GASB Update

STATE OF SOUTH DAKOTA

DEPARTMENT OF LEGISLATIVE AUDIT

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

Who Sets the Standards

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)—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

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)

Effective Dates—December 31 Fiscal Year End

- **2025**
  - Statement 102—Certain Risk Disclosures
- **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)

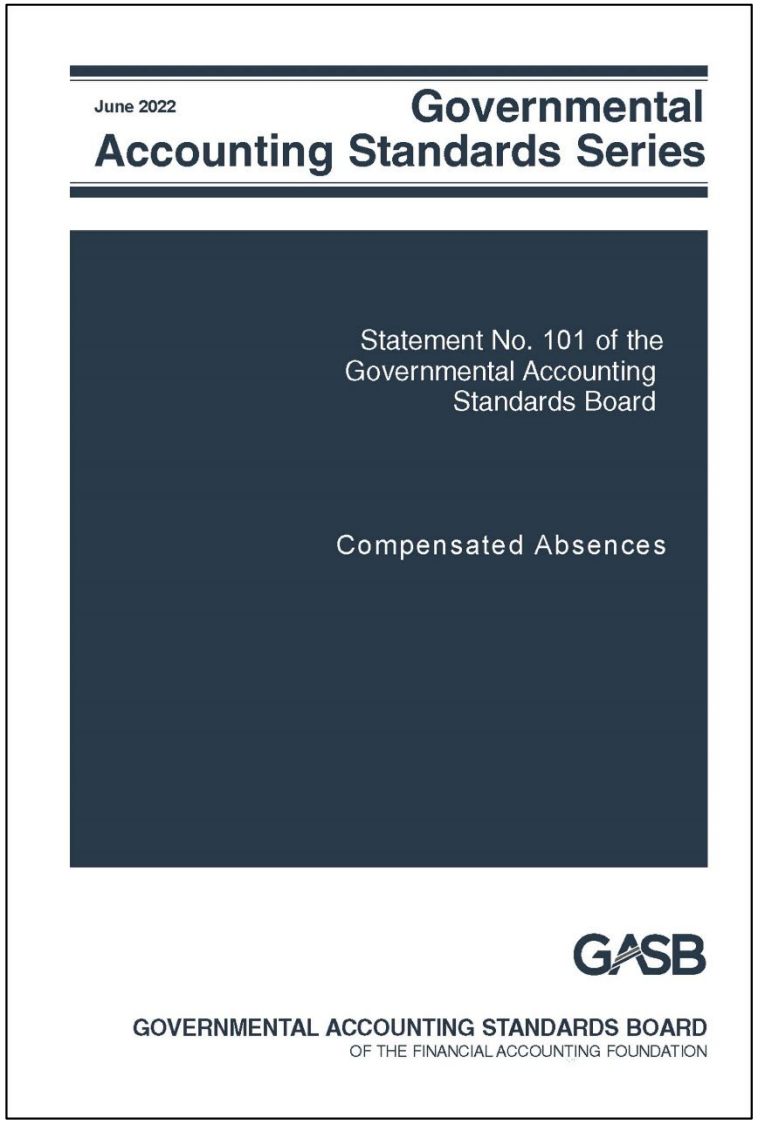
GASBEZE

- Should = Must (Shall)
- Significant = Material
- Material ≤ Substantial ≤ Majority
- Certain = Not All-Inclusive

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

Statement 101

Compensated Absences



Measurement—FIFO versus LIFO—The Debate Continues

Leave that has not been used:

- Is attributable to services already rendered
- Accumulates
- Is "more likely than not" to be used for time off or otherwise paid in cash or settled through noncash means

LIFO—Background

- Created for tax purposes
- Accounting literature found in IRS regulations
- Past applications by governments—flows to determine current liabilities for compensated absences

