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GASB Update

NORTH CAROLINA STATE TREASURER'S CONFERENCE

DAVID R. BEAN
GOVERNMENTAL ACCOUNTING RESEARCH, LLC

SPECIAL THANK YOU TO THE GASB—CERTAIN SLIDES ARE BASED ON GASB COPYRIGHTED SLIDES

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Effective Dates—June 30 Fiscal Year End

- **2025**
 - Statement 101—Compensated Absences
 - Statement 102—Certain Risk Disclosures
- **2026**
 - Statement 103—Financial Reporting Model Improvements
 - Statement 104—Disclosures of Certain Capital Assets
 - Implementation Guide Update—2025 (based on proposal)
- **2027**
 - Statement 105—Subsequent Events (based on proposal)

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GASBSEE

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Should = Must (Shall)

Significant = Material

Material < Substantial < Majority

Certain = Not All-Inclusive

**The provisions of this Statement need
not be applied to immaterial items.**

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**Approved
Statements
for 2025
and
Beyond**

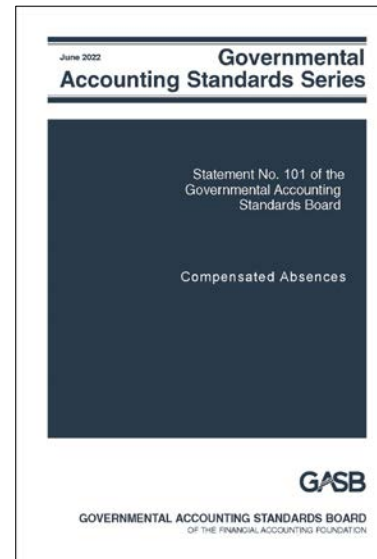
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Statement 101

Compensated Absences



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Follow GAAP

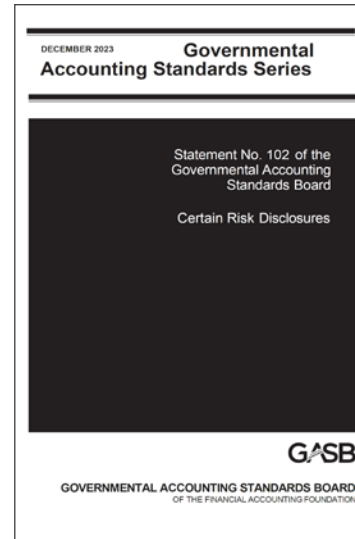
GAAP in this case may be contained in other accounting literature

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Statement 102

Certain Risk Disclosures

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Statement 102—Why Was It Needed?

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AICPA Statement of Position 94-6, *Disclosure of Certain Significant Risks and Uncertainties*

- GASB informally requested that governments be included in the scope (provided that governmental risks and uncertainties be considered)
- AICPA did not want to slow down the project to address governmental issues

Result was a hole in the GASB literature that needed to be filled

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From Risk to Reality

- Risk can remain just that a risk
- Risk can result in an event that is mitigated
- Risk can develop into a disclosable event
- Risk can develop into severe financial stress
- Risk can result in a going concern (probable dissolution)

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Certain Risk Disclosures—Scope

Current vulnerabilities due to

- Certain concentrations (a lack of diversity related to an aspect of a significant inflow or outflow of resources)
 - Examples—employers, industries, inflows of resources, resource providers, workforce covered by collective bargaining agreements, and suppliers of material, labor, or services
- Certain constraints (imposed by an external party or by formal action of a government's highest level of decision-making authority)
 - Examples—limitations on raising revenue, limitations on spending, limitations on the incurrence of debt, and mandated spending

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Statement 102—Limits

Applies only to risks of the current period (if comparative statements are issued)

Disclosures would not cover:

- Nature of the government's operations
- Use of estimates

Exclusion for:

- Acts of God, war, sudden catastrophes (fire)
- Risks associated with financial instruments (addressed in other GASB standards)

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Focus of Assessment

Primary government

Reporting units which report a liability for revenue debt

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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 government vulnerable to the risk of a substantial impact

An event or events associated with the concentration or constraint that could cause a substantial impact either have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the financial statements are issued

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Disclosures

Disclose should be of sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint

- A description of:
 - The concentration or constraint
 - Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has 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

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Sample Disclosure—Statement 102

Certain Risks

The Authority's wastewater treatment operations are subject to environmental regulations established by the State Department of Ecology. The Department of Ecology had *proposed new regulations* that would require reducing the allowable level of certain pollutants in the wastewater treatment plant's effluent by one-third. If adopted, the Authority would be responsible for complying with the regulations by modifying the plant *at a substantial cost* to its ratepayers by September 20X6.

