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GASB Update

NORTH CAROLINA TREASURER'S CONFERENCE

DAVID R. BEAN
GOVERNMENTAL ACCOUNTING RESEARCH, LLC

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Effective Dates— June 30 Fiscal Year End

- **2026**
 - Statement 103—Financial Reporting Model Improvements
 - Statement 104—Disclosures of Certain Capital Assets
 - Implementation Guide Update—2025-1
- **2027**
 - Statement 105—Subsequent Events
 - Implementation Guide Update—2026-1 (based on proposal)

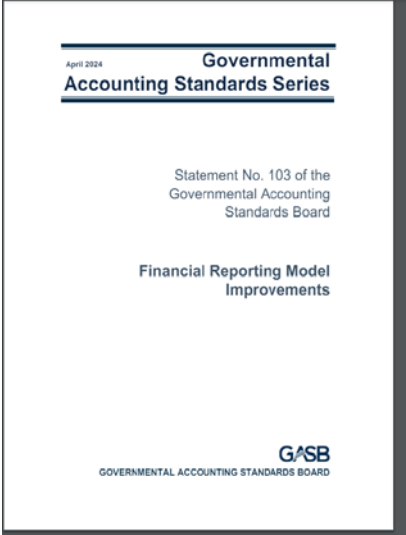
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Statement 103

Financial Reporting Model Improvements

Codification Section 2200



The image shows the cover of a document titled "Statement No. 103 of the Governmental Accounting Standards Board, Financial Reporting Model Improvements". The cover is white with a black border. At the top, it says "April 2024" and "Governmental Accounting Standards Series". The title "Statement No. 103 of the Governmental Accounting Standards Board" is centered, followed by "Financial Reporting Model Improvements". At the bottom right, the GASB logo is visible, with "GOVERNMENTAL ACCOUNTING STANDARDS BOARD" written below it.

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Primary Focus of Today's Discussion

- Management's discussion and analysis (MD&A)
- Proprietary funds/BTAs statement of revenue, expenses, and changes in net position—format and content
- Budgetary comparisons

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Management's Discussion and Analysis

REFOCUSING ON INFORMATION OFTEN LOST IN TRANSLATION

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MD&A—Unnecessary Duplication

Analysis should be presented in a manner that avoids unnecessary duplication and allows for professional judgment when determining what information is unnecessarily duplicative

- Same discussion for government-wide, governmental funds, and budget
- Same discussion for government-wide and capital assets or debt

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MD&A—Budgetary Information

Discussion of significant variations between the original and final budget amounts and between the final budget amounts and actual results for the general fund should be presented as notes to budgetary comparison information

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MD&A—Modified Approach for Infrastructure

Removed requirement to present information about infrastructure assets accounted for using the modified approach

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Introduction Illustration

The purpose of management's discussion and analysis (MD&A) is to help residents and other readers understand what the financial statements and notes in this financial report say about the entity's financial health and why it changed since last year. It contains information drawn from those other parts of the report, accompanied by explanations informed by the finance staff's knowledge of the entity's finances.

If you have questions about this report or require further information, contact the Department of Finance at dof@sampleurl.gov or 000-000-0000.

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Overview of Financial Statements

Boilerplate, but important to those not familiar with governmental financial statements

- Relationships of the statements to each other

Focus on the significant differences in the types of information provided

Does not include a financial highlights section

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Overview—Illustration of Financial Statement Discussion

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Overview of the Financial Statements

The financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two—the *government-wide financial statements*—cover the City's governmental activities and business-type activities (together, the *primary government*) and discretely presented component units. (See the diagram)

Governmental activities comprise the most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Example and the federal government.

Business-type activities are services primarily financed in whole or in part with charges to customers—**electric utility, public buses, and municipal golf courses.**

Discretely presented component units are legally separate entities for which the entity is financially accountable—most notably the **Energy Authority and the Robert L. Antonio Airport.** (To see their separately issued financial reports, visit www.sampleenergyurl.gov and www.rlaairporturl.gov.)

The remaining basic financial statements present the entity's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The entity reports three groups of funds:

Governmental fund financial statements report all of the governmental activities except those that involve providing services to City departments. In addition to the main operating fund—the general fund—those financial statements report a special revenue fund to track the use of a portion of the restricted sales tax for public safety and transportation, a debt service fund to record the repayment of outstanding bonds, and a capital projects fund to account for resources used to acquire transportation infrastructure and certain other long-lived assets.

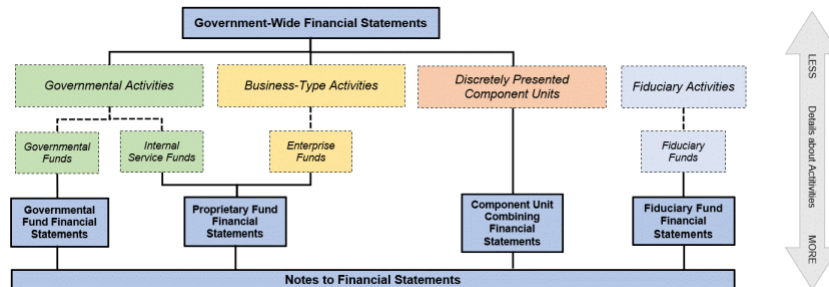
Proprietary fund financial statements report all of the business-type activities (*enterprise funds*) and the services provided to the entity's departments (*internal service funds*).

Fiduciary fund financial statements report resources for which the entity acts as a trustee or custodian, including the Pension Plan trust fund. The resources in those funds do not belong to the entity and cannot be used to provide services, which is why they are not included in the government-wide financial statements.

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Overview—Illustration of Financial Statement Chart

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Overview—Discussion of MFBA and Financial Statement Elements

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All of the entity's financial statements, except for the governmental fund financial statements, use the *economic resources measurement focus and accrual basis of accounting*. In other words, they comprehensively report all types of financial statement elements:

Assets—resources the entity controls, from short-term assets like cash to long-term assets like roads and bridges

Liabilities—amounts the entity owes, from short-term liabilities such as salaries payable to long-term liabilities such as outstanding debt and net amounts owed to employees for pensions

Deferred outflows of resources and deferred inflows of resources—flows that occurred during the year, or in *prior* years, that will not be reported as expenses and revenues until the future year to which they are related

Revenues and expenses—inflows and outflows of economic resources, respectively, related to the current year.

Governmental fund financial statements use the *current financial resources measurement focus and modified accrual basis of accounting* to report on the **revenues, expenditures, other financing sources** and uses, and balances of current financial resources. The governmental funds do not report nonfinancial assets, such as capital assets, or certain other long-term items, such as general obligation bonds, but they do report the flows of current financial resources related to those long-term items; for example, the proceeds from issuing bonds or selling equipment, as well as principal and interest payments on bonds and spending on the construction of a building.

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MD&A—Financial Summary—Condensed Financial Statements

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Comparative Statements for both governmental and business-type activities

- Total assets, distinguishing between capital assets and other assets
- Total deferred outflows of resources
- Total liabilities, distinguishing between long-term liabilities and other liabilities
- Total deferred inflows of resources
- Total net position, distinguishing between the net investment in capital assets, restricted net position, and unrestricted net position
- Program revenues, by major source, distinguishing between charges for services, operating grants and contributions, and capital grants and contributions
- General revenues, by major source
- Total revenues
- Program expenses, at a minimum by function or identifiable activity, as appropriate
- Total expenses
- Excess (deficiency) before contributions to term and permanent endowments or permanent fund principal, transfers, and unusual or infrequent items
- Contributions to term and permanent endowments or permanent fund principal
- Transfers
- **Unusual or infrequent items**
- Beginning net position
- Change in net position
- Ending net position

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Financial Summary— Statement of Net Position

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	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 20X5-20X4
	20X5	20X4	20X5	20X4	20X5	20X4	
Current and other assets	\$ 849,249	\$ 760,540	\$ 96,025	\$ 100,640	\$ 945,274	\$ 861,180	9.8%
Capital assets, net	1,845,379	1,781,939	576,876	566,000	2,422,255	2,347,939	3.2%
Total assets	2,694,628	2,542,479	672,901	666,640	3,367,529	3,209,119	4.9%
Deferred outflows of resources	89,902	70,018	3,994	3,130	93,896	73,148	28.4%
Long-term liabilities	975,103	922,831	103,694	104,502	1,078,797	1,027,333	5.0%
Other liabilities	40,321	46,197	23,601	24,965	63,922	71,162	-10.2%
Total liabilities	1,015,424	969,028	127,295	129,467	1,142,719	1,098,495	4.0%
Deferred inflows of resources	35,295	27,322	1,204	1,226	36,499	28,548	27.9%
Net position							
Net investment in capital assets	1,216,106	1,209,700	489,610	474,914	1,705,716	1,684,614	1.3%
Restricted	705,464	711,690	17,514	14,985	722,978	726,675	-0.5%
Unrestricted	(187,759)	(305,243)	41,272	49,178	(146,487)	(256,065)	42.8%
Total net position	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

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Financial Summary—Revenues, Expenses, and Changes in Net Position