LIFO—Accounting Literature

Intended to applied under very specific conditions for inventory

Most relevant IRS rule is that the inventory is readily interchangeable

Application to sick leave—Most employees are not interchangeable

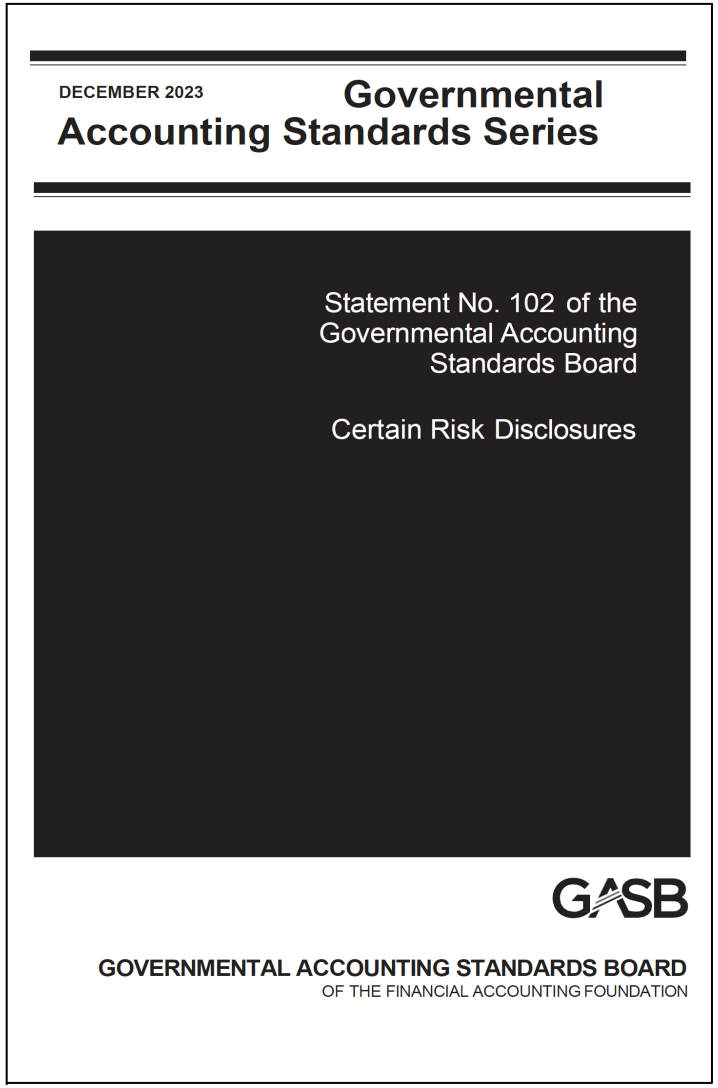
LIFO certainly can be applied if detailed employee records exist

- Again, attempting to determine if it is more likely than not that benefits attributed to services rendered are "more likely than not" to be used in the future (NOT next year) for time off or otherwise paid in cash or settled through noncash means

If FIFO is used to measure the liability, LIFO still can be applied to determine the current (versus long-term) liability

Statement 102

Certain Risk Disclosures



What is a Risk?

Conditions that give rise to the potential loss or harm to a government

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 Statement 102 disclosable event
- Risk can develop into severe financial stress (another proposed disclosable event)
- Risk can result in a going concern (probable dissolution)

Certain Risk Disclosures—Break Glass in Case of Vulnerabilities

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

Disclosure Criteria—Codification Section 2250.163

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 available to be issued

Disclosures—Codification Section 2250.165

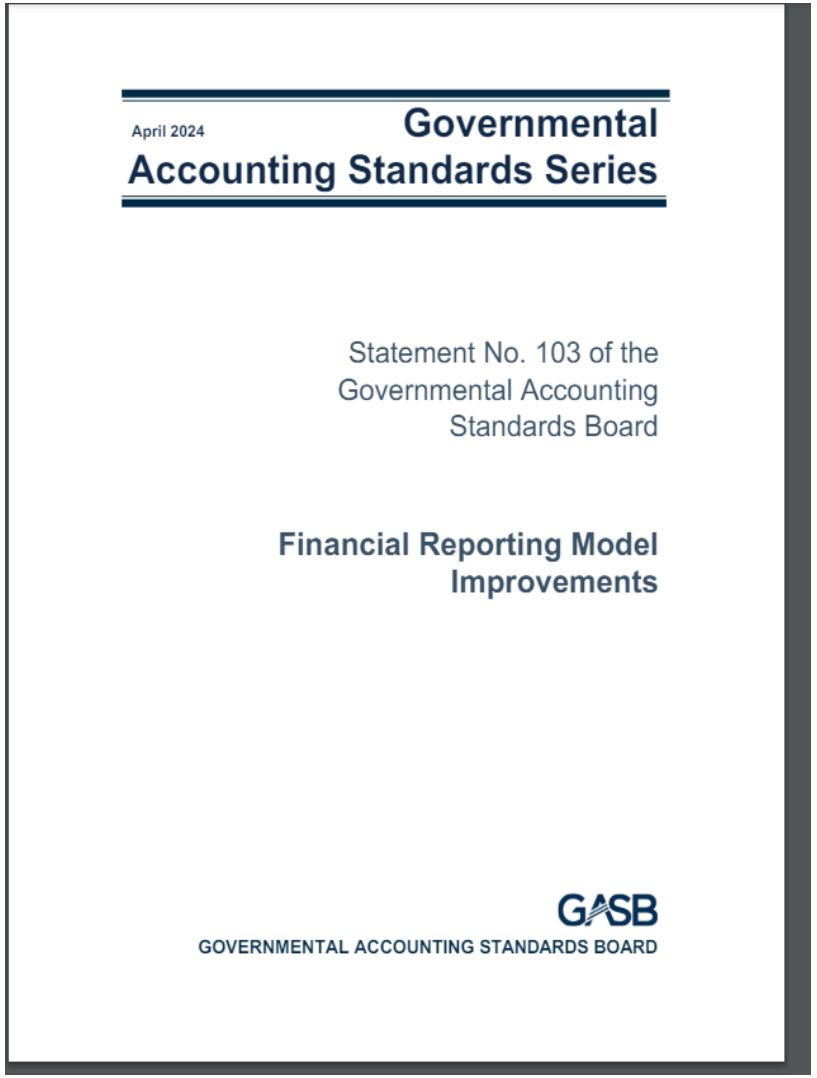
Discloses should be of sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact associated with the concentration or constraint