On September 12, 20X1, the Board *approved an increase in the rates* charged to private and commercial customers to partially address improvements to the wastewater treatment plant aimed at reducing pollutants.

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Overlap With Other Disclosures

For example, subsequent events

- In certain circumstances, governments could consider combining the Statement 102 disclosure information with that required by other note disclosure guidance to avoid unnecessary duplication

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Statement 103

Financial Reporting Model Improvements

April 2024
Governmental Accounting Standards Series

Statement No. 103 of the
Governmental Accounting
Standards Board

**Financial Reporting Model
Improvements**



GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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Statement 103—Why Was It Needed?

Scope changed over the life of the project, but the goal did not—improve the financial reporting model

- Battle royal of fund statements versus government wide statements
- Provide a conceptually sound foundation for governmental funds
- Specific improvements without fundamentally changing the model

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Primary Areas of Improvement

Management's discussion and analysis (MD&A)

Unusual or infrequent items

Proprietary funds/BTAs statement of revenue, expenses, and changes in net position—format and content

Major component units—presentations

Budgetary comparisons

Statistical section—Financial trends information for proprietary funds/BTAs

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Management's Discussion and Analysis

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

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

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

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

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. This section of the MD&A should include examples, if applicable, of the following:

- 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, 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
- Actions the government 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—for example, new laws or regulations imposed on the government

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Unusual or Infrequent Items

Replaces extraordinary items and special items

Unusual or infrequent items should be presented as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental funds, and proprietary funds statements of resource flows

Inflows of resources and outflows of resources related to unusual or infrequent items should be displayed individually on the government-wide, governmental funds, and proprietary funds statements of resource flows and should not be netted

The program, function, or identifiable activity to which the item relates, if applicable, should be disclosed in the notes to financial statements

Information regarding whether an unusual or infrequent item is within the control of management should be disclosed in the notes to financial statements

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Proprietary Funds— Operating/Nonoperating

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Definition—Operating revenues and expenses are 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

Exception—for example, certain loan programs should classify interest revenue as operating revenue.

Interest expense would be reported as nonoperating expense.

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Proprietary Funds— Operating/Nonoperating—Exception

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Revenues or expenses that otherwise would be classified as nonoperating should be classified as operating revenue or expense if those transactions constitute the fund's principal ongoing operation

- For example, certain loan programs should classify interest revenue as operating revenue

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Definition of Subsidies

Resources received from another party or fund (1) for which the proprietary fund does not provide goods or services to the other party or fund and (2) that directly or indirectly keep current or future user fees and charges lower than they would be otherwise

Resources provided to another party or fund (1) for which other party or fund does not provide goods or services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies

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**

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BTAs—Statistical Section

Governments engaged only in business-type activities or only in business-type and fiduciary activities, financial trend information in the statistical sections should distinguish between:

- Operating
- Noncapital subsidy
- Other nonoperating revenues and expenses

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Presentation of Major Component Units

Major component unit information should be separately presented in the reporting entity's statements of net position and activities if it does not reduce the readability of the statements

If the presentation reduces the readability of the statements, combining statements of major component units should be included in the reporting entity's basic financial statements after the fund financial statements.

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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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Effective Date

Fiscal years beginning after June 15, 2025, and all reporting periods thereafter

Earlier application is encouraged

- Component units generally are required to implement in the same fiscal year as the primary government

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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

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Why Is Statement 104 Needed?

Further aligns intangible asset disclosures

Helps to clarify classification of capital assets held for resale

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Capital Assets Held For Resale— Criteria and Reporting

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

Note: Classification assessment not a one and done. Assessed each reporting period

Capital assets held for resale should continue to be reported within the appropriate major class of capital assets

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Disclosures—Certain Capital Assets

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

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)

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Effective Date

Fiscal years beginning after June 15, 2025, and all reporting periods thereafter

Earlier application is encouraged

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Implementation Guide 2025-1

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Implementation Guide 2025-1

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New questions on standards regarding

- Cash flows reporting (Statement 9/Statement 103)
- Financial reporting model (Statement 103)—7 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)

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Implementation Guide— Project Timetable

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Exposure Draft—November 2024

- Comment deadline was January 24, 2025

Final IG—June 2025

Effective Date

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

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Projects

Current Technical Agenda

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Current Members and Director