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	Governmental Activities		Business-Type Activities		Total		Total Percentage Change 20X5-20X4
	20X5	20X4	20X5	20X4	20X5	20X4	
Revenues							
Program revenues:							
Charges for services	\$ 45,301	\$ 41,393	\$ 62,200	\$ 59,998	\$ 107,501	\$ 101,391	6.0%
Operating grants and contributions	38,163	31,057	-	-	38,163	31,057	22.9%
Capital grants and contributions	30,885	14,846	2,938	2,199	33,823	17,045	98.4%
General revenues:							
Sales taxes	279,667	278,136	-	-	279,667	278,136	0.5%
Property taxes	79,930	77,074	-	-	79,930	77,074	2.4%
Other taxes	74,940	61,851	-	-	74,940	61,851	21.1%
Payments in lieu of taxes	15,959	15,872	-	-	16,869	15,872	6.3%
Investment earnings	20,667	7,629	1,874	951	22,341	8,680	160.4%
Other	12,619	11,766	420	66	12,939	11,821	9.6%
Total revenues	507,841	539,633	67,232	63,204	665,073	602,837	10.3%
Expenses							
General government	46,059	42,388	-	-	46,059	42,388	8.7%
Public safety	205,416	218,558	-	-	205,416	218,558	-6.0%
Public works	71,308	67,872	-	-	71,308	67,872	5.1%
Culture and recreation	25,631	21,347	-	-	25,631	21,347	20.1%
Social and economic development	79,701	26,014	-	-	79,701	26,014	206.4%
Interest on long-term debt	25,566	21,204	-	-	25,566	21,204	20.1%
Public utility	-	-	42,087	40,520	42,087	40,520	5.3%
Transit authority	-	-	25,826	25,755	25,826	25,755	0.3%
Golf courses	-	-	8,396	7,250	8,396	7,250	15.8%
Total expenses	463,681	307,463	76,000	73,531	539,681	470,004	12.7%
Excess (deficiency) before unusual/infrequent items and transfers	144,160	142,170	(8,677)	(10,327)	134,483	131,843	2.0%
Transfers	(18,990)	(4,039)	18,990	(4,039)	-	-	-
Unusual or infrequent item—flood damage:							
Grant revenue	2,500	-	-	-	2,500	-	100%
Cleanup	(10,000)	-	-	-	(10,000)	-	100%
Change in net position	117,664	137,531	9,319	(5,680)	126,003	131,043	-3.7%
Net position—beginning of period	1,616,147	1,478,616	539,077	544,755	2,155,224	2,023,381	6.5%
Net position—end of period	\$ 1,733,811	\$ 1,616,147	\$ 548,396	\$ 539,077	\$ 2,282,207	\$ 2,155,224	5.9%

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MD&A—Detailed Analysis— Government-wide Statements

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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
- 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
- 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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MD&A—Detailed Analysis— Fund Statements

18

In addition to the type of analysis required for the government-wide statements

- Address restrictions, commitments, and assignments that significantly affect the availability of fund resources for future use
- Analysis of major funds may focus on explanations that differ from the analysis already required for the government-wide statements than duplicating them

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MD&A—Significant Capital Assets, including Certain Intangible Assets, Activities

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Discussion of significant additions and disposals of capital assets and changes to commitments made for the acquisition of capital assets

- 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 required in the government-wide or fund statement analysis rather than duplicating information

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MD&A—Significant Long-term Financing Activities

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Long-term financing activities include debt, leases, public-private and public-public partnerships, and subscription-based information technology arrangements

Significant agreements entered into, changes in credit ratings, and changes to debt limitations that may affect the financing of planned facilities or services, if any

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 required in the government-wide or fund statement analysis rather than duplicating information

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MD&A—Currently Known Facts, Decisions, or Conditions

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Description of currently known facts, decisions, or conditions that are expected to have a significant effect on:

- Financial position, or
- Produce significant differences from the current year results of operations

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MD&A—Currently Known Facts, Decisions, or Conditions—Examples

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Trends in relevant economic and demographic data

- 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, including:

- Changes in total amount available for appropriation such as changes in tax rates and fees, changes in economic bases or range of activities to which the rates or fees are applied
- Changes in planned spending with reference to relevant explanatory factors such as inflation, labor contracts, new laws or regulations, and the addition, expansion, elimination, or reduction of programs
- Expected changes in budgetary net position or fund balance

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MD&A—Currently Known Facts, Decisions, or Conditions—Examples

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Actions the entity has taken related to postemployment benefit plans, capital asset improvement plans, and long-term financings (including leases and siblings)

- Remember that the measurement date is the starting point for postemployment benefit plans

Actions other parties have taken

- New laws or regulations imposed on the entity

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Proprietary Funds

FORMAT AND CLASSIFICATION

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Proprietary Funds— Operating/Nonoperating

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Nonoperating revenues and expenses are:

- 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

Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses

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Definition of Subsidies—Resources Received from Other Parties or Fund

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For which the proprietary fund does not provide goods or services to the other party or fund, and

That directly or indirectly keep current or future user fees and charges lower than they would be otherwise

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Definition of Subsidies—Resources Provided to Other Parties or Fund

- For which other party or fund does not provide goods or services to the proprietary fund, and
- That are recoverable through the proprietary fund's current or future pricing policies

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Remaining Subsidies

- All other transfers

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Proprietary Funds/BTAs—Presentation

Statement of revenues, expenses, and changes in fund net position should distinguish between: operating and nonoperating revenues and expenses, as well as separately report noncapital subsidies and provide a subtotal for operating income (loss) and noncapital subsidies

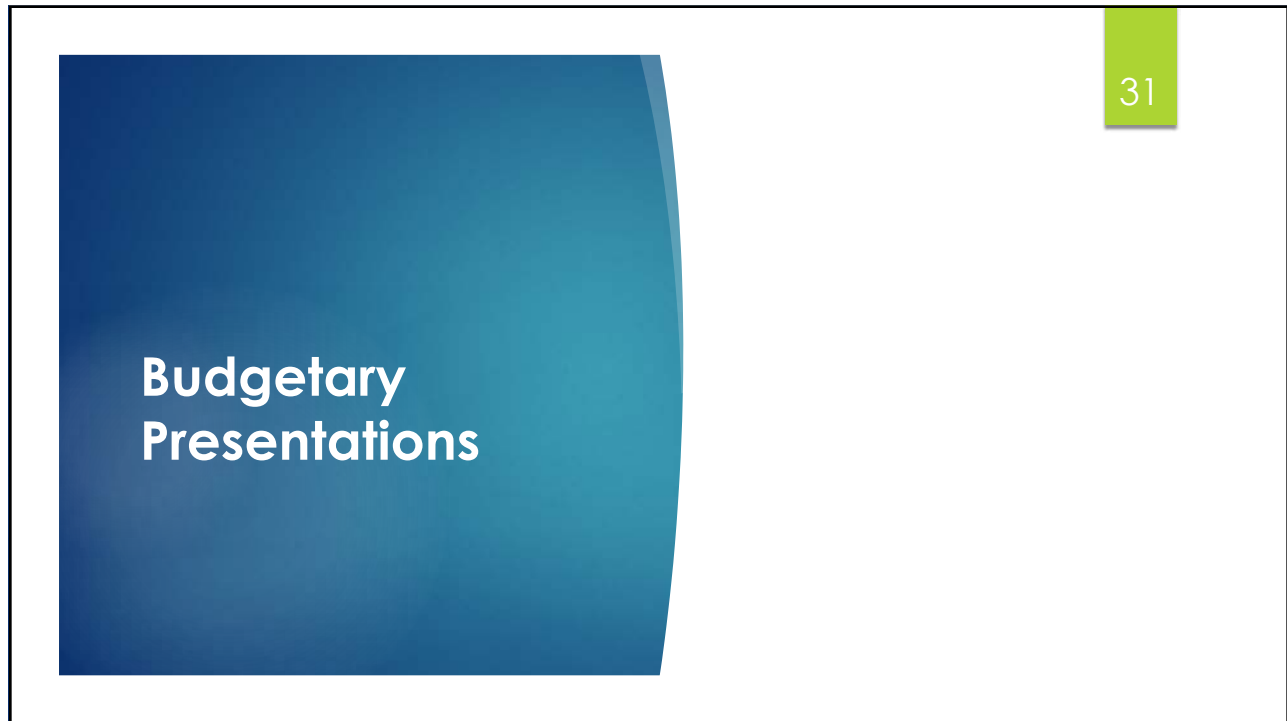
- **Operating revenues (detailed)**
 - Total operating revenues
- **Operating expenses (detailed)**
 - Total operating expenses
 - Operating income (loss)
- **Noncapital subsidies (detailed)**
 - Total noncapital subsidies
 - Operating income (loss) and noncapital subsidies
- **Other nonoperating revenues 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**

Proprietary Funds/BTAs—Illustration

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)

See Exhibit 21 for an illustration of an optional combining statement of internal service funds.