- 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

Approved Pronouncements for 2026 and Beyond

Statement 103

Financial Reporting Model Improvements



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

Six 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

Management's Discussion and Analysis

REFOCUSING ON INFORMATION OFTEN LOST IN TRANSLATION

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

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

MD&A—Modified Approach for Infrastructure

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

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.

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

Overview—Illustration of Financial Statement Discussion

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.)

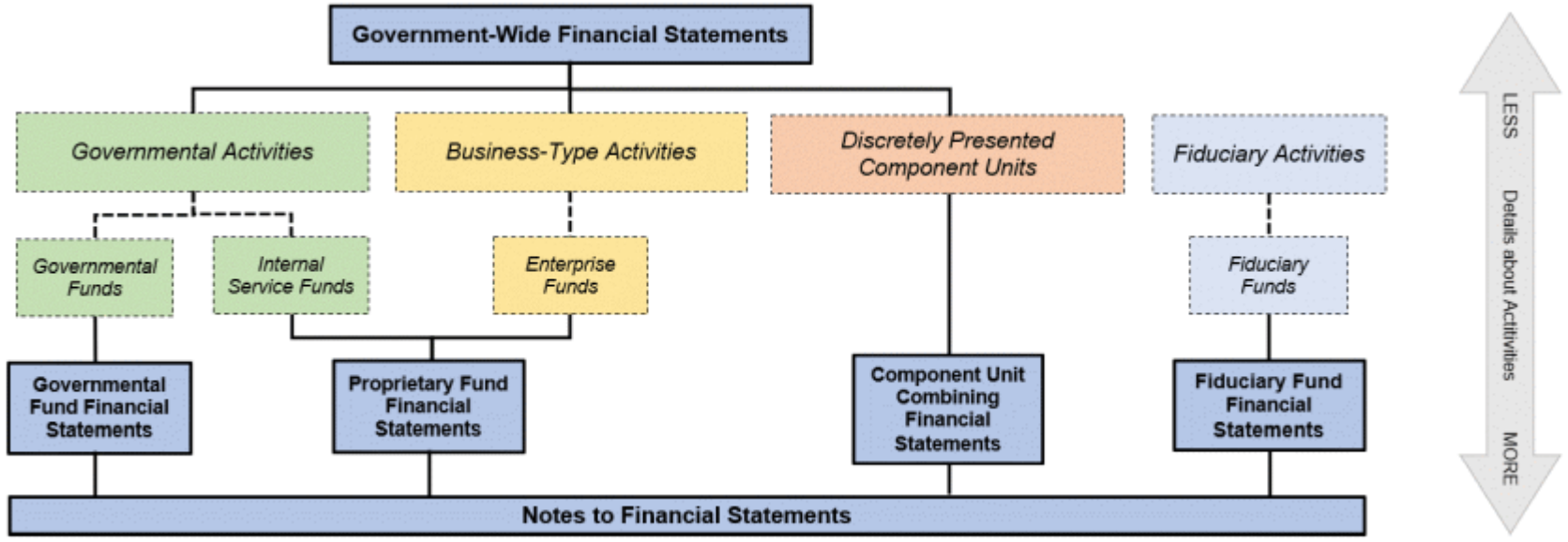
The remaining basic financial statements present the entity's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for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

Overview—Illustration of Financial Statement Chart



Overview—Discussion of MFBA and Financial Statement Elements

- 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.