Members

- Joel Black (Chair)—public accounting background (2027)
- Jeff Previdi (Vice Chair)—financial statement user background (2026)
- Brian Caputo—local government preparer background (2025)
 - Robert Scott (as of July 1)—local government background (2030)
- Kris Knight—state government preparer background (2027)
- Dianne Ray—state government auditor background (2030)
- Jackie Reck—academic background (2026)—can be reappointed
- Carolyn Smith—local government auditor background (2029)

Director

- Alan Skelton—joined the GASB in 2021

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Comprehensive Project

Revenue and Expense Recognition (2027)

- Exposure Draft—October 2025

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Major/Practice Issue Projects and Research Activities

Major projects

- Going concern uncertainties and severe financial stress (2027)—Preliminary Views issued March 2025
- Infrastructure assets (2027)—Preliminary Views issued October 2024

Practice issues

- Subsequent events (December 2025)—Exposure Draft issued November 2024

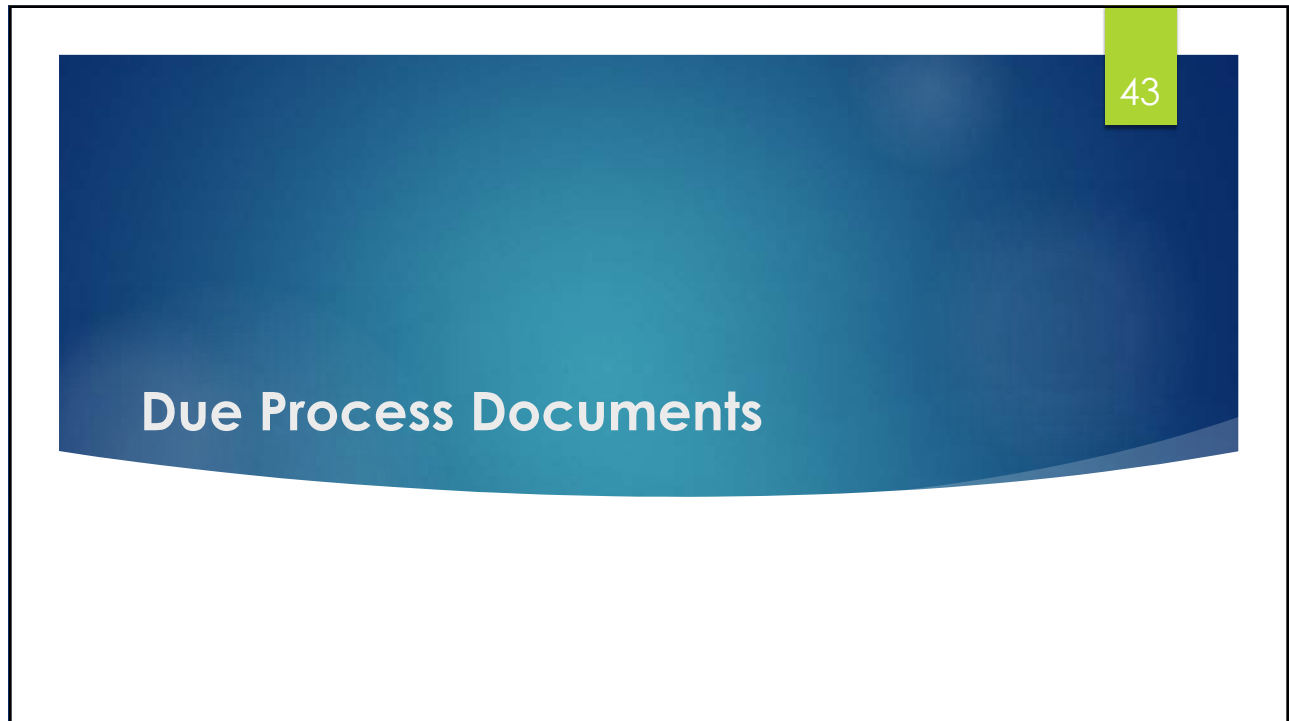
Technology project

- Voluntary digital financial reporting—Architectural design document—December 2025

Research activities

- Cybersecurity disclosures—December 2025
- Essentiality of pension and OPEB disclosures (Concepts Statement 7)—December 2026
- GAAP structure—Original Pronouncements/Codification—Phase II—April 2027
- Note disclosures—Revenue and expense recognition (Concepts Statement 7)—October 2025

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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

Will affect Statement 102, the Going Concern proposal, and other standards that referred to “when issued”

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Subsequent Events—Recognized

Exposed— subsequent event that (a) is indicative of conditions existing at the financial statement date and (b) informs the inputs to accounting estimates measured as of the financial statement date. Should be incorporated into the measurement of accounting estimates reported as of the financial statement date.