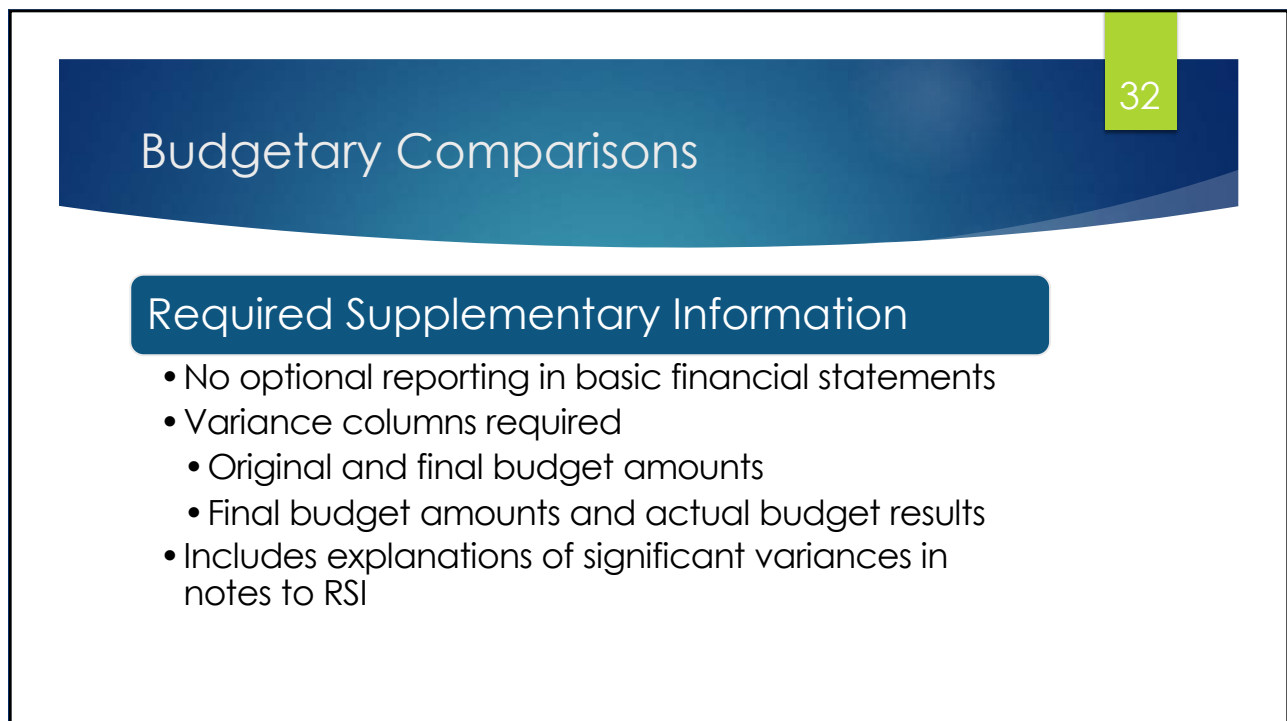
	Enterprise Funds				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
OPERATING REVENUES					
Charges for services	\$ 41,003	\$ 16,636	\$ 2,561	\$ 62,200	\$ 42,523
Miscellaneous	293	33	104	420	76
Total operating revenues	<u>41,296</u>	<u>16,669</u>	<u>2,665</u>	<u>62,620</u>	<u>42,601</u>
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,766
Contractual services	13,952	16,406	4,693	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,396
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,007	-	165	1,932	7,834
Total operating expenses	<u>40,717</u>	<u>25,378</u>	<u>7,433</u>	<u>73,528</u>	<u>44,540</u>
Operating income (loss)	<u>509</u>	<u>(8,709)</u>	<u>(4,768)</u>	<u>(10,969)</u>	<u>(1,939)</u>
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,290	300
Transfers out	(1,950)	-	-	(1,950)	-
Total noncapital subsidies	<u>(1,950)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>1,181</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>	<u>(6,619)</u>	<u>(4,658)</u>	<u>(10,748)</u>	<u>(758)</u>
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	2,934	-	-	2,934	-
Transfers in—restricted for capital assets	1,032	15,360	2,344	18,776	1,215
Total other nonoperating revenue (expenses)	<u>3,552</u>	<u>14,987</u>	<u>1,524</u>	<u>20,067</u>	<u>1,664</u>
Increase (decrease) in fund net position	<u>2,081</u>	<u>10,368</u>	<u>(3,134)</u>	<u>9,319</u>	<u>906</u>
Fund net position—beginning of period	<u>291,667</u>	<u>177,997</u>	<u>26,423</u>	<u>529,077</u>	<u>12,287</u>
Fund net position—end of period	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 23,289</u>	<u>\$ 545,396</u>	<u>\$ 13,293</u>



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Budgetary Presentations

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Budgetary Comparisons

Required Supplementary Information

- No optional reporting in basic financial statements
- Variance columns required
 - Original and final budget amounts
 - Final budget amounts and actual budget results
- Includes explanations of significant variances in notes to RSI

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Budgetary Comparison Schedule

	Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary Fund (GAAP Basis)	Variance with Final Budget—over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUE					
Fees	\$ 152,715	\$ 152,715	\$ -	\$ 151,885	\$ 830
Payments in lieu of taxes	10,219	10,853	(634)	15,737	(1109)
Intra-governmental	1,500	2,000	(400)	1,597	(409)
Charges for services	13,299	13,299	-	13,905	(606)
Licenses, permits, and fees	2,712	3,220	(508)	3,532	(312)
Fines and forfeitures	8,282	8,282	-	7,881	(409)
Investment earnings	6,100	6,100	-	6,782	(682)
Miscellaneous	3,113	3,113	-	2,075	(1,038)
Total budgetary revenue	208,178	208,764	586	213,276	4,508
BUDGETARY EXPENDITURES					
General government	29,796	29,138	(658)	29,097	(441)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,267	3,263	(4)	1,892	(1,371)
Culture and recreation	22,080	22,070	(10)	21,254	(816)
Social and economic development	12,095	12,029	(66)	11,214	(815)
Debt service:					
Principal	1,275	1,275	-	1,292	(17)
Interest and other charges	41	41	-	54	(13)
Capital outlay	1,105	1,105	-	1,103	(2)
Total budgetary expenditures	202,164	198,888	(3,276)	196,136	(2,728)
Budgetary excess of revenues over expenditures	6,014	9,876	3,862	17,140	7,264
BUDGETARY OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	2,630	-	-	275	(2,355)
Transfers in	(1,871)	(2,713)	(842)	(852)	(2,061)
Total budgetary other financing sources (uses)	759	(2,713)	(3,472)	2,243	(2,220)
UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE					
Grant revenue	-	2,500	2,500	2,500	-
Claims	-	(10,000)	(10,000)	(10,000)	-
Total	-	(7,500)	(7,500)	(7,500)	-
Net change in fund balances	6,774	2,263	(4,481)	11,883	6,590
Budgetary fund balance—beginning of period	55,009	55,009	-	55,009	-
Budgetary fund balance—end of period	\$ 61,783	\$ 57,246	\$ (4,537)	\$ 66,892	\$ 9,646
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				\$ 66,892	

Statement 104

Disclosures of Certain Capital Assets

September 2024
Governmental Accounting Standards Series

Statement No. 104 of the
 Governmental Accounting Standards Board

Disclosure of Certain Capital Assets

GASB
 GOVERNMENTAL ACCOUNTING STANDARDS BOARD

Capital Assets Held For Resale— Criteria and Reporting

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Government has decided to pursue the sale of the asset

It is probable (likely to occur) that the sale will be finalized within one year of the financial statement date

- Factors to consider, but not limited to:
 - 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 being put out for bid
 - Market conditions for selling that type of asset
 - Regulatory approvals needed to sell the asset

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What Occurs—Next Reporting Period

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Classification assessment not a one and done—Assessed each reporting period

- Reassess capital assets that have not sold
 - Probability assessment in the prior reporting period is not certainty
- Assess capital assets where the government has decided to pursue the sale

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Capital Assets Held For Resale— Reporting

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Should continue to be reported within the appropriate major class of capital assets (if displayed separately):

- Buildings
- Equipment
- Vehicles

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Disclosure—Capital Assets Held for Sale

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Capital assets held for sale by major class of asset—separate disclosure for governmental and business-type activities (included in capital asset roll forward table)

- Balances of historical cost and accumulated depreciation

Carrying amount of debt associated with capital assets held for sale (by each major class of asset) where the capital assets are pledged as collateral

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Additional Capital Asset Disclosures

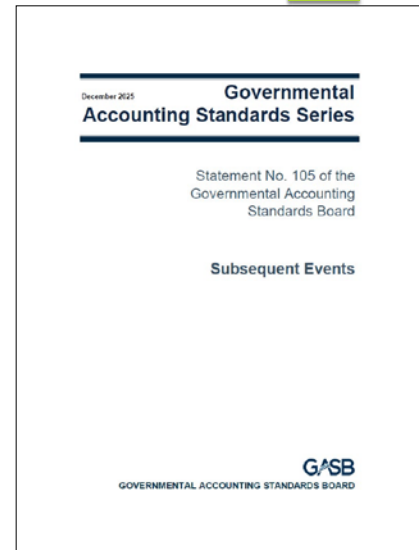
Disclose separately by major class of asset in the changes of capital assets (included in roll forward table), except for SBITAs:

- Lease assets (underlying assets)
- P3s—new
- Intangible right-to-use assets other than leases, SBITAs, and P3s
- SBITAs—presented separately from other capital assets (per Statement 96)

Statement 105

Subsequent Events

Codification Section 2250



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Statement 105—Why Is It Needed?