MD&A—Financial Summary—Condensed Financial Statements

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

Financial Summary—Statement of Net Position

	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%**

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

	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	279,567	278,136	-	-	279,567	278,136	0.5%
Property taxes	78,930	77,074	-	-	78,930	77,074	2.4%
Other taxes	74,940	61,861	-	-	74,940	61,861	21.1%
Payments in lieu of taxes	16,869	15,872	-	-	16,869	15,872	6.3%
Investment earnings	20,667	7,629	1,674	951	22,341	8,580	160.4%
Other	12,519	11,765	420	56	12,939	11,821	9.5%
Total revenues	**597,841**	**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	21,284	-	-	25,566	21,284	20.1%
Public utility	-	-	42,687	40,526	42,687	40,526	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	**453,681**	**397,463**	**76,909**	**73,531**	**530,590**	**470,994**	**12.7%**
Excess (deficiency) before unusual/infrequent items and transfers	144,160	142,170	(9,677)	(10,327)	134,483	131,843	2.0%
Transfers	(18,996)	(4,639)	18,996	4,639	-	-	-
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**	**(5,688)**	**126,983**	**131,843**	**-3.7%**
Net position—beginning of period	1,616,147	1,478,616	539,077	544,765	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%**

MD&A—Detailed Analysis—Government-wide Statements

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

MD&A—Detailed Analysis—Fund Statements

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

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

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

MD&A—Significant Long-term Financing Activities

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

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 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—for example, new laws or regulations imposed on the entity

Unusual or Infrequent Items—Presentation

- 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

Unusual or Infrequent Items—Disclosure

- The program, function, or identifiable activity to which the item relates, if applicable
- Information regarding whether an unusual or infrequent item is within the control of management

Proprietary Funds—Operating/Nonoperating

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

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

Proprietary Funds—Operating/Nonoperating—Exception

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

Interest expense would be reported as nonoperating expense for loan programs

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

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

BTAs—Statistical Section

Entities 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

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

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

Effective Date

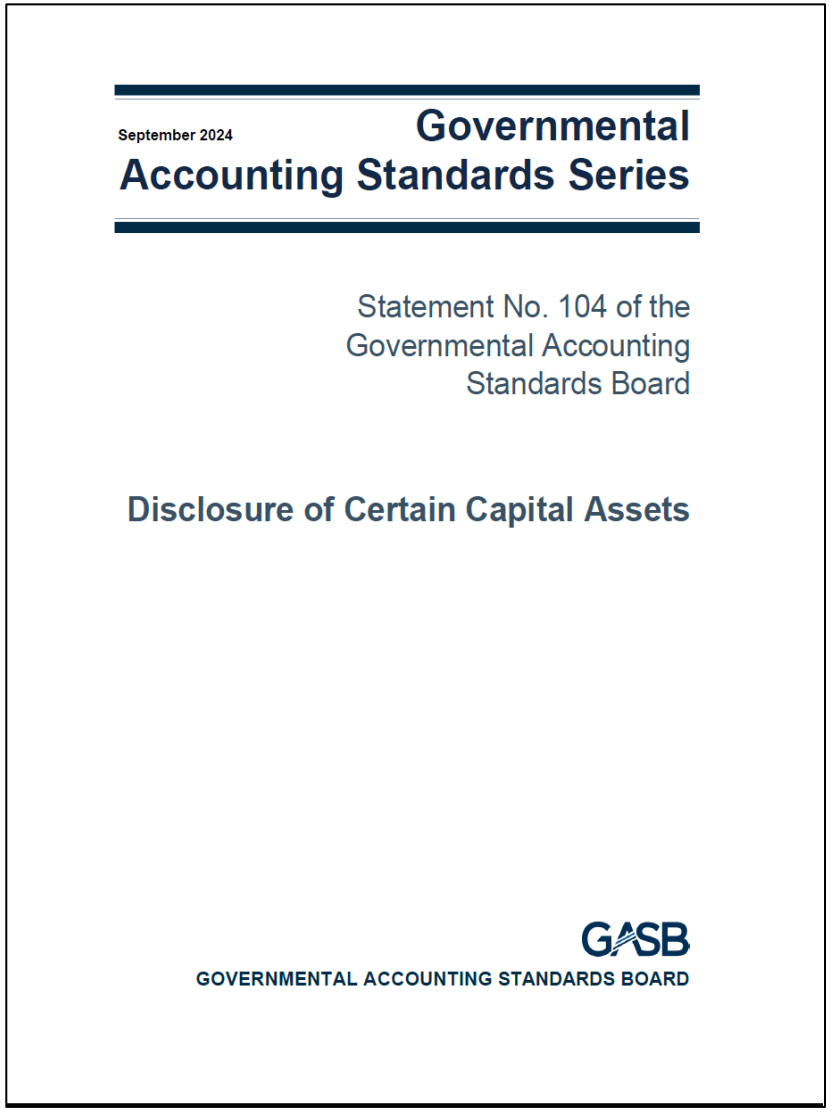
Fiscal years beginning after June 15, 2025, and all reporting periods thereafter