Revised—A subsequent event provides evidence of conditions that existed at the financial statement date about accounting estimates reported as the financial statement date. The effects of recognized events should be incorporated accounting estimates reported as of the financial statement date.

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

Has a significant effect (favorable or unfavorable) on the basic financial statements in the 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
- Application of a new tax rate that is different than the tax rate previously in effect
- Transaction or other event that is of such a nature to be essential to a user's analyses for making decisions or assessing accountability

A subsequent event that does not inform conditions that existed at the financial statement date

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Nonrecognized Subsequent Events—Disclosures

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A description of the nonrecognized event

An estimate of the effect of that nonrecognized event on the basic financial statements in the period in which the event occurs, or the reason why an estimate cannot be made

Disclosures should be made at the reporting unit level (avoiding unnecessary duplication)

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What Is A More Specific Standard?

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Requirements apply in the absence of other specific requirements that address subsequent events related to a particular transaction or other event.

Pension standards that reference actuarial standards of practice

- Will this be considered a more specific standard?
- Will it be addressed in an implementation guide?

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Subsequent Events—Project Timetable

Exposure Draft—November 2024

- Comment deadline was February 21, 2025
- No public hearings or user forums

Final Statement—December 2025

Proposed Effective Date

- Fiscal years beginning after June 15, 2026

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Infrastructure Assets

**Preliminary Views
Issued in
October 2024**

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Infrastructure—Proposed Definition

Assets which may consist of multiple components that are part of a network of long-lived capital assets utilized to provide a particular type of service, that are stationary in nature, and that can be maintained or preserved for a significant number of years

- Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and communication networks.

Only buildings that are part of network of assets used to provide a particular type of service should be considered infrastructure assets

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Infrastructure—Recognition and Measurement

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

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Infrastructure—Historical Cost, Net of Accumulated Depreciation

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Estimated useful lives and salvage values should be reviewed periodically and adjusted, if necessary

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

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Significant Disclosure Proposals

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Additions

- Changes in the policy for capitalizing and depreciating infrastructure assets
- The following disclosures should be disaggregated by major class of infrastructure
 - Percentage of infrastructure assets that have exceeded 80 percent their estimated useful lives (based on historical cost)
 - Separate historical cost of infrastructure assets that have exceeded their estimated useful lives (fully depreciated) from the other infrastructure assets that has meet this criterion
- Policy for monitoring and maintaining or preserving infrastructure assets
- Amount of maintenance or preservation expense recognized in the reporting period

Eliminations

- Description of modified approach applied (Statement 34 disclosure)
- Phase 3 governments election not to retroactively report infrastructure (Statement 34 disclosure)
- Carrying amount of infrastructure assets that were idle at year end (Statement 42 disclosure)

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Infrastructure—Proposed RSI

RSI—Amounts to maintain and preserve infrastructure

- Estimated amounts at the beginning of the fiscal year
- Actual amounts expensed

SI—Governments not using the modified approach will no longer be encouraged to report condition reporting information

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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

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Infrastructure—Project Timetable

Preliminary Views—October 2024

- Comment deadline was January 17, 2025
- Three public hearings
- Two user forums

Exposure Draft—February 2026

Final Statement—February 2027

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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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Severe Financial Stress—Definition

Experiencing financial stress at such a degree that it is near or at the point of insolvency

- Very high level of financial stress

Near insolvency

- Close proximity to the level of financial stress represented by Insolvency but is not at the point of insolvency
- Requires the use of professional judgment to assess

Insolvency

- 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

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Indicators of Near Insolvency— Structural Deficiencies

Recurring periods in which expenses/expenditures exceed revenues

Consistent working capital deficiencies

Recurring inability to balance the budget without the use of one-time funds

Loss of source or provider of resources

Increased reliance on short-term borrowings in order to continue operations

For business-type activities, recurring periods in which the subtotal for operating income (loss) and noncapital subsidies is negative

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Indicators of Near Insolvency—Need to Take Action to Improve Financial Position

Reduce services

Seek new sources or methods of financing

Dispose of assets

Restructure debt

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Indicators of Near Insolvency— Noncompliance or Legal Matters

Default on certain bonds

Not meeting certain obligations to vendors or employees

Noncompliance with debt service reserve requirements

Adverse legal proceedings, legislation, or similar matters

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Indicators of Near Insolvency—Factors to Consider

