

2026 GASB Update

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NASBA Info

- Recommended Hours of CPE | 4 Hours
- Field of Study | Accounting (Governmental)
- Prerequisites | Prior experience with governmental financial reporting
- Advanced Preparation | None
- Program Level | Update

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Agenda

Issued Standards

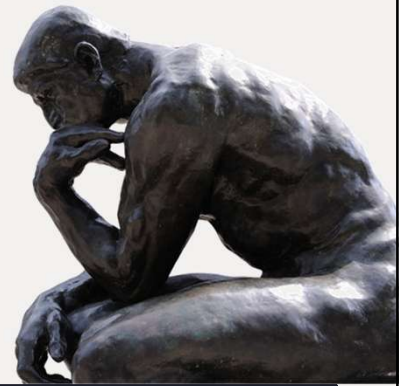
Current Projects

Pre-Agenda Research

Post Implementation Review

Technology

Lessons Learned



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Learning Objectives

1. Recall the impact of GASB Statement No. 103 on the governmental financial reporting model
2. Identify new disclosure requirements introduced by GASB Statement No. 104
3. Recognize requirements related to subsequent events under GASB Statement No. 105
4. Recall key elements of recent GASB exposure drafts and active projects
5. Describe the impact of GASB Statement No. 101 on compensated absences



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Issued Standards



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GASB 103



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GASB 103

Financial Reporting Model Improvements

- Issued: May 2024
- Background:
 - Objective is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability

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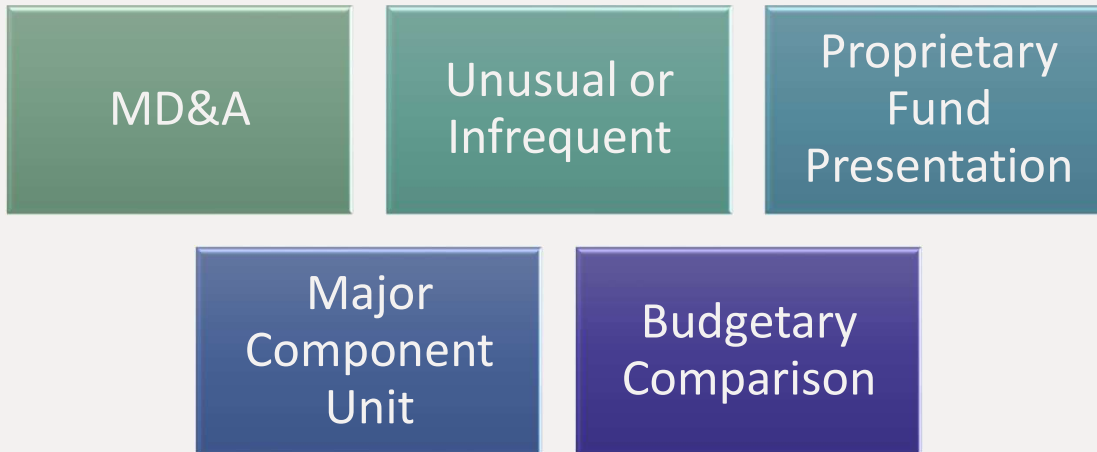
Not Changing

- Governmental Funds!



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Areas of Change



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MD&A

- The basic financial statements should be preceded by MD&A, which is RSI
- MD&A should provide an objective and easily readable analysis of the government's financial activities based on currently known facts, decisions, or conditions
 - Currently known refers to information that management is aware of as of the date the FS are issued

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MD&A Cont'd

- MD&A provides financial managers with the opportunity to present both short-term and long-term analyses of the government's activities
- MD&A should be written in a manner that can be understood by users **who may not have a detailed knowledge** of governmental accounting and financial reporting
- MD&A also should include **explanations and interpretations** that help users understand the information provided

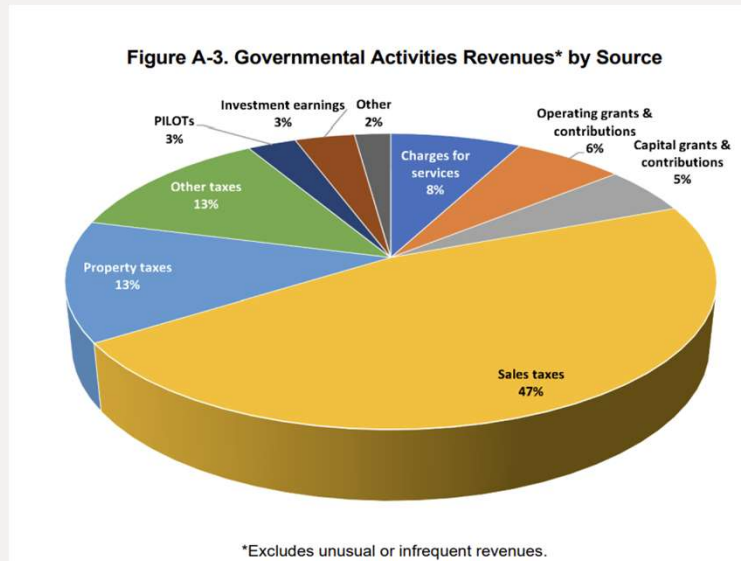
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MD&A Cont'd

- MD&A should discuss the current-year balances and results of operations in comparison with the prior year, with **emphasis on the current year**
- This analysis should be **fact based** and should discuss the activities that have had either a **significant** positive impact or a **significant** negative impact on the government's balances and results of operations in **comparison** with the prior year
- The analysis should **assist users in understanding why** balances and results of operations reported in the current year's financial statements changed from the prior year **rather than simply presenting the amounts or percentages** by which they changed
- The use of charts, graphs, and tables is encouraged to **enhance the understandability** of the information

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Example



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Example 2

Growth in intergovernmental grant revenues

There were notable increases in 20X5 in both operating and capital grants and contributions. Capital grants and contributions, which account for 5.2 percent of overall revenues for governmental activities, more than doubled to \$30.9 million from 20X4 to 20X5. Most of that amount was a one-time \$22.0 million capital contribution from the federal government in the form of the land and facilities of former Army Base 559, which is located in Sample City and ceased operations in 20X0. The City is in the process of converting the base to a central public works and transportation garage and headquarters.

