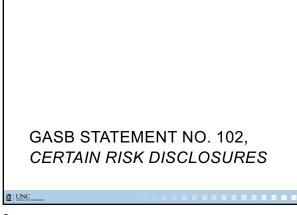
## GAAP Update presented by Gregory S. Allison Teaching Professor, UNC School of Government GASB Statement No. 102, *Certain Risk Disclosures* GASB Statement No. 103, *Financial Reporting*

GASB Statement No. 104, Disclosure of Certain Capital Assets

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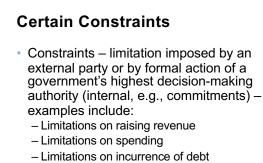


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### Background

- Objective disclosure of risks from current vulnerabilities related to certain concentrations and certain constraints that limit a government's ability to acquire resources or control spending
- This is not a disclosure of risks and uncertainties like the FASB requirements
- Requirements apply mainly to the current year for the primary government – avoid duplication
- Implementation fiscal years beginning after 6/15/25 (FYE 6/30/26 in NC)

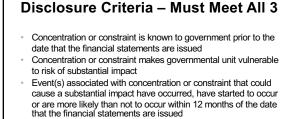
# Certain Concentrations Concentration - lack of diversity related to an aspect of a significant inflow or outflow of resources – examples include: Employers Industries Inflows of resources Workforce covered by collective bargaining agreements Providers of financial resources Suppliers of materials, labor, or services



- Mandated spending

5

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# Examples – Items That Might Meet GASB 102 Criteria

- BRAC Commission base closure list
- Some governments on the LGC's UAL List
   Major employer or taxpayer with financial problems
- Major airline leaves airport and revenue-backed debt is outstanding
- Mandated spending
- Major employer or taxpayer announces plant closure
- Governments close to the 8% assessed value limitation on debt

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### **Note Disclosures**

- Description of concentration or constraint
- Description of each event associated with concentration or constraint
- Description of action taken by government to mitigate the substantial effect
- If mitigation removes one of the disclosure criteria cited earlier – no disclosures needed
- Assess for primary government and all other reporting units that report a liability for revenue-backed debt

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GASB STATEMENT NO. 103, FINANCIAL REPORTING MODEL IMPROVEMENTS

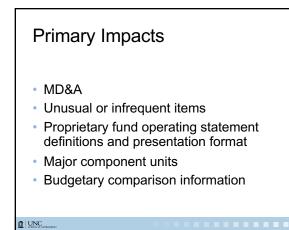
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### Purpose and Effective Date

- Standard supercedes portions of GASB Statement No. 34, Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments
- Effective for fiscal periods that begin after 6/15/25 (FYE 6/30/26 in NC)

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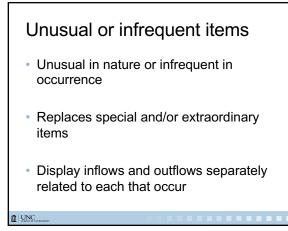
### MD&A

- Presented as required supplementary information (RSI)
- Comparisons between the current year and the prior year (with relevant explanations of significant variances)
- Avoid duplication in analyses where possible
- · Focus on primary government

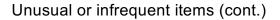
# MD&A (cont.)

- Topical discussions limited to five sections
  - Overview of the financial statements
  - Financial summary (government-wide)
  - Detailed analyses (government-wide and fund financial statements)
  - Significant capital asset and long-term financing activity
  - Currently known facts, decisions, or conditions

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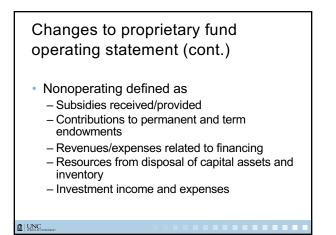


- Presented as the last flow section of government-wide and fund operating statements
- Note disclosures should include
  - Program, function, or activity to which items are related
  - Whether the item was within the control of management

# Changes to proprietary fund operating statement

- Distinguishes between operating and nonoperating revenues and expenses
- Operating defined as other than nonoperating

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# Changes to proprietary fund operating statement (cont.)

- Definition of subsidies
  - Resources received from another party or fund
    - For which the proprietary fund does not provide goods or services and that directly or indirectly keep current/future fees artificially low
  - Resources provided to another party or fund
     For which the other party/fund does not provide services to the proprietary fund, and recoverable through pricing policies
  - All other transfers

# Changes to proprietary fund operating statement (cont.)

- Order of statement
  - Operating revenues
  - Operating expenses
  - Noncapital subsidies
  - Other nonoperating revenues/expenses
  - Unusual or infrequent items
  - Beginning/ending net position

19

# Major Component Unit Information Individual major component units should be reported separately on governmentwide statements If there are too many to easily report separately, a single column may be used A combining statement should be included following the fund financial statements

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### Budgetary comparison information

- Budgetary comparisons for the general fund and major special revenue funds (with legally adopted annual budgets) reported as RSI
- Original and final budgets with variances
- Final budget and actual amounts with variances
- Notes to RSI used to explain significant variances

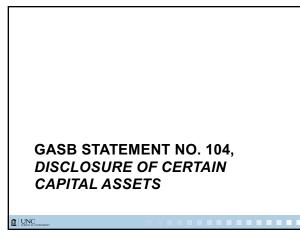
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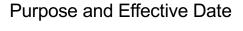
# Budgetary comparison information (cont.)

- Budgetary comparisons for other funds with legally adopted budgets reported as supplemental information (not RSI)
  - Original and final budget presentations not required
  - Includes grant and project ordinances

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- Requires certain types of capital assets to be disclosed separately in the capital assets note disclosure
- Provides additional requirement for capital assets held for sale
- Effective for fiscal periods that begin after 6/15/25 (FYE 6/30/26 in NC)

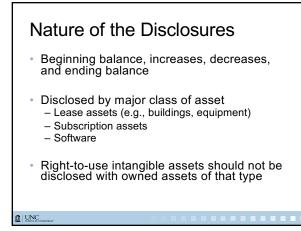
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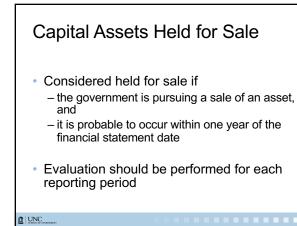
# Assets Required to Have Separate Disclosures

- Assets leased as per GASB Statement No. 87
- Intangible right-to-use assets as per GASB Statement No. 94
- Subscription assets as per GASB Statement No. 96
- Other intangible assets

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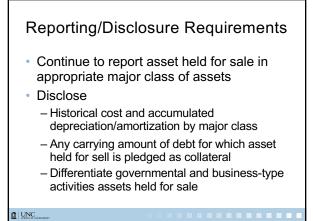
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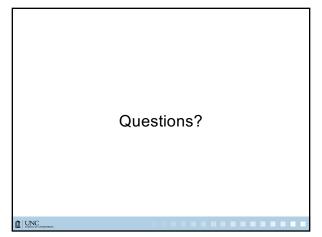
### Potential Factors Affecting Probability

- Asset is in immediate condition to sell
- Active pursuit of buyer(s) (e.g., out for bid)
- · Market conditions potentially affecting a sale
- Regulatory approvals have been pursued and/or received

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