Subsequent events were first addressed by the GASB in Statement 56

- Basically a “lift” from the auditing literature
- “Governmentized” regarding examples, but intent was not be change the literature

Part of the overall examination of the old AICPA audit literature

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Definition of 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

This period is referred to as the “subsequent events time frame”

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Subsequent Events Time Frame

Available to be issued

- Complete in a form and format that complies with GAAP
- Approvals necessary for issuance have been obtained
- Date available to be issued—Note disclosure

Affects Statement 102, the Going Concern proposal, and other standards that referred to "when issued"

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Categories of Subsequent Events

Recognized

- Often referred to in practice as a Type 1 subsequent event

Nonrecognized

- Often referred to in practice as a Type 2 subsequent event

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Subsequent Events—Recognized

Subsequent event provides evidence of conditions that existed at the financial statement date that inform accounting estimates reported as the financial statement date

Accounting estimates reported as of the financial statement date should reflect the conditions that existed at that date, including conditions substantiated by recognized events

Some examples from Statement 56 are retained

- Fire or flood after reporting period **would not** be indicative of conditions existing at the financial statement date
- Deteriorating financial condition leading to a customer's bankruptcy **may be** indicative of conditions existing at the financial statement date

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Subsequent Events—Nonrecognized

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:

- Debt-related transaction
- Government combination or a disposal of government operations
- Change to the legally separate entities that compose the financial reporting entity
- Transaction or other event that is of such a nature to be essential to a user's analyses for making decisions or assessing accountability

Nonrecognized events do not inform conditions that existed at the financial statement date

Effects related to nonrecognized events only should be disclosed

46

47

Nonrecognized Subsequent Events—Disclosures

- A description of the nonrecognized event and its effect
- An estimate of the effect of the nonrecognized event or the reason why an estimate cannot be made
- Disclosures should be made at the reporting unit level (avoiding unnecessary duplication)

47

48

Subsequent Events—Effective Date

- Fiscal years beginning after June 15, 2026
- Early application encouraged
- Applied prospectively at transition

48



49

 Slide 50 has a blue header with "Implementation Guide 2025-1" and a green box with "50". The main content is organized into two sections:

- New questions on standards regarding**
 - Cash flows reporting (Statement 9/Statement 103)
 - Financial reporting model (Statement 103)—9 questions—primarily operating revenue
 - Leases (Statement 87)—2 questions
 - Conduit debt (Statement 91)—component unit stand-alone statements
 - Accounting changes and error corrections (Statement 100)—4 questions
 - Compensated absences (Statement 101)—rates
- Updates existing Q&A guidance related to**
 - Question 7.9.6—IG 2015-1—Changed example from a lease to a conduit debt arrangement (title)
 - Question Z.54.30—IG 2015-1—Added special revenue funds that are legally mandated
 - Question 2.18.2—IG 2015-1—Question eliminated (Statement 103)

50

51

Cash Flows

Q—If a transaction is reported as part of **operating income** in the statement of revenues, expenses, and changes in fund net position and in a cash flow statement category **other than operating activities**, what additional information should be presented?

A—The transaction also should be presented as a **reconciling item in the reconciliation of operating income to net cash flow from operating activities**. For example, in circumstances in which a finance authority reports interest income as a component of operating income and reports the cash received from interest income in the investing activities category, the reconciliation of operating income to net cash flow from operating activities should begin with reported operating income, and the interest income amount should be deducted as a reconciling adjustment to operating income, similar to depreciation.

51

52

Financial Reporting Model

4.2 Interest expense associated with a loan program is not an operating expense

4.3/4.4 Interest revenue associated with a leasing program is not operating revenue—lease revenue (principal) is an operating revenue

52

53

Financial Reporting Model

- 4.5 Subsidies (for example, grants) that can be used for either operating or capital purposes should be reported as noncapital subsidies
- 4.6 Payments in lieu of taxes (PILOTs) should be classified based on the substance of the transaction—payment for services versus subsidy
- 4.7 Payments from a third-party insurer to a healthcare provider is not a subsidy (for example, Medicare)

53

54

Accounting and Reporting—Change to or Within the Financial Reporting Entity—Presentation

Statement of Revenues, Expenses, and Changes in Net Position Component Units For the Year Ended September 30, 20X2

	Major Component Unit 1	Former Major Component Unit 2	Nonmajor Component Units	Total Component Units
Operating revenues				
Total operating revenues	3,857,858		1,375,145	5,233,003
Operating expenses				
Total operating expenses	<u>3,338,157</u>		<u>2,134,985</u>	<u>5,473,142</u>
Operating income	475,701		-\$759,840	-284,139
Nonoperating revenues and expenses				
Total nonoperating revenues and expenses	<u>221,638</u>		<u>25,832</u>	<u>247,470</u>
Changes in net position	697,339		-734,008	-36,669
Net position--beginning of year	1,380,539	1,184,000	534,754	3,099,293
Change in reporting entity	0	<u>-1,184,000</u>	<u>1,184,000</u>	0
Net position--end of year	2,077,878	0	984,746	3,062,624

54

55

Implementation Guide— Implementation

Effective Date

- One Statement 103 Q&A—on issuance
- Remaining Q&As and amendments—fiscal years beginning after June 15, 2025

55

56

Projects

Current Technical Agenda

56

Who Sets the Standards—Impact on Projects

57

Joel Black (Chair and former partner at Mauldin & Jenkins)—2020	2027
Jeff Previdi (Vice Chair and former S&P managing director)—2016	2026
Lisa Washburn (former municipal analyst)—July 1, 2026	
Kris Knight (former Delaware Comptroller)—2017	2027
Carolyn Smith (former Columbus, OH School District Internal Auditor)—2019	2029
Diane Ray (former Colorado State Auditor)—2020	2030
Jackie Reck (professor, University of South Florida)—2022	2032
Robert Scott (Brookfield, WI Finance Director)—2025	2030

57

Comprehensive Project

58

Revenue and Expense Recognition (February 2031)

- Exposure Drafts
 - Type B transactions—September 2027
 - Type A transactions—December 2028

58

Organization of Category B Transactions

59

Imposed Transactions			Transactions with Qualifying Requirements	Transactions without Qualifying Requirements		
Imposed on an underlying transaction	Imposed on actions committed or omitted	Imposed on property ownership		Contractual binding arrangement	Legislative binding arrangement <small>Periodic appropriation</small>	Legislative binding arrangement <small>Continuous appropriation</small>
Sales Tax Income Tax	Regulatory Fees Punitive Fees	Property Taxes	Grants	Pledges PILOTs	K-12 Aid	Shared Motor Fuel Tax

59

Major/Practice Issue Projects and Research Activities

60

Major projects

- Going concern uncertainties and severe financial stress (June 2028)—Preliminary Views issued March 2025—Exposure Draft scheduled for June 2027
- Infrastructure assets (March 2027)—Exposure Draft approved March 2026

Practice issues

- Implementation guide—2026 (September 2026)—Exposure Draft issued February 2026

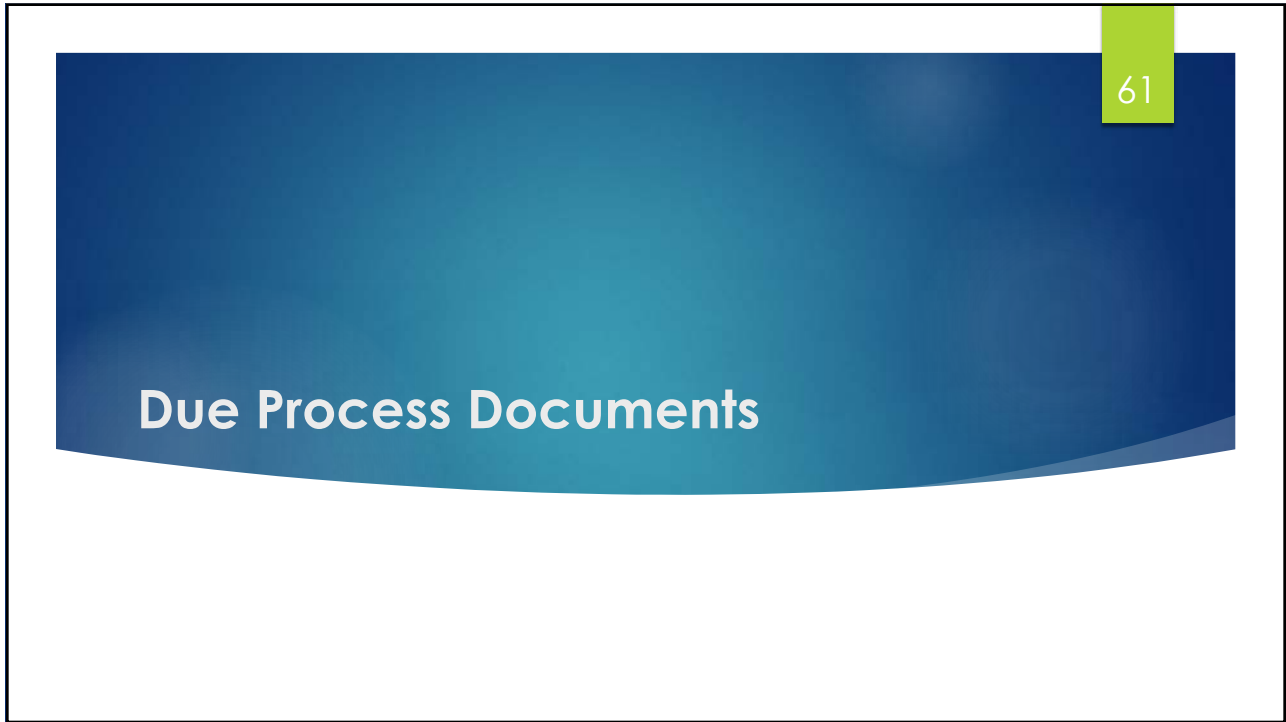
Technology project

- Voluntary digital financial reporting—Architectural design document—August 2026