Operating grants and contributions, which account for 6.4 percent of overall revenues for governmental activities, increased 22.9 percent to \$38.2 million in 20X5. All of that growth came from an increase in public safety grants from both the State and federal governments, which totaled \$31.4 million or over 82 percent of the operating grant revenue. Most of the additional grant revenue was received as part of a federal program to improve local emergency services readiness to respond to a variety of emergency scenarios, including natural disasters, terrorist attacks, and medical crises.

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MD&A Cont'd

- If possible, the analysis in MD&A should **avoid unnecessary duplication**
- Certain explanations may be relevant to the discussion in multiple sections of MD&A
 - Those explanations may be repeated after they have been presented initially, but that is not required
 - Determining whether to repeat explanations within multiple sections of MD&A is a matter of professional judgment

Example

- For example, a tax rate increase enacted during the year may affect the results in both the government-wide financial statements and the governmental fund financial statements
- After the increase is discussed in the analysis of the government-wide financial statements, that discussion could be referenced in the analysis of major funds, rather than duplicated, unless there is a significant change resulting from the use of a different measurement focus

MD&A Cont'd

- MD&A should focus on the primary government
 - Information included in MD&A should distinguish between that of the primary government and its discretely presented component units
- Determining whether to discuss matters related to a discretely presented component unit is a matter of professional judgment and should be based on the nature and significance of the individual component unit's relationship to the primary government
- If appropriate, the reporting entity's MD&A should refer users to the component unit's separately issued financial statements

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MD&A Cont'd

- MD&A requirements are discussed below in general rather than specific terms to emphasize that financial managers should include the explanations that are most relevant to the information presented each year and should **avoid "boilerplate" discussion**

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MD&A Cont'd

- Requires that the information presented in MD&A be limited to the related topics discussed in five sections:
 1. Overview of the Financial Statements
 2. Financial Summary
 3. Detailed Analyses
 4. Significant Capital Asset and **Long-Term Financing Activity**
 5. Currently Known Facts, Decisions, or Conditions

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Overview of the Financial Statements

- An overview of the basic financial statements, including the **relationships** of the statements to each other
- The overview should focus on the **significant differences** in the types of information the financial statements provide

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Financial Summary

- Condensed financial information derived from the government-wide financial statements **comparing the current year to the prior year** for both governmental activities and business-type activities

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Detailed Analyses

- An **analysis** of the primary government's financial position and results of operations
 - The analysis should summarize **significant changes** to both governmental activities and business-type activities as reported in the government-wide financial statements and, if applicable, should refer to the **analysis** of significant capital asset and long-term financing activity rather than duplicating information
 - In addition to reporting the amounts or percentages of significant changes, the analysis should **explain why those changes** from the prior year occurred and indicate the magnitude of those changes
 - The analysis also should include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area
 - Additionally, the analysis should include a discussion of **significant policy changes** (such as changes in tax rates or fees, or the imposition of a hiring freeze) and important economic factors (such as changes in the tax or employment bases) that **significantly affected operating** results for the year, as applicable

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Detailed Analyses Cont'd

- An **analysis** of fund balance or net position & results of operations of each **major fund**
 - The analysis should **summarize significant changes** to each major fund and, if applicable, should **refer to** the analysis of significant capital asset and long-term financing activity rather than duplicating information
 - In addition to reporting the amounts or percentages of significant changes, the analysis should **explain why** those changes from the prior year occurred and indicate the magnitude of those changes
 - The analysis should include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government's geographical area **that differ** from the analysis already required rather than duplicating them
 - The analysis also should address restrictions, commitments, and assignments that significantly affect the availability of fund resources for future use
 - The analysis of major funds may **focus on explanations**

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Significant Capital Asset Activity

- A description of significant capital asset activity during the year, including certain intangible assets
 - The description should include a discussion of **significant additions and disposals** of capital assets and changes to commitments made for the acquisition of capital assets
 - The description should address any **significant policy changes and economic factors** relevant to the capital asset activity that occurred during the year
 - If applicable, the description should refer to the detailed analysis of significant capital asset activity rather than duplicating information

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Significant Long-Term Financing Activity

- A description of significant long-term financing activity during the year, including debt, leases, PPPs, and SBITAs
 - The description should include a discussion of such **agreements entered into, changes in credit ratings, and changes to debt limitations** that may affect the financing of planned facilities or services, if any
 - The description should address any **significant policy changes and economic factors** relevant to the long-term financing activity that occurred during the year
 - If applicable, the description should refer to the detailed analysis of significant long-term financing activity rather than duplicating information

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Currently Known Facts, Decisions, or Conditions

- A description of currently known facts, decisions, or conditions that are **expected** to have a significant effect on financial position (net position) or that are **expected** to produce significant differences from current-period results of operations (revenues, expenses, and other changes in net position)

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Examples (Not all Inclusive)

- **Trends** in relevant economic and demographic data, such as changes in population (total or specific age groups), customer base, income levels, building permits, enrollment, and unemployment rates
- Relevant factors **used to develop the subsequent year's budget** that will provide an indication of how results of operations are expected to change in the subsequent year, such as:
 - Those that are **expected** to result in changes in the total amount available for appropriation, referring as needed to relevant information about specific revenue sources, for example, changes in tax rates or fee amounts and changes in the economic bases or range of activities, respectively, to which they are applied
 - Those that are **expected** to result in changes in planned spending, referring as needed to relevant explanatory factors such as inflation; labor contracts; new laws or regulations; and the addition, expansion, elimination, or reduction of programs

