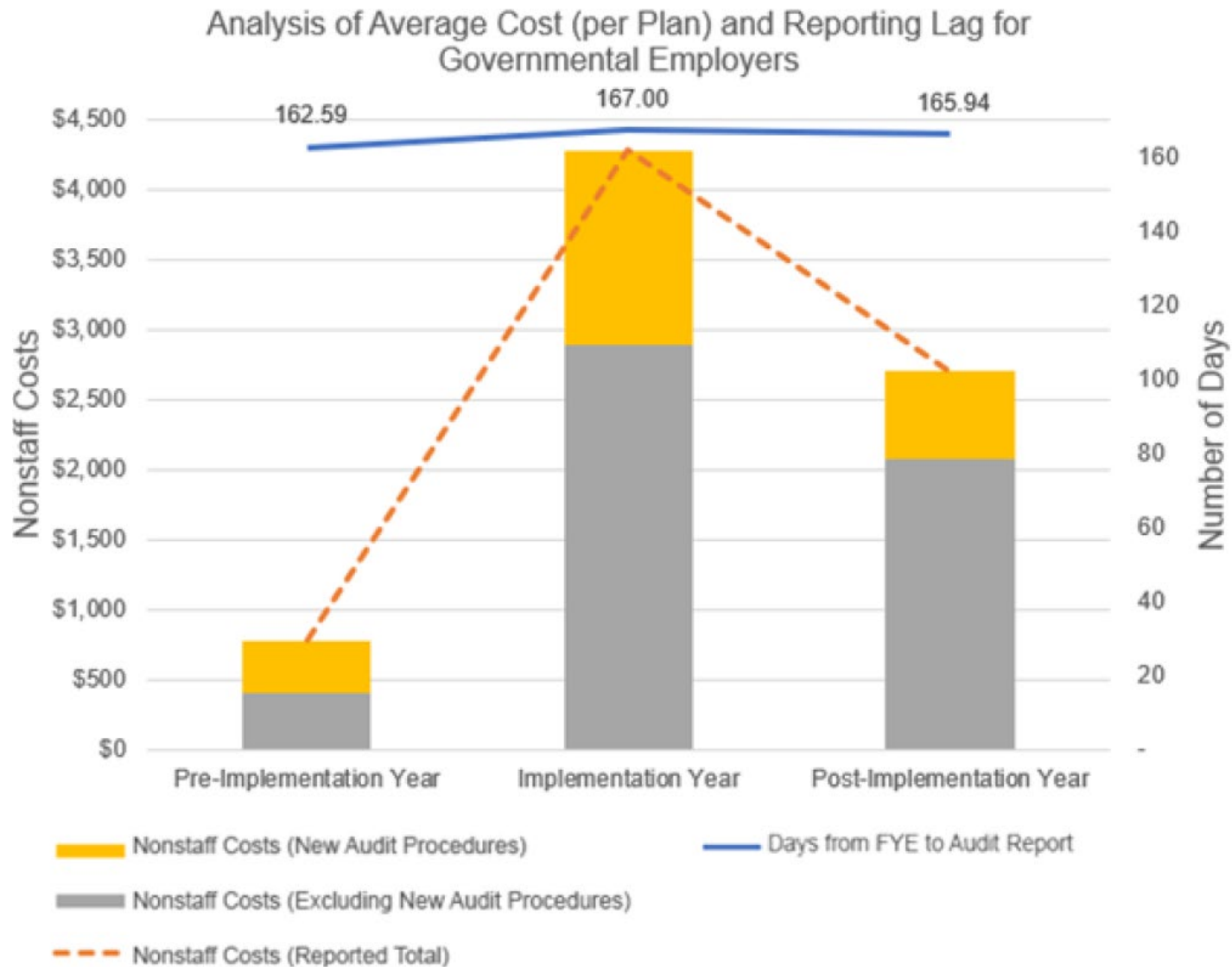


# Staff Hours: Employers





# Non-Staff Costs: Employers





# Findings: Costs (continued)

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Some participants reported significant time spent compiling and processing proportionate share allocations and allocating on-behalf payments from the state

Participants also frequently cited ongoing costs associated with maintaining deferral schedules



# Findings: Benefits

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The benefits of Statements 67 and 68 are consistent with the benefits the Board intended and stakeholders expected

The cost to consume the information varies by types of users, their familiarity with pension-related issues, and how the information is presented in the financial statements of the pension plans and governmental employers

- Mixed feedback about whether the volume of information provided in note disclosures and RSI schedules increases the cost (hours) to consume the information
- Users value the standardized information in the 10-year RSI schedules, citing improved efficiency in their analysis and risk assessment

Users were able to understand and utilize the information

The manner in which notes and RSI are presented affects the usability of the information



# Findings: Standards-Setting Process

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“Finally, no standard-setting process recommendations were identified from our review. At the same time, in the final section of this report, we provide a discussion of the following forward-looking items: (1) the newly developed GASB disclosure framework and (2) the opportunity to benefit future PIR efforts through reflection on this first GASB PIR conducted under the revised process.”



# - Today's Presenter -

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# CRI Firm Facts



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Defining our brand by meeting or exceeding the highest expectations of our clients

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## INTEGRITY

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