Research activities

- Digital assets—September 2027
- GAAP structure—Original Pronouncements/Codification—Phase II—April 2027
- Pension and OPEB disclosures (Concepts Statement 7)—December 2026
- Pension and OPEB—Effects of Deferrals on Expense—December 2026 (research design)
- Note disclosures—Revenue and expense recognition (Concepts Statement 7)—on hold

60

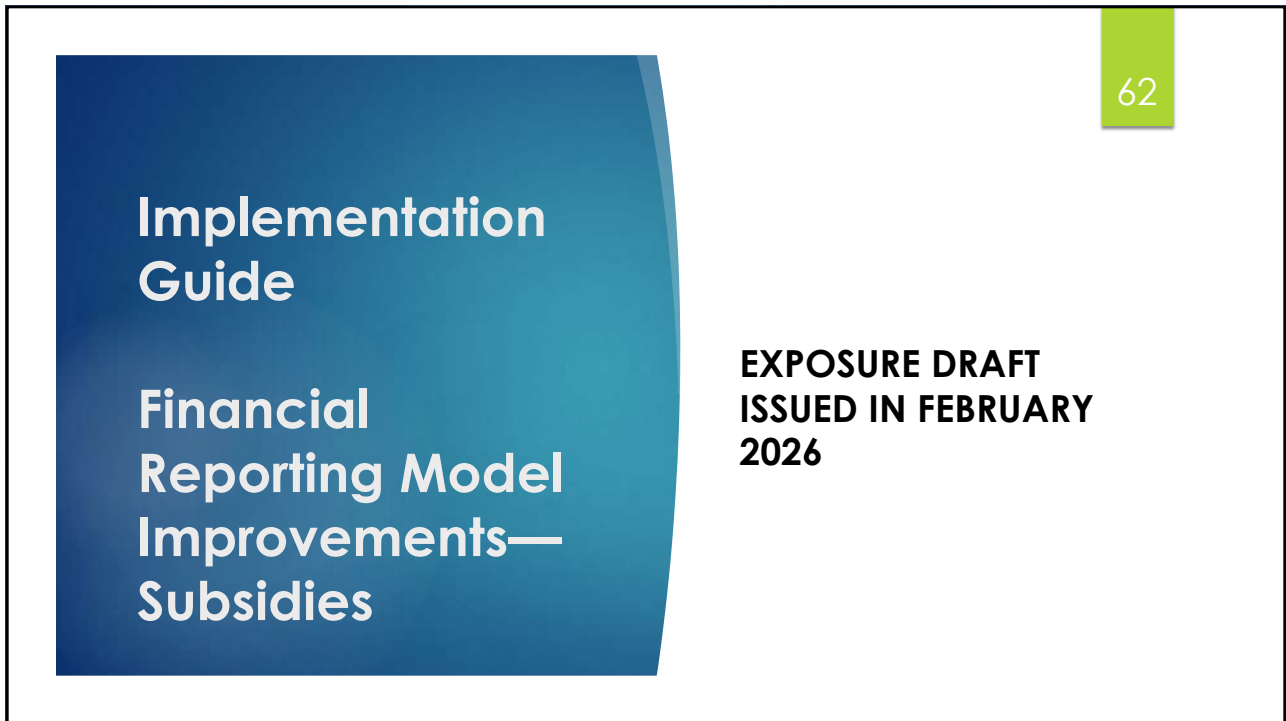


61

Due Process Documents

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61



62

Implementation Guide

Financial Reporting Model Improvements—Subsidies

**EXPOSURE DRAFT
ISSUED IN FEBRUARY
2026**

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62

Proposed Implementation Guide

63

- New questions on subsidies
 - Medicaid supplemental payments—subsidy
 - Donations for scholarships—subsidy (2)
 - Research grants—depends on facts
 - Taxes—subsidy
 - Passenger facility charges—subsidy
 - Reporting of noncapital subsidies—other nonoperating revenue
 - Reporting subsidy limited to debt repayments—capital subsidy
- Updates existing Q&A guidance related to subsidies
 - Subsidy not limited by provider, but used for capital purposes—noncapital subsidy

63

Infrastructure Assets

64

**Exposure Draft
Approved in
March 2026**

64

Infrastructure—Proposed Definition (Network)

65

Capital assets that are part of a network

A network is composed of all assets that provide a particular type of service for a government

- A network of infrastructure assets may be only one infrastructure asset that may consist of many components

65

Infrastructure—Proposed Definition— Additional Criteria

66

Infrastructure assets also are stationary in nature and can be maintained or preserved for a significant number of years

Only buildings that have a primary purpose that is integral to a network of infrastructure assets but are only an ancillary part of that network should be considered infrastructure assets

66

Infrastructure—Recognition and Measurement

67

Infrastructure assets should continue to be:

- Recognized in the financial statements
- Measured at historical cost, net of depreciation, unless the government elects to use modified approach

67

Need for Additional Information on Infrastructure

68

Many governments—one line—infrastructure

- Useful lives range from 5-100 years; however, some use 50 years

What records underlie the amount presented as infrastructure?

- Range in useful lives infers more detail
- Single useful life raises additional questions

Analysts attempting to determine future needs

68

Depreciation/ Accumulated Depreciation Proposal

69

Estimated useful lives and salvage values should be reviewed periodically

Changes adopted to conform to the changes in useful lives or salvage values should be reported retroactively by restating beginning net position or fund net position, as applicable, for the cumulative effect, if any, of the change on prior periods

69

Note Disclosure—Proposal 1

70

Capital assets disclosure should be divided by network of infrastructure assets

- Again, a network of infrastructure assets is composed of all assets that provide a particular type of service for a government
- By network effectively would be the new minimum level of disclosure

70

71

What Is a Component?

Separate distinguishable part of an infrastructure asset that has a specific function in contributing to the service capacity of that infrastructure asset

- Example—Roadbed, overlay, curbs, and gutters are components of a road

71

72

Proposed Criteria—Identifying Components

Component has a cost that is significant in relation to the total cost of the infrastructure asset

Component has an estimated useful that is substantial different from the estimated useful life of the infrastructure asset

72

73

Infrastructure—Examples

- Roads
- Bridges
- Tunnels
- Water and sewers
- Dams
- Lighting
- Communication towers

73

74

Proposed Infrastructure Component Reporting

- Prospective application—component placed into service after the beginning of the reporting period in which proposed Statement becomes effective (proposed date—fiscal years beginning after June 15, 2028)
- A component is considered a separate infrastructure asset in the determination of depreciation expense, including the determination of the estimate useful life
- A component is considered a separate infrastructure asset in the determination of the required disclosures in the notes

74

75

Note Disclosure Proposal—2

Disclose the historical cost, accumulated depreciation, and the historical-cost weighed average age by network of infrastructure assets where the infrastructure assets have:

- Reached 100 percent of their estimated useful lives
- Exceed 80 percent, but less than 100 percent of their estimated useful lives

75

76

Proposed Note Disclosure— Historical-cost Weighed Average Age

Historical-cost weighed average age = $\frac{\text{Total historical cost} \times \text{Age}}{\text{Total historical cost}}$

Illustration provided in Exposure Draft

76

77

Note Disclosure Proposal—3

Governments with a policy for monitoring the maintenance and preservation of infrastructure assets should briefly describe that policy in notes to financial statements

77

78

Deferred Maintenance

Preservation and maintenance costs for infrastructure assets that have not been incurred but that were expected to be incurred should **not** be recognized as a liability

Information related to deferred maintenance should **not** be disclosed in the notes to financial statements

Information related to deferred maintenance should **not** be presented as required supplementary information

78

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Infrastructure—Supplemental Information

Governments not using the modified approach will no longer be encouraged to report condition reporting information (provision proposed to be rescinded)