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Examples Cont'd

- Expected changes in budgetary net position or fund balance
- Actions the government has taken related to postemployment benefit liabilities, capital asset improvement plans, lessee liabilities, operator liabilities in PPP arrangements, SBITA liabilities, and other long-term financings that will affect the government in a subsequent period
- Actions other parties have taken that will affect the government in a subsequent period, such as new legislation or regulations imposed on the government

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Unusual or Infrequent Items

- Describes unusual or infrequent items as transactions and other events that are either unusual in nature or infrequent in occurrence

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Definitions (from GASB 62)

Unusual in Nature

- The underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates

Infrequency of Occurrence

- The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates

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Unusual or Infrequent Presentation

- Governments should present inflows and outflows related to unusual or infrequent items individually as the **last presented flow(s) of resources** prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows

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Unusual or Infrequent Presentation & Disclosure

- Inflows and outflows related to each unusual or infrequent item should **be presented separately and not netted** on the government-wide statement of activities; the governmental fund statement of revenues, expenditures, and changes in fund balances; and the proprietary fund statement of revenues, expenses, and changes in fund net position
- Governments should **disclose in notes** to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item is within the control of management

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Sample City
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
for the Year Ended June 30, 20X5
(amounts expressed in thousands)


	General Fund	Public Safety and Transportation Special Revenue Fund	Debt Service Fund	Infrastructure Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes:						
Sales tax	\$ 104,142	\$ 51,442	\$ -	\$ 123,983	\$ -	\$ 279,567
Property tax	-	-	78,930	-	-	78,930
Franchise tax	22,706	-	-	-	416	23,122
Use tax	34,800	-	-	6,188	-	41,088
Hotel/motel tax	157	-	-	-	7,713	7,870
Special assessment tax	-	-	-	-	2,739	2,739
Payments in lieu of taxes	15,737	-	-	-	-	15,737
Intergovernmental	1,597	30,337	-	-	18,654	50,588
Charges for services	13,905	8,848	-	-	13,042	33,795
Licenses, permits, and fees	3,532	-	-	-	-	3,532
Fines and forfeitures	7,853	-	-	-	121	7,974
Investment earnings	6,792	2,295	-	11,028	325	20,440
Miscellaneous	2,075	-	46	128	273	2,522
Total revenues	213,376	90,922	78,976	141,327	43,283	567,884
EXPENDITURES						
Current:						
General government	29,097	15,083	-	2,168	66	46,414
Public safety	129,770	58,452	-	6,097	15,652	209,941
Public works	1,882	16,934	-	2,446	173	21,435
Culture and recreation	21,354	-	-	36	740	22,130
Social and economic development	11,814	-	-	-	13,787	25,401
Debt service:						
Principal	1,262	-	54,214	8,742	-	64,218
Interest and other charges	54	-	22,221	6,029	-	28,304
Capital outlay	1,105	-	-	151,907	5,034	158,044
Total expenditures	196,136	90,469	76,435	177,395	35,452	575,887
Excess (deficiency) of revenues over expenditures	17,240	453	2,541	(36,068)	7,831	(8,003)
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	30,649	110,081	-	150,330
Premium on debt issued	-	-	1,600	6,249	-	7,849
Payment to bond refunding escrow agent	-	-	(32,230)	-	-	(32,230)
Proceeds from the sale of capital assets	275	-	-	-	-	275
Transfers in	2,830	-	-	192	1,303	4,125
Transfers out	(862)	-	-	(18,294)	(5,880)	(24,636)
Total other financing sources (uses)	2,243	-	19	107,828	(4,377)	105,713
UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE						
Grant revenues	2,500	-	-	-	-	2,500
Cleanup	(10,000)	-	-	-	-	(10,000)
Total unusual or infrequent item	(7,500)	-	-	-	-	(7,500)
Net change in fund balances	11,983	453	2,560	71,760	3,454	90,210
Fund balances—beginning of period	55,009	4,024	65,729	548,550	14,370	688,181
Fund balances—end of period	\$ 66,992	\$ 4,477	\$ 68,289	\$ 620,310	\$ 18,333	\$ 778,401

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Proprietary Fund Presentation

- The proprietary fund statement of revenues, expenses, and changes in fund net position continue to distinguish between operating and nonoperating revenues and expenses


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Proprietary Fund Definitions

Operating revenues and expenses

- Defined as revenues and expenses other than nonoperating revenues and expenses

Nonoperating revenues and expenses

- Defined as:
 - Subsidies received and provided
 - Contributions to permanent and term endowments,
 - Revenues and expenses related to financing
 - Resources from the disposal of capital assets and inventory
 - Investment income and expenses

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Exception

- Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary fund's **principal ongoing operations**

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Example

- Interest revenues should be reported as operating revenues by a proprietary fund established to provide loans to first-time homeowners, which is consistent with the classification in the statement of cash flows of certain loan programs

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Proprietary Fund Definitions Cont'd

Subsidies

- Resources received from another party or fund
 - For which the proprietary fund does not provide goods and services to the other party or fund and
 - That directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
- Resources provided to another party or fund
 - For which the other party or fund does not provide goods and services to the proprietary fund and
 - That are recoverable through the proprietary fund's current or future pricing policies
- All other transfers

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Proprietary Fund Subtotals

- Requires that a subtotal for operating income (loss) and noncapital subsidies be presented before reporting other nonoperating revenues and expenses

Operating revenues (detailed)
 Total operating revenues
Operating expenses (detailed)
 Total operating expenses
 Operating income (loss)
Noncapital subsidies (detailed)
 Total noncapital subsidies
 Operating income (loss) and noncapital subsidies
Other nonoperating revenues and expenses (detailed)
 Total other nonoperating revenues and expenses
 Income (loss) before unusual or infrequent items
Unusual or infrequent items (detailed)
 Increase (decrease) in fund net position
Fund net position—beginning of period
Fund net position—end of period

