


## GAAP Update

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GASB Statement No. 102, *Certain Risk Disclosures*

GASB Statement No. 103, *Financial Reporting Model Improvements*

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


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## GASB STATEMENT NO. 102, CERTAIN RISK DISCLOSURES



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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)



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### 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

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### Certain Constraints

- Constraints – limitation imposed by an external party or by formal action of a government's highest decision-making authority (internal, e.g., commitments) – examples include:
  - Limitations on raising revenue
  - Limitations on spending
  - Limitations on incurrence of debt
  - Mandated spending

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### Disclosure Criteria – Must Meet All 3

- Concentration or constraint is known to government prior to the date that the financial statements are issued
- Concentration or constraint makes governmental unit vulnerable to risk of substantial impact
- Event(s) associated with concentration or constraint that could cause a substantial impact have occurred, have started to occur or are more likely than not to occur within 12 months of the date that the financial statements are issued

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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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## Primary Impacts

- MD&A
- Unusual or infrequent items
- Proprietary fund operating statement definitions and presentation format
- Major component units
- Budgetary comparison information



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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



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## 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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## Unusual or infrequent items

- Unusual in nature or infrequent in occurrence
- Replaces special and/or extraordinary items
- Display inflows and outflows separately related to each that occur



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## Unusual or infrequent items (cont.)

- 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



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### 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.)

- Nonoperating defined as
  - Subsidies received/provided
  - Contributions to permanent and term endowments
  - Revenues/expenses related to financing
  - Resources from disposal of capital assets and inventory
  - Investment income and expenses



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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



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### 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



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### Major Component Unit Information

- Individual major component units should be reported separately on government-wide 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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### **GASB STATEMENT NO. 104, DISCLOSURE OF CERTAIN CAPITAL ASSETS**



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### Purpose and Effective Date

- 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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## Nature of the Disclosures

- Beginning balance, increases, decreases, and ending balance
- Disclosed by major class of asset
  - Lease assets (e.g., buildings, equipment)
  - Subscription assets
  - Software
- Right-to-use intangible assets should not be disclosed with owned assets of that type



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## Capital Assets Held for Sale

- Considered held for sale if
  - the government is pursuing a sale of an asset, and
  - it is probable to occur within one year of the financial statement date
- Evaluation should be performed for each reporting period



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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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## Reporting/Disclosure Requirements

- Continue to report asset held for sale in appropriate major class of assets
- Disclose
  - Historical cost and accumulated depreciation/amortization by major class
  - Any carrying amount of debt for which asset held for sale is pledged as collateral
  - Differentiate governmental and business-type activities assets held for sale



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Questions?



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