79

80

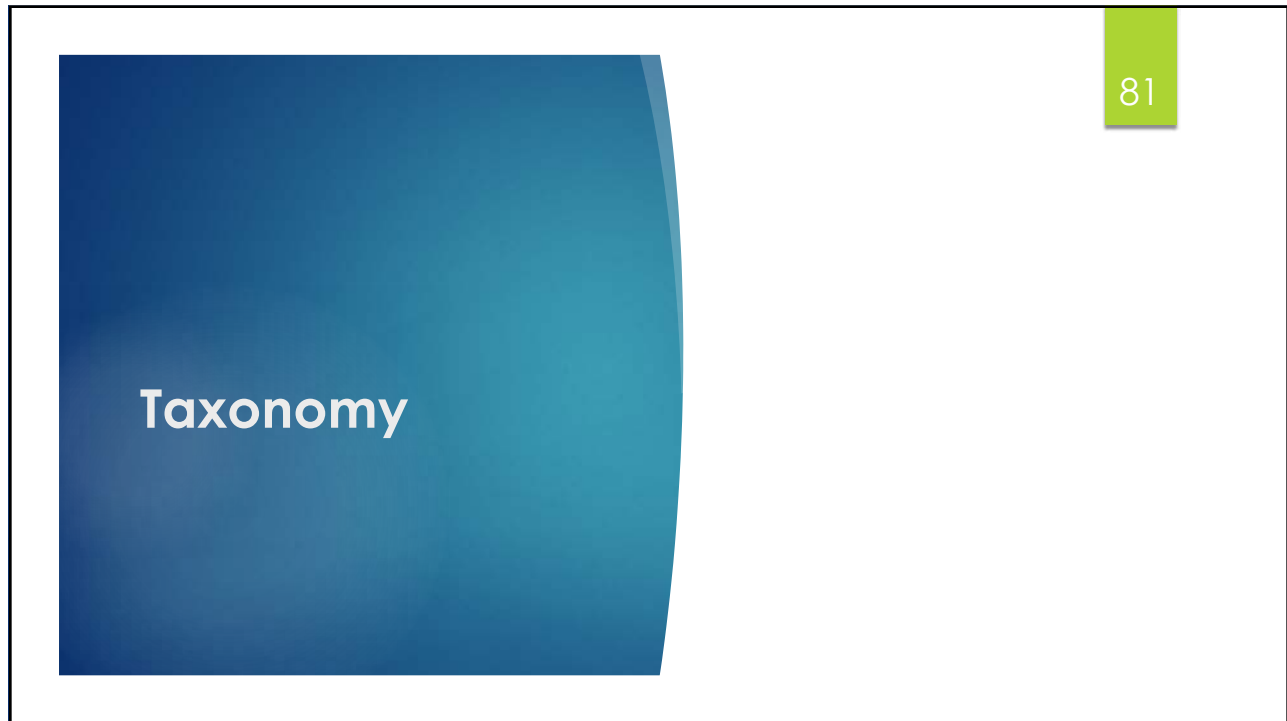
Infrastructure—Project Timetable

Exposure Draft—Approved March 25, 2026

Comment deadline—June 26, 2026

Final Statement—March 2027

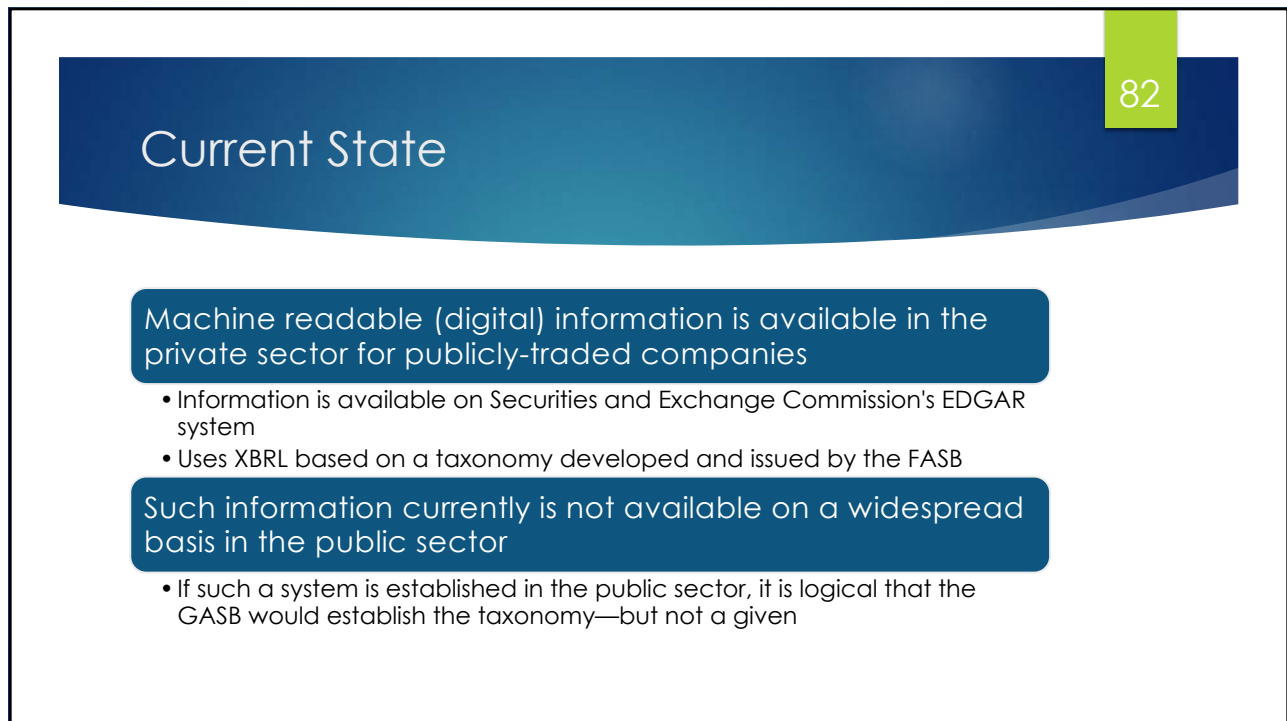
80


 Slide 81 features a large blue gradient shape on the left side with the word "Taxonomy" written in white. A small green box with the number "81" is located in the top right corner of the slide frame.

Taxonomy

81

81


 Slide 82 has a blue gradient header with the text "Current State" in white. A green box with the number "82" is in the top right corner. Below the header, there are two blue rounded rectangular boxes containing text and bullet points.

Current State

82

Machine readable (digital) information is available in the private sector for publicly-traded companies

- Information is available on Securities and Exchange Commission's EDGAR system
- Uses XBRL based on a taxonomy developed and issued by the FASB

Such information currently is not available on a widespread basis in the public sector

- If such a system is established in the public sector, it is logical that the GASB would establish the taxonomy—but not a given

82

Financial Data Transparency Act— Timetable

83

Law enacted December 2023

- Requires machine readable financial information, including financial reports

Joint rule proposed—July 2024

- Comment deadline was October 2024

Final joint rule—June 8, 2026 (effective October 1, 2026)

- Law required rule to be issued in 2 years

Specified agency rule?

- Securities and Exchange Commission (SEC) rule—2 years

Effective date?

83

GASB Voluntary Project

84

Based on the passage of the FDTA, the GASB needed to be ready for digital reporting

- Taxonomies are not developed overnight or even in two-three years

Given the current environment, regulations do not appear to be on the immediate horizon, but...

- Based on that environment, the GASB has made it clear that its efforts are focused on voluntary adoption at this point

84

85

Project Issues

- 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?