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Sample City Statement of Revenues, Expenses, and Changes in Fund Net Position Proprietary Funds for the Year Ended June 30, 20X5 (amounts expressed in thousands)					
	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
OPERATING REVENUES					
Charges for services	\$ 41,003	\$ 18,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	41,286	18,669	2,665	62,620	42,601
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	40,777	25,378	7,433	73,588	44,540
Operating income (loss)	509	(6,709)	(4,768)	(10,968)	(1,939)
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	(1,980)	2,090	110	220	1,181
Operating income (loss) and noncapital subsidies	(1,471)	(4,619)	(4,658)	(10,748)	(758)
OTHER NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in—restricted for capital assets	1,032	15,360	2,384	18,776	1,215
Total other nonoperating revenue (expenses)	3,556	14,987	1,524	20,067	1,664
Increase (decrease) in fund net position	2,085	10,368	(3,134)	9,319	906
Fund net position—beginning of period	331,657	177,997	29,423	539,077	12,387
Fund net position—end of period	\$ 333,742	\$ 188,365	\$ 26,289	\$ 548,396	\$ 13,293

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Major Component Unit

- In basic financial statements, requires each major component unit to be presented separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements
 - If the readability of those statements would be reduced, combining statements of major component units should be presented after the fund financial statements

Budgetary Comparison

- Budgetary comparison schedules should be presented using a single method of communication - as RSI for the general fund and each major special revenue fund that has a legally adopted annual budget

Budgetary Comparison Cont'd

- Required to present:
 - Variances between original and final budget amounts and
 - Variances between final budget and actual amounts
- An explanation of significant variations between original and final budget amounts and final budget amounts and actual results is required to be presented in the notes to RSI

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Example

Required Supplementary Information Sample City Budgetary Comparison Schedule Public Safety and Transportation Special Revenue Fund for the Year Ended June 30, 20X5 (amounts expressed in thousands)					
	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	\$ 49,825	\$ 49,825	\$ -	\$ 51,442	\$ 1,617
Intergovernmental	29,750	29,750	-	30,337	587
Charges for services	6,720	6,720	-	6,848	128
Investment earnings	1,900	1,900	-	2,295	395
Total budgetary revenues	88,195	88,195	-	90,922	2,727
BUDGETARY EXPENDITURES					
Current:					
General government	13,665	15,305	1,640	15,083	(222)
Public safety	58,000	58,250	250	58,452	202
Public works	16,265	16,945	680	16,934	(11)
Total budgetary expenditures	87,930	90,500	2,570	90,469	(31)
Net change in fund balances	265	(2,305)	2,570	453	2,758
Budgetary fund balance—beginning of period	4,024	4,024	-	4,024	-
Budgetary fund balance—end of period	\$ 4,289	\$ 1,719	\$ 2,570	4,477	\$ 2,758
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				\$ 4,477	

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Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	<u>General Fund over (under)</u>	<u>Public Safety and Transportation Fund over (under)</u>
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	\$ 4,170	\$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	\$ (2,526)	\$ -
UNUSUAL OR INFREQUENT ITEM		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	\$ 2,500	\$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-


Note: This explanation of significant differences is shown in a tabular format. Governments can show this information in other styles such as paragraph form if they choose.

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Statistical Section – Financial Trends

- In the statistical section of separately issued financial reports, governments engaged only in business-type activities or only in business-type and fiduciary activities should present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses


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Effective Date

- Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter
 - Earlier application is encouraged
- If a primary government chooses early implementation, all component units also should implement in the same year, subject to the provisions of paragraph 59 of Statement 14



Transition

- Reported as a change in accounting principle in accordance with Statement No. 100, Accounting Changes and Error Corrections, including the related display and disclosure requirements

GASB 104



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GASB 104

Disclosure of Certain Capital Assets

- Issued: September 2024
- Objective:
 - This Statement is to provide users of government financial statements with essential information about certain types of capital assets

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Background

- Statement 34
 - Long-lived nonfinancial assets have been classified as capital assets, particularly due to the inclusion of intangible assets in the definition of capital assets
- Statement 87, 94, and 96
 - Led to intangible right-to-use assets to be classified as capital assets and subject to Statement 34

Separate Disclosure of Certain Capital Assets

- Within the note disclosures about capital assets, the following capital assets & related amortization amounts should be disclosed separately
 - GASB 87 lease assets
 - Report by major class of the underlying asset
 - GASB 94 intangible right-to-use assets
 - Report by major class of underlying PPP assets
 - GASB 96 subscription assets
 - Intangible assets other than GASB 87, 94, and 96
 - Disclosed by major class of asset

Illustration 1—Capital Assets Note Disclosure

This illustration provides an example of the governmental activities capital assets note disclosure for a hypothetical government. The example illustrates some of the requirements in paragraph 4 of this Statement. Other presentations also may satisfy those requirements.

Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	32,399	15,240	(19,204)	28,435
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,865	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	218,431	20,480	(5,363)	233,548
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	\$ 201,052	\$ 28,395	\$ (22,470)	\$ 206,977

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Capital Assets Held for Sale

- A capital assets is deemed to be a capital asset held for sale if
 - The government decides to pursue the sale of the asset; AND
 - It is likely that the capital assets sale will be finalized within one year of the financial statement date

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Probable Sale Considerations

Whether the asset is available for immediate sale in its present condition

Whether an active program to locate a buyer has been initiated, which may include the asset being put out for bid

Market conditions for selling that type of asset

Regulatory approvals needed to sale the asset

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Further Consideration

- Capital assets held for sale should
 - Be evaluated each reporting period
 - Continue to be reported within the appropriate major class of capital assets
 - Be disclosed in the notes with separate disclosure of historical costs and accumulated depreciation or amortization by major class of asset
 - Plus, the carrying amount of debt for which capital assets held for sale are pledged as collateral

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Example Disclosure

- Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of \$8.0 million and an accumulated depreciation of \$5.0 million, and they are pledged as collateral for debt with a balance of \$1.5 million.