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

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Severe Financial Stress—Disclosures

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

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

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Level of Assessment—Severe Financial Stress

Primary government and its blended component units

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Probable Dissolution

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

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Probable Dissolution—Relevant Factors to Consider

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 SFS 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

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Probable Dissolution—Disclosures

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

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

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Level of Assessment—Probable Dissolution

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

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Going Concern Uncertainties and Severe Financial Stress—Project Timetable

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Preliminary Views—March 2025

- Comment deadline—June 30, 2025
- Public Forums—July, August, and September 2025

Exposure Draft—June 2026

Final Statement—June 2027

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Revenue and Expense Recognition

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Only Other Standards Setting Project on the Technical Agenda—It is a Big One

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What To Expect

Many changes to current practice may be subtle, but the principles are expected to provide the foundation for revenue and expense recognition well into the future

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Scope

What is in is determined by what is out

What is out (at this point)

- Financial instruments
- Postretirement benefits, compensated absences, and termination benefits
- Capital assets (except some gifts/donations, terminology) and inventory
- Contingency guidance
- Regulated operations
- Guidance issued after Statement 65

Applying guidance by analogy to transactions and other events outside the scope of the project would be prohibited

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Foundational Principles

Revenues and expenses

- Are of equal importance in resource flows statements
- 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 of continuing to prevent netting for revenues and expenses

Symmetry should be considered, to the extent possible

A consistent viewpoint, from the resource provider perspective, should be applied in the analysis of revenues and expenses

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Recognition

Wholly unperformed contracts

- Not recognized, period
- No "theoretical" netting

Transactions that require a contractual binding arrangement, recognition of elements should not be considered before the execution of the contractual binding arrangement

- Consistent with Implementation Guide answer

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Recognition Methodology—Revenue

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

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Recognition Methodology—Expenses

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

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Recognition Methodology—Deferred Inflows and Deferred Outflows of Resources

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Recognition of a deferrals should be based on the flow's applicability to a 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

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Categorization Methodology

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Identify a binding arrangement (broadly defined)

- If none—Outside scope

Identify additional substantive rights and obligations

- If not—Category B

Determine if the rights and obligations are interdependent

- If no—Category B

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Recognition Unit of Account

Category A—distinct goods or services

Category B

- Derived and imposed-transactions—Transaction
 - A transaction is a type of economic activity between the government and at least one counterparty that is evidenced by one or more binding arrangements
- General aid and shared revenue—Point at which payments are due

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Category A—Criteria Used to Identify a Distinct Good or Service

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

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

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

- Factors that indicate that two or more obligations are not separately identifiable:
 - Goods or services in the transaction are significantly integrated
 - Goods or services in the transaction require significant modifications or customizations
 - Goods or services in the transaction are highly interrelated

If the assessment of an obligation to provide goods or services in a transaction does not meet both criteria for a distinct good or service, the obligation should be combined with additional obligations into a bundle until it meets the two criteria for identifying a bundle of goods, a bundle of services, or a bundle of goods and services that is distinct

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Category A—Recognition

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

- Control over goods or services is described as the customer's ability to utilize the present service capacity of the goods or services by determining the nature and manner of use of the present service capacity embodied in the resource.

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Category A—Modes of Transfer of Control

Point in time (default)

Over time—meets one of the following criteria

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

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Specific Category B Recognition Proposals

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Special assessments

Regulatory fees

Impact fees

Punitive fees

Imposed transactions—Property taxes

General aid

Shared revenue

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Measurement

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Measurement unit of account represents the level of aggregation or disaggregation applicable to assets and liabilities to assess the relevant measurement attribute applicable to them

When measurement uncertainty is present, a government should, to the extent practicable, develop estimates that are reflective of the six qualitative characteristics of financial information

The measurement principle that focuses on the most liquid item in the transaction should be retained as a principle underpinning measurement

Revenues and expenses should be measured indirectly based on the most liquid item of the transaction; that is, revenues should be measured through receivables and expenses should be measured through payables

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Project Timetable

Exposure Draft—October 2025

Final Statement—June 2027

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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 staff assumed responsibility in 2010

- 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

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PIR Status

OPEB—June 2018

- Collecting 5th year reports (2022-2023)
- Stage 3 scheduled to be completed—4Q 2026

Fiduciary activities—June 2021

- Collection of reports, implementation efforts, and related costs for post-implementation year

Leases—June 2022

- Collection of reports, implementation efforts, and related costs for implementation year

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What Does the Future Hold?

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Thank you!



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