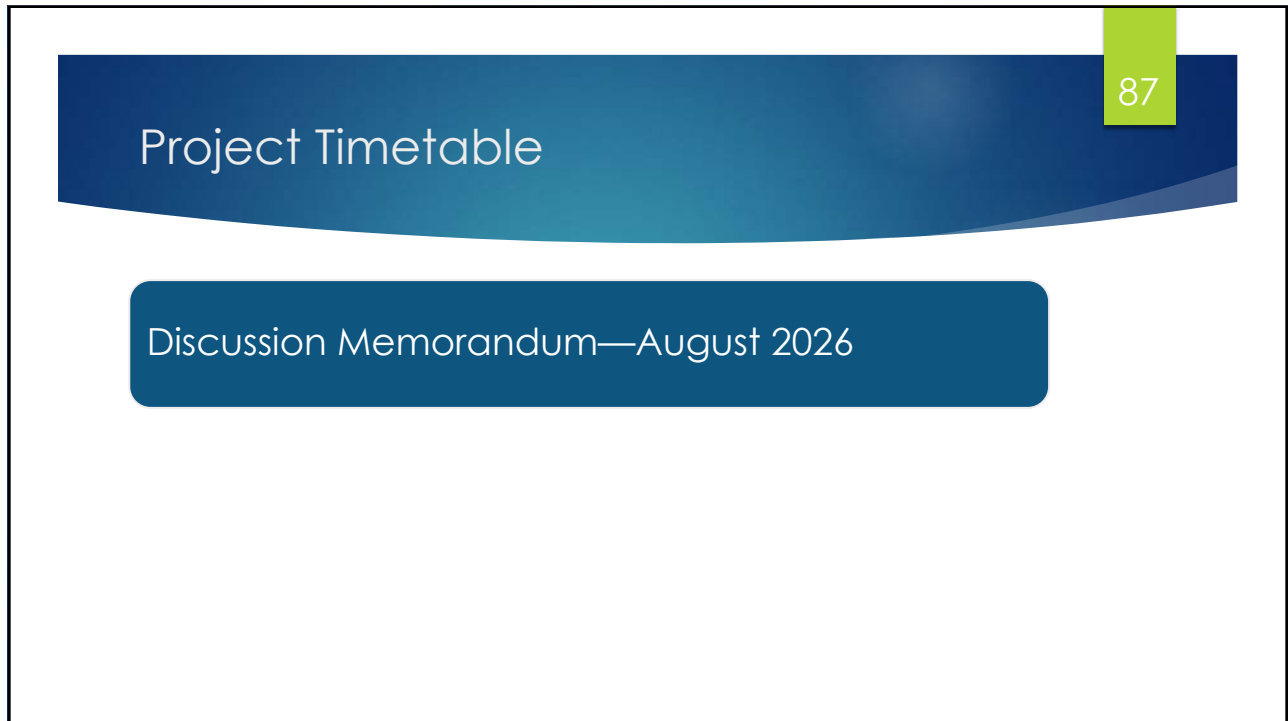
85

86

Project Approach—Phase 1— Discussion Memorandum

- Proposal for the architectural design of the GAAP Taxonomy
- The four issues considered in this technology project
 - Presented in the prior slide
- Several components of financial reporting, including select:
 - Financial statements
 - Government-wide and proprietary fund statements of net position, statement of revenues, expenditures, and changes in fund balance
 - Notes to financial statements
 - Summary of significant accounting policies and accounting changes and error corrections
 - Required supplementary information
 - Management's discussion and analysis and pension/OPEB schedules

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Project Timetable

Discussion Memorandum—August 2026

This slide features a dark blue header with the text 'Project Timetable' in white. A small green tab with the number '87' is located in the top right corner. Below the header is a dark blue rounded rectangle containing the text 'Discussion Memorandum—August 2026' in white.

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GAAP Structure

DISCUSSION MEMORANDUM

This slide features a large dark blue rounded rectangle on the left side with the text 'GAAP Structure' in white. To the right of this rectangle, the words 'DISCUSSION MEMORANDUM' are written in black, stacked vertically. A small green tab with the number '88' is located in the top right corner.

88

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Current Structure

Levels of GAAP

- Statements (Level a)
- Technical bulletins, implementation guides (Level b)

Structure

- Original pronouncements
 - Comprehensive implementation guide
- Codification
 - Standards (.100-.499)—Level a
 - Definitions (.500)—Level a
 - Technical bulletins (.601-.699)—Level b
 - Implementation guides (.701-.799)—Level b
 - AICPA cleared literature (.801-.899)—Level b
 - Nonauthoritative discussion (.901-.999)

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Proposal—Single-Authority GAAP Structure—Codification

Changes to GAAP introduced in a non-authoritative document

Decisions to be made, include:

- Retain level (b) GAAP or incorporate in level (a)
- Restructure Codification categories
- Introduce static numbering system

90

Project Timetable

Issued Discussion Memorandum—April 2026

Present Research Memorandum—April 2027

Consider changes to GAAP Hierarchy and Rules of Procedure

www.gasb.org

The screenshot shows the GASB website homepage. At the top, there is a navigation bar with tabs for 'About Us', 'Standards & Substance', 'Projects', and 'News & Meetings'. Below the navigation bar is a main header with the text: 'The GASB establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (GAAP). The Governmental Accounting Research System™ (GARS) provides access to those standards.' Below the header is a 'Go to the GARS website' button. The main content area features four cards: 'New Subsequent Events Guidance Issued' with a 'Statement No. 105 Available' sub-card; 'GASB Chair Report' with a 'Q3 Report Available' sub-card; 'Current Projects' with a sub-card for 'Financial Accounting Foundation Board of Trustees Issue Call for Nominations'; and 'Meetings' with a sub-card for 'Financial Accounting Foundation Trustees Name Three New and Eleven Reappointed Members to the Governmental Accounting Standards Advisory Council (GASAC)'. Each card includes a 'View Reports' or 'View All News' button.

Website Resources

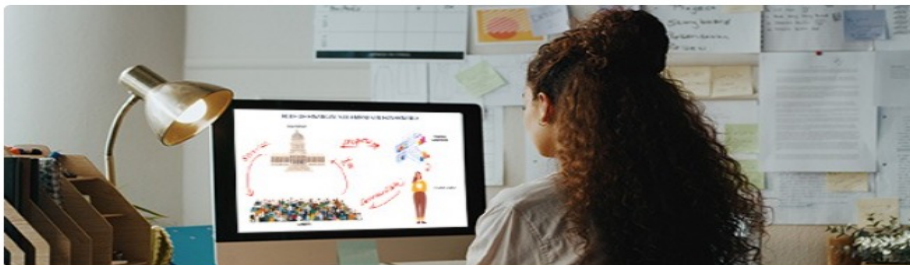
93

- Statements, Implementation Guides, Concepts Statements and other pronouncements
- Link to the Governmental Accounting Research System (GARS)
- Copies of proposals
- Information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts (Bridging the GAAP)

93

Understanding the Government Financial Report

94



Video Series for Elected Officials

These videos can help elected officials and other stakeholders understand what the information in each section of a government financial report is meant to provide and how they can use it.

94

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<https://gars.gasb.org>

WELCOME TO THE GOVERNMENTAL ACCOUNTING RESEARCH SYSTEM™

The Governmental Accounting Research System™ has been updated through December 31, 2025.

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 2025:
None.
This update incorporates into the Original Pronouncements the following pronouncement that was issued by the GASB between July and December 2025:
[Statement No. 106, Subsequent Events](#)
[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](#)

Updated through December 31, 2025

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Severe Financial Stress and Probable Dissolution Disclosures

**PRELIMINARY VIEWS
ISSUED IN
FEBRUARY 2025**

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Classifications

- Severe financial stress
- Probable dissolution

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Tentative Decisions Based on Redeliberations of Preliminary Views

- Term going concern should be proposed to be eliminated from the GASB authoritative guidance
 - Governments should **not** be required to make a going concern evaluation
- Proposed determination of when severe financial stress disclosures are required to be made should be based on
 - An obligations approach
 - Government's ability to meet its obligations when due
 - A government's being insolvent or currently in very poor financial condition

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Severe Financial Stress—Definition

Insolvency—Carryover from PV

- Generally, is not paying its liabilities as they come due or is unable to pay its liabilities as they come due
 - “Generally” is used to eliminate governments that miss one payment
- Based on definition of insolvent for municipality in Bankruptcy Code

99

100

Severe Financial Stress—Definition

Very Poor Financial Condition

- Experiencing financial difficulties such that the government is near insolvent

100

101

Indicators—Structural Deficiencies Carryover to be Determined

- 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

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Indicators—Need to Take Action to Improve Financial Position—Carryover to be Determined

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

102

Indicators—Noncompliance or Legal Matters—Carryover to be Determined

103

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

103

Indicators—Factors to Consider—Carryover to be Determined

104

Timing

- Assessment should be made as of the financial statement date

Interrelationships

- None of the indicators on their own always indicate "near insolvency"

Severity

- Indicators need to be related to significant amounts
- Working capital deficiencies provided as an example

104

Severe Financial Stress—Disclosures— Carryover to be Determined

105

Reasons and causes, including pertinent conditions and events giving rise to the severe financial stress—can go beyond indicators

Evaluation of the significance of those reasons and causes

Actions taken in response to the severe financial stress condition prior to the financial statements being available to be issued

105

Severe Financial Stress—Disclosures— Carryover to be Determined

106

Known effects of the severe financial stress conditions

- Some indicators lead to others (for example, credit rating downgrade)

If the entity continues to face severe financial stress condition in the subsequent reporting period

- How relevant factors have changed

If the entity no longer faces severe financial stress condition in the subsequent reporting period

- How the severe financial stress condition was alleviated

106

Level of Assessment—Severe Financial Stress—Carryover to be Determined

107

Primary government and its blended component units

107

Probable Dissolution—Carryover to be Determined

108

Probable that the government will cease to exist as the same legally separate entity within 12 months of the date of the financial statements are available to be issued

Cease to exist

- Merger
- Acquisition
- Dissolution without replacement

108

Probable Dissolution—Relevant Factors to Consider—Carryover to be Determined

109

Operational inefficiencies

- Duplication of efforts with another government that could be resolved through merger or acquisition, elected or appointed positions going unfilled due to lack of citizen participation, or maintenance of infrastructure that was developed for a larger population than the government currently serves

Financial stress (if financial stress can lead to dissolution of the government)

- Filing for Chapter 9 bankruptcy (not in and of itself a triggering event) or meeting the severe financial stress condition

Dissolution actions

- Recent dissolution of other similarly situated governments, negotiations toward a potential merger or acquisition, or the initiation of legal dissolution proceedings and the likelihood of those proceedings continuing to completion within the time frame

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

109

Probable Dissolution—Disclosures—Carryover to be Determined

110

Statement that dissolution is probable with 12 months of the date the financial statements are available to be issued