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Effective Date

- Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter
- Earlier application is encouraged



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GASB 105



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GASB 105

Subsequent Events

- Issued: December 2025
- Objective:
 - Improve the financial reporting requirements by enhancing consistency in their application and better meeting the information needs of financial statement users

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Definitions

Subsequent Events

- Transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued (the subsequent events time frame)

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Definitions Cont'd

- The date the financial statements are available to be issued is the date at which
 - The financial statements are complete in a form and format that complies GAAP and
 - Approvals necessary for issuance have been obtained

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Recognized Event

- A recognized event is a subsequent event that provides evidence of conditions **that existed** at the financial statement date that **inform accounting estimates** reported as of the FS date

Relationship with GASB 100

- Accounting estimates reported as of the financial statement date should reflect the conditions that existed at that date, including conditions substantiated by recognized events
- Identifying recognized events requires professional judgment and knowledge of the facts and circumstances

Example

- The bankruptcy of a water utility's major customer during the subsequent events time frame may be indicative of deteriorating financial conditions that existed at the financial statement date
- In this circumstance, the water utility's FS as of the financial statement date should incorporate that event into the measurement of its uncollectible accounts receivable

Example 2

- If that customer instead experienced a major casualty, such as a fire or flood, during the subsequent events time frame, such an event would not be indicative of conditions that existed at the financial statement date
- Therefore, in that circumstance, measurement of the water utility's uncollectible accounts receivable as of the financial statement date should not incorporate the effects of that event

Non-recognized Event

- A non-recognized event is a subsequent event that results in a significant effect (favorable or unfavorable) that is recognized or disclosed in the basic financial statements **in the reporting period in which the event occurs** and is one of the following:
 - A debt-related transaction
 - A government combination or a disposal of government operations
 - A change to the legally separate entities that compose the financial reporting entity
 - A transaction or other event that is of such a nature that the information about the event and its impact are essential to a user's analysis for making decisions or assessing accountability

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Non-recognized Event Cont'd

- Non-recognized events **do not inform conditions that existed at the financial statement date**, and, therefore, the effects related to nonrecognized events **should not be incorporated** into amounts reported as of the financial statement date in the basic financial statements

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Note Disclosure

- The date through which subsequent events have been evaluated should be disclosed in notes to financial statements
 - That date should be disclosed **regardless** of whether there is a recognized event or a non-recognized events

Note Disclosures – Non-recognized Events

- A description of the non-recognized event and its effect
- An estimate of the amount of the effect of the non-recognized event, or the reason why an estimate of the amount cannot be made

Effective Date

- For fiscal years beginning after June 15, 2026, and all reporting periods thereafter
 - Applied prospectively at transition
 - Earlier application is encouraged



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Current Projects



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Revenue & Expense Recognition



75

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Objective

- The overall objective of this project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue **and** expense transactions

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Impact

- Achieving that objective will include:
 - Development of guidance applicable to topics for which existing guidance is limited
 - Improvement of existing guidance that has been identified as challenging to apply
 - Consideration of a performance obligation approach to the GASB's authoritative literature
 - Assessment of existing and proposed guidance based on the conceptual framework

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Background

- Invitation to Comment, *Revenue and Expense Recognition*
 - Issued: January 2018
- Preliminary Views, *Revenue and Expense Recognition*
 - Issued: June 2020

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Model Assumptions

- Revenues and expenses are of equal importance in resource flows statements
- Revenues and expenses should be categorized independently and not in relation to each other
- Establishing that the government is not acting as an agent for the citizenry, with the intent to prevent netting for revenues and expense should be continued
- Symmetry should be considered, to the extent possible, in application of the three components of the model
- A consistent viewpoint, from the resource provider perspective, should be applied in the analysis of revenues and expenses

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Category A Transactions

- Revenues and expenses would be recognized based on the satisfaction of a performance obligation (PO)
 - A government would determine each PO in the binding arrangement by identifying distinct goods or services
 - The recognition of revenues and expenses occurs upon the satisfaction of those PO

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Category B Transactions

- The recognition approach for Category B transactions would be based on five subcategories of transactions:
 1. Derived revenue
 2. Imposed revenue
 3. Contractual binding arrangement
 4. General aid to governments
 5. Shared revenue

Reporting Period

- For Category A transactions, the characteristic used to determine applicability to a reporting period is the satisfaction of a performance obligation
- For Category B transactions, the characteristic used to determine the applicability to a reporting period is the satisfaction of time requirements

Revenue Recognition Methodology

- The anchor for a revenue transaction should be identified as
 - An item of information that meets the definition of an asset that 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 in both Category A and Category B revenue transactions

Expense Recognition Methodology

- The anchor for an expense transaction should be identified as
 - An item of information that meets the definition of a liability that 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 in both Category A and Category B expense transactions

Definitions

Transaction

- A type of economic activity between the government and at least one counterparty that is evidenced by one or more binding arrangements

Binding Arrangement

- An understanding between two or more parties that creates rights, obligations, or both among the parties to a binding arrangement

Recognition Units

- The recognition unit of account for Category A revenue and expense transactions is the distinct goods or services
- The recognition unit of account for Category B derived and imposed transactions is the transaction

Next Step

- Exposure Draft in Q1 2027



Going Concern Uncertainties
and Severe Financial Stress



Objective

- The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress
- The project will consider
 - Improvements to existing guidance for going concern considerations to address diversity in practice & clarify the circumstances under which disclosure is appropriate,
 - Developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and
 - What information about a government's exposure to severe financial stress is necessary to disclose

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Background

- *Preliminary Views, Severe Financial Stress and Probable Dissolution Disclosures*
 - Issued: March 2025

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Rationale

- Current authoritative guidance for the disclosure of GCU is established in GASB 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards
- GASB 56 incorporated AICPA guidance related to accounting for GCU into the GASB literature

Current Rules

- A government should evaluate whether there is substantial doubt about its ability to continue as a going concern for 12 months from the financial statement date or shortly thereafter
 - If there is substantial doubt about a government's ability to continue as a going concern, certain note disclosures are required

The Issues

- Are GASB 56 going concern indicators appropriate for state & local governments?
 - Few governments cease to operate when encountering such indicators
- What information is needed by financial statement users about SFS uncertainties?

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Acronyms

SFS

Severe Financial Stress

PD

Probable Dissolution

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Preliminary Views

SFS Guidance

- Focused on a government's financial condition, regardless of whether there is uncertainty about its continued existence

PD Guidance

- Focused on the uncertainty about a government's continued existence, regardless of its financial condition

Preliminary Views Cont'd

SFS is a condition existing as of the FS date

- A government is only required to assess its financial condition as of the financial statement date and is not required to evaluate what its future financial condition will be

PD is uncertainty about a future event occurring

- The assumption of a government's continued existence underlies financial statements, if there is sufficient uncertainty about that assumption, users should be aware of it

Preliminary Views Chapters

Relationship between SFS and PD

Assessment of SFS Conditions

SFS Disclosures

Evaluation of PD

PD Disclosures

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SFS Disclosures

- A government will make SFS disclosures if, as of the financial statement date
 - It is experiencing financial stress to the degree that it is near or at the point of **insolvency**
 - Point of **insolvency** - Not paying or unable to pay liabilities as they come due

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SFS Disclosures Cont'd

Reasons and causes for the SFS condition,

The government's evaluation of the significance of those reasons and causes

Actions taken in response to the SFS condition

The known effects of the SFS condition

PD Disclosures

- A government will make PD disclosures if it is **probable** that it will cease to exist as the same legally separate entity within 12 months of the date the financial statements **are available to be issued**
 - Regardless of financial condition
 - Applied to all forms of potential government dissolutions

Proposed PD Disclosures

A statement that dissolution is probable

The reasons and causes for the PD

The government's evaluation of the significance of those reasons and causes

Actions taken in response to the PD

Information about the recoverability, amounts or classification of assets and liabilities

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Next Steps

- Exposure Draft Q2 of 2027



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Infrastructure Assets



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Objective

- This project will address issues related to accounting and financial reporting for infrastructure assets.
- The project will evaluate standard-setting options related to reporting infrastructure assets to make information
 1. More comparable across governments and more consistent over time
 2. More useful for decision making & assessing government accountability
 3. More relevant to assessments of a government's economic condition
 4. Better reflect the capacity of those assets to provide service and how that capacity may change over time

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Background

- Preliminary Views, *Infrastructure Assets*
 - Issued: September 2024

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Background Cont'd

- Per GASB Statement No. 34 – Basic Financial Statements and MD&A – for State and Local Governments
 - Infrastructure assets are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets
 - Examples include, roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems, plus buildings that are an ancillary part of a network of infrastructure assets
 - Preliminary Views adds communication networks as an infrastructure asset example

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Measurement Alternatives

- The two measurement methods for infrastructure assets remained in the Preliminary Views
 1. Historical cost net of accumulated depreciation
 2. Modified approach – historical cost and not depreciated under specific guidelines
 - Preliminary Views does eliminate the requirement to have an asset management system under the modified approach

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Preliminary Views Disclosures Removed

When using the modified approach, no longer describe the approach in the summary of significant accounting policies notes

Not required to report that the government did not have to retroactively report infrastructure assets when implementing GASB 34

No longer disclose impairment amount for infrastructure assets that are idle at year-end

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Preliminary Views Disclosures Added

Disclose changes to their policy for capitalizing infrastructure assets or estimating the useful life when calculating depreciation

When using historical cost net of accumulated depreciation, disclose historical cost by major class that exceed 80% of their estimated lives

Disclose maintenance or preservation expenses related to their infrastructure assets by major class

Disclose policy for monitoring and maintaining or preserving infrastructure assets

Required Supplementary Information

- If Government use the historical cost net of accumulated depreciation, need to have
 - Schedule of maintenance expenses related to infrastructure assets by major class over the past 10 fiscal years
- If a Government uses the modified approach, would continue to have
 - Assessed condition of assets from the three most recent complete condition assessments
 - Estimated annual amount by major class to preserve assets at (or above) condition level established and disclosed

Next Steps

- Exposure Draft – Q1 of 2026



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Pre-Agenda Research



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Current Research Projects

Cybersecurity Risk Disclosures

GAAP Structure

Pension & OPEB Disclosures (Concepts Statement No. 7)

Revenue & Expense Recognition – Note Disclosures

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Post Implementation Review



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Post Implementation Review

Fiduciary
Activities—
Statement 84—
Stage One

Leases—
Statement 87—
Stage One

Other
Postemployment
Benefits—
Statement 75—
Stage Two

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Technology



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Project Objective

- The objective of this project is to develop one or more governmental digital taxonomies for GAAP financial reporting
- The taxonomies that may result from this effort could be used by governments on a voluntary basis to report their GAAP financial statements in digital formats

Considerations

- The following issues will be considered:
 - What is an operable format to organize GAAP requirements into a data structure?
 - How should optionality permissible in GAAP be incorporated into a digital taxonomy?
 - What is the best approach to providing useful line-items in financial statements while allowing entity-specific presentations?
 - What is the best way to represent the basis of accounting into a digital taxonomy?