Reasons and causes, including pertinent conditions and events

Evaluation of the significance of those reasons and causes

110

Probable Dissolution—Disclosures— Carryover to be Determined

111

Actions taken in response to the probable dissolution prior to the financial statements being available to be issued

Information about the recoverability or classification of reported asset amounts or the amounts or classification of liabilities

If the entity continues to exist in the subsequent reporting period

Updated, disclosures—how relevant factors have changed

- If applicable, how probable dissolution was resolved

111

Level of Assessment—Probable Dissolution—Carryover to be Determined

112

Primary government and its blended component units—each legal entity separately

112

113

Severe Financial Stress and Probable Dissolution Disclosures—Project Timetable

Preliminary Views—March 2025

- Comment deadline was June 30, 2025
- Public Forums were held in July, August, and September 2025

Exposure Draft—June 2027

Final Statement—June 2028

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Post-Implementation Review (PIR)

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History—Who Conducts PIRs

GASB originally conducted its own PIR

- Statement 3—Financial Instruments
- Statements 5 and 25-27—Pensions
- Statement 9—Cash Flows
- Statement 10—Risk Financing
- Statement 14—Financial Reporting Entity

FAF assumed responsibility in 2010 (staffed by GASB project managers and PTAs)

- Statements 10 and 30—Risk Financing
- Statement 42—Impairment of Capital Assets
- Statement 33—Nonexchange Transactions
- Statement 49—Pollution Remediation

PIR returns to GASB with FAF Trustee Oversight (Standards Setting Process Oversight Committee) in 2020

- Statements 67 and 68—Pensions (report released in May 2024)
- Statement 72—Fair Value (report released in February 2025)

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Statements Under Review

Employer Reporting for Other Postemployment Benefits—Statement 75

Fiduciary Activities—Statement 84

Leases—Statement 87

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PIR Process

- Stage 1
- Monitor practice issues
 - Issue implementation and educational guidance
 - Seek volunteers for Stage 2 activities
- Stage 2
- Examines a random sample of financial reports for the year prior to, year of, and year after implementation
 - Collects information from their preparers regarding staff hours and non-staff costs for those three years (volunteers)
 - Examine financial reports for the same random sample in the fifth year of implementation
 - Conduct stakeholder roundtables and surveys regarding their experience with the standards
- Stage 3
- Reports the findings publicly

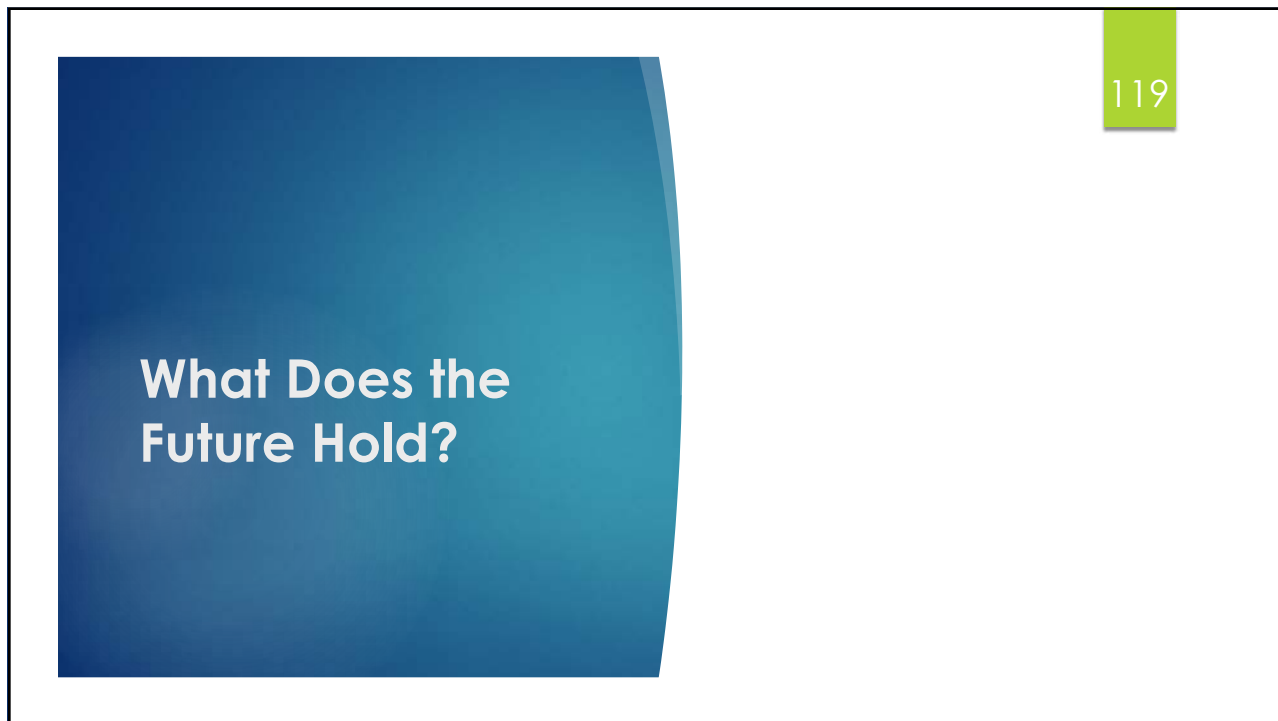
117

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PIR Status

- OPEB—June 2018
- Analyzing 5th year reports (2022-2023) and other feedback
 - Stage 3 scheduled to be completed—December 2026
- Fiduciary activities—December 2020
- Conducting surveys with preparers, auditors, and users
 - Collecting archival data from 5th year reports (2024-2025)
- Leases—June 2022
- Preparing and conducting preparer surveys

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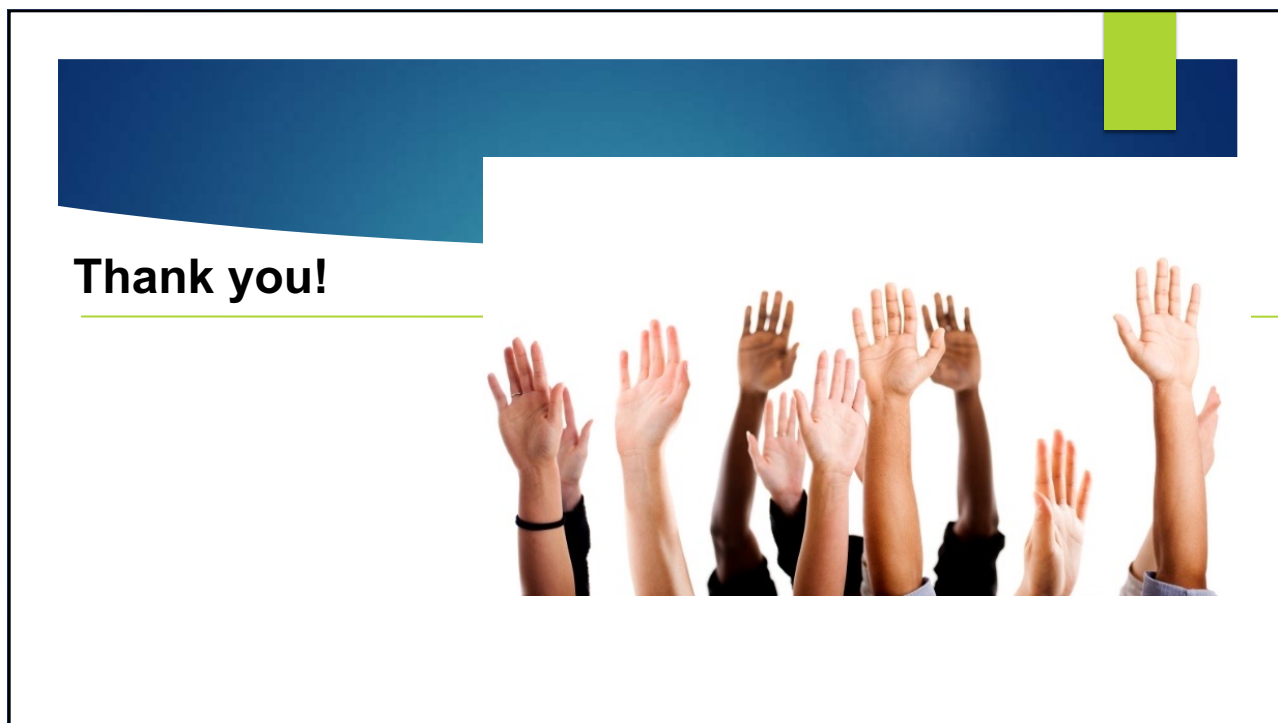


119


What Does the Future Hold?

A presentation slide with a white background. On the left, there is a large blue shape with a gradient from dark blue to light blue. In the top right corner, there is a small green square containing the number '119'. The text 'What Does the Future Hold?' is centered in white on the blue shape.

119



Thank you!



A presentation slide with a white background. At the top, there is a blue horizontal bar with a gradient from dark blue to light blue, ending in a green square on the right. Below the bar, the text 'Thank you!' is written in black and underlined with a green line. At the bottom, there is a photograph of several hands of different skin tones raised in the air.

120