Lessons Learned



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GASB 101



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GASB 101

Compensated Absences

- Issued: June 2022
- Background:
 - Current guidance includes distinction between vacation and sick leave from GASB 16
 - Use of PTO in lieu created complications

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Definition

Compensated Absence

- A compensated absence is leave for which employees may receive one or more
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlements, such as conversion to defined benefit postemployment benefits

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Timing

- The payment or settlement could occur during employment or upon termination of employment
 - Compensated absences generally do not have a set payment schedule

123

Examples of Compensated Absences

Vacation
(or annual)
leave

Sick leave

Paid time off
(PTO)

Holidays

Parental leave

Bereavement
leave

Certain types
of sabbatical
leave

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Sabbatical Leave

- Sabbatical leave during which an employee is not required to perform any significant duties for the government (unrestricted sabbatical leave) is a compensated absence
- Sabbatical leave during which the employee is required to perform duties of a different nature for the government (for example, research instead of teaching) is not a compensated absence

Termination

- Termination of employment refers to the end of an employee's active service, which can occur for a variety of reasons, including voluntary resignation or retirement
- GASB 101 does not apply to benefits that are within the scope of GASB 47, *Accounting for Termination Benefits*

Recognition

- A liability for compensated absences should be recognized in financial statements prepared using the economic resources measurement focus for
 - Leave that has not been used
 - Leave that has been used but not yet paid or settled

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Not Yet Used

- A liability should be recognized for leave that has not been used if all of the following are true:
 1. The leave is attributable to services already rendered
 2. The leave accumulates
 3. The leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means

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Evaluate

- A government should evaluate whether leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means by assessing relevant factors including:
 - The government's employment policies related to compensated absences
 - Whether leave that has been earned is, or will become, eligible for use or payment in the future
 - Historical information about the use, payment, or forfeiture of compensated absences
 - Information known to the government that would indicate that historical information may not be representative of future trends or patterns

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Defined Benefit Conversion

- Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the compensated absences liability

130

Sporadic Events

- For types of compensated absences that are dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period, a government should not recognize a liability until the leave commences
 - Examples: Parental leave, military leave, and jury duty leave should not be recognized as liabilities until the leave commences

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Exceptions

- A government should not recognize a liability until the leave is used for:
 - Leave that employees are able to take as needed without specific limits (sometimes referred to as unlimited leave)
 - Holiday leave that is taken on a specific date not at the discretion of employees

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Measurement

- Measured using an employee's pay rate as of the date of the financial statements
 - Changes to the measurement of the liability in future periods due to a change in pay rate should be recognized in the period of the change

Exception

- If some or all of the leave is more likely than not to be paid at a rate different from the employee's pay rate at the time of payment (for example, if leave is paid upon termination of employment at one-half of an employee's pay rate at the time of payment), the government should measure that portion of the liability using that different rate as of the date of the financial statements

Exception 2

- If the leave is not attributable to a specific employee as of the date of the financial statements (for example, if leave has been donated to a shared employee leave pool), a government should measure the liability using an estimated pay rate that is representative of the eligible employee population

Exception 3

- If some or all of the leave is more likely than not to be settled through noncash means (other than conversion to defined benefit postemployment benefits), a government should measure the liability based on the amount for which it is more likely than not to be settled

Leave that Has Been Use

- A liability should be reported when leave is used for time off but has not yet been paid in cash or settled through noncash means
 - That liability, including any applicable salary related payments, should be measured at the amount of the cash payment or noncash settlement to be made for the use of the leave

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Measurement

- A government should include in its compensated absences liability salary-related payments that are directly and incrementally associated with the leave
 - Both leave that has been used and leave that has not

138

Definition

Salary-related Payments

- Salary-related payments are obligations that a government incurs related to providing leave in exchange for services rendered
- Examples of salary-related payments include the employer share of Social Security taxes and the employer share of Medicare taxes

139

Rate

- The portion of the liability that is for salary-related payments should be measured using the rates in effect as of the date of the financial statements
 - Changes to the measurement of the portion of the liability that is for salary-related payments in future periods due to a change in rate should be recognized in the period of the change

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Portion

- A salary-related payment may be incrementally associated only with a portion of the recognized leave
 - For example, a government that provides benefits through a defined contribution pension plan may be required to make employer contributions related to leave used for time off but not for leave paid upon termination of employment
- Only the amount that is incrementally associated with the recognized leave is the amount of employer contributions related to the portion of the leave that is more likely than not to be used for time off

DC Plans

- For leave that **has not** been used, expense for salary-related payments related to defined contribution pensions or defined contribution OPEB should be recognized when the liability for that leave is recognized and should be reported as pension expense or OPEB expense, as applicable
 - Those amounts should not be reported as a pension liability or an OPEB liability

DC Plans Cont'd

- For leave that **has been** used, salary-related payments related to defined contribution pensions or defined contribution OPEB should be included in a pension liability or an OPEB liability in accordance with the requirements of GASB 68, 73, or 75

Distribution to Account

- Some governments allow or require compensated absences (often sick leave) to be paid to an employee upon termination of employment through a distribution to an individual account (instead of directly to the employee) to be used for specified purposes, such as payment of the employee's share of future healthcare premiums
- Leave that has not been used, meets the recognition criteria, and is more likely than not to be paid in this manner should be included in a liability for compensated absences following the general measurement provisions

Effective Date

- Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter
 - Earlier application is encouraged
- Reported as a change in accounting principle



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Case Study



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Compensated Absences Case Study

For each of the following scenarios indicate the proper accounting recognition

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Case Study A

Paid time off (PTO) that is earned each month, carries over without limits at the end of the fiscal year, and for which any unused leave is paid upon termination of employment

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Case Study B

Sick leave that is earned each month and carries over without limits at the end of the fiscal year, but any unused leave is not paid upon termination of employment

149

Case Study C

Sick leave that is earned each month, does not carry over at the end of the fiscal year, and is not paid upon termination of employment

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Case Study D

Sick leave that is earned each month, does not carry over at the end of each calendar year, and is not paid upon termination of employment

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Case Study E

Vacation leave that is made available on the first day of the fiscal year (or at inception of employment) and added to the employee's time bank, but is earned throughout the fiscal year and the balance is reconciled if an employee terminates during the year, carries over at the end of the fiscal year without limits, and is paid upon termination of employment

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Case Study F

Compensatory time that is earned as employees work overtime and carries over at the end of the fiscal year. Per state statute, unused compensatory time is not forfeited and is required to be paid upon termination of employment.

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Case Study G

Parental leave. Each new parent is given 6 weeks of parental leave per pregnancy.

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Issues Identified



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Issues Identified

- The term “vesting” does not appear in the new guidance, but it is similar to the first and third criteria, stating that the leave is attributable to services already rendered and that it is more likely than not to be used or paid or settled

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Issues Identified Cont'd

- The flows assumption is another factor that can have a bearing on the likelihood of leave usage, as it determines how the leave is allocated among different types of benefits

Flows

- First in, first out (FIFO)
 - Existing balances are more likely to be used
 - Liability will be higher
 - Calculations may be simplified
- Last in, first out (LIFO)
 - Balances in the next accounting period are not expenses and liabilities because they have not been earned at year end
 - Balances in the next year are used first until they are exhausted – then balances at year end are used
 - Liabilities and expenses are lower for this reason
 - More complex calculations
- Other flow assumptions may be used

GASB 102



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GASB 102

Certain Risk Disclosures

- Issued: January 2024
- Background:
 - Provide users with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints


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Risks

- A government may be vulnerable to risks from certain concentrations or constraints that limit its ability to acquire resources or control spending

161

Update

 Definition Criteria Disclosures Disclosure
Principles

162

Concentration

- A concentration is a lack of diversity related to an aspect of a significant inflow of resources or outflow of resources

163

Examples

Employers

Industries

Inflows of
resources

Workforce covered
by collective
bargaining
agreements

Providers of
financial resources

Suppliers of
material, labor, or
services

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Constraint

- A constraint is a limitation that is imposed by an external party or by formal action of a government's highest level of decision-making authority

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Examples

Limitations on
raising revenue

Limitations on
spending

Limitations on the
incurrence of
debt

Mandated
spending

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Disclosure Criteria

- A concentration or constraint is **known** to the government prior to the issuance of the financial statements
- The concentration or constraint makes the reporting unit vulnerable to the risk of a **substantial impact**
- An event or events associated with the concentration or constraint that could cause a substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur **within 12 months of the date** the financial statements are issued

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Note

- If mitigating actions taken by the government prior to the issuance of the financial statements cause any of the disclosure criteria not to be met, none of the note disclosures are required

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Note Disclosure

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk

Disclosure Principles

- If comparative financial statements are presented, the reporting requirements only apply to the FS of the current period
- Certain disclosures may supplement note disclosures required by other authoritative guidance
 - The information required to be disclosed by GASB 102 should be combined with those note disclosures in a manner that avoids unnecessary duplication
- Information should be provided for the reporting units for which all the disclosure criteria are met
 - Information that is the same for more than one reporting unit should be combined in a manner that avoids unnecessary duplication
- Disclosure information is subject to the requirements in paragraph 63 of GASB 14, *The Financial Reporting Entity*, as amended

Application 1

- Pilot City's Airport Fund—a major enterprise fund that accounts for the City's airport operations—reports a liability for revenue debt outstanding.
- Charges for services, such as landing fees and terminal rentals paid by the airlines that use the airport, are a significant revenue of the Airport Fund.
- In the bond indenture for the Airport Fund's revenue bonds, the charges for services are identified as the sole source of repayment for those bonds, which funded the construction of certain improvements to the airport.
- Model Airways—the airport's largest airline customer—accounts for XX percent of the Airport Fund's revenue generated from charges for services.
- During the City's fiscal year ended June 30, 20X0, Model Airways notified the City that due to falling demand from the airline's customers, it will terminate its lease and discontinue service to the City's airport by December 31, 20X0.
- The City's financial statements as of June 30, 20X0, were issued on October 15, 20X0.
- The City is in the process of developing plans to attract new airline customers to the airport.

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Application 2

- Example Wastewater Authority provides sewer services to its citizens and businesses. The Authority (which is not part of the state's financial reporting entity) is subject to certain state environmental regulations, including those mandated by the State Department of Ecology, in order to maintain the permit to operate its wastewater treatment plant. The Authority's financial statements as of June 30, 20X1, were issued on October 13, 20X1.
- In 20X0, the Department of Ecology proposed new regulations that, if finalized as is, the Authority would have to comply with by September 1, 20X6. Those regulations would require the reduction of the allowable level of certain pollutants in the treatment plant's effluent by one-third. As of June 30, 20X1, the effluent from the Authority's wastewater treatment plant contains close to the current allowable level of those pollutants.
- Management has determined that complying with the new regulations by the deadline would substantially increase costs beginning in 20X3, including operating costs and debt service on the borrowing that would be necessary to upgrade the pollutant reduction capability of the plant. On November 1, 20X1, the Department of Ecology will announce the results of its review of public input and its final ruling on the adoption of the proposed regulations.
- On September 12, 20X1, the Board approved the first of a series of user rate increases intended to provide resources related to improvements to the plant. The Board anticipates addressing any improvements required by the new regulations with a combination of grants that have not yet been awarded, revenue debt issuances, and a series of user rate increases.

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Effective Date

- Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter
 - Earlier application is encouraged



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Lessons Learned



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Inconsistencies

- “have occurred, have begun to occur, or are more likely than not to begin to occur **within 12 months of the date**”

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3, 2, 1 Method of Applying New Knowledge

3 things I learned

2 actions to apply what I learned

1 way I will share my learning



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Let's Keep in Touch



gls.advancecpe.com (*webinar*)



gls.lcvista.com (*QAS Self Study*)



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What Questions Do You Have?



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