Earlier application is encouraged

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

Statement 104

Disclosures of Certain Capital Assets



Why Is Statement 104 Needed?

- Further aligns intangible asset disclosures
- Helps to clarify classification of capital assets held for resale

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

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)

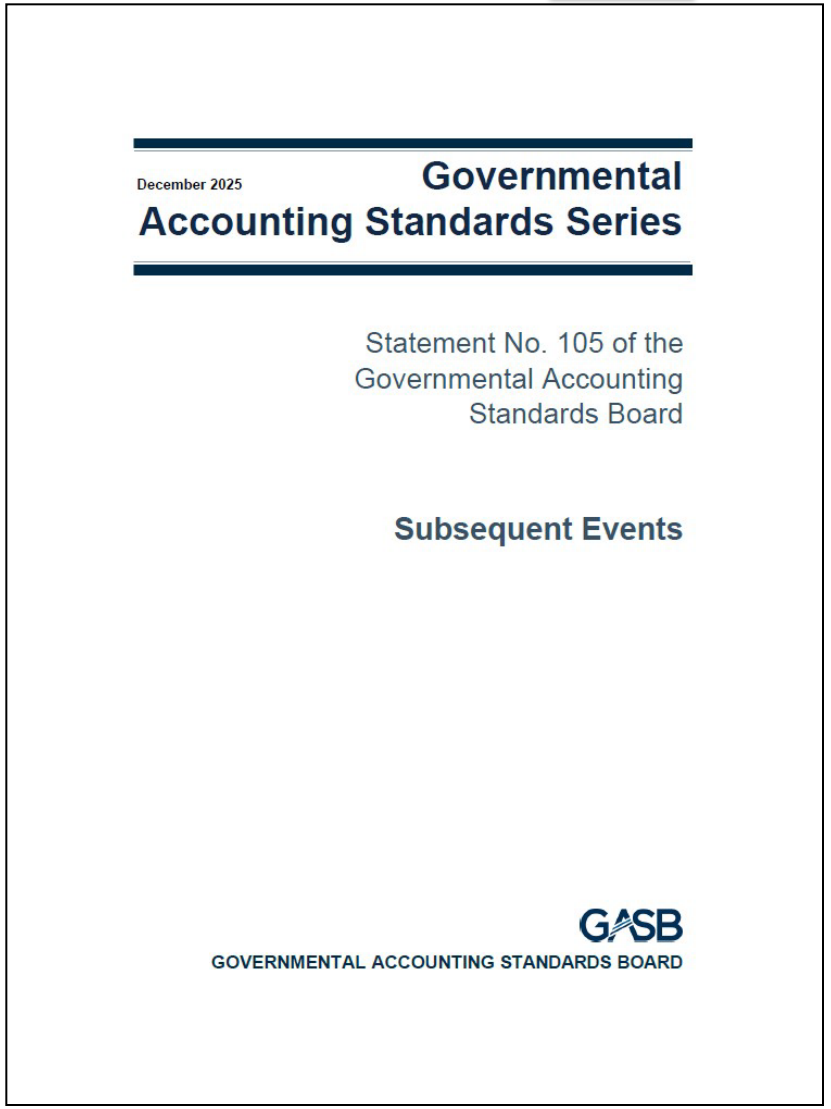
Effective Date

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

Earlier application is encouraged

Statement 105

Subsequent Events



December 2025

Governmental Accounting Standards Series

Statement No. 105 of the Governmental Accounting Standards Board

Subsequent Events

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD

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

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"

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"

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

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 in indicative of conditions existing at the financial statement date
- Deteriorating financial condition leading to a customer's bankruptcy may be in indicative of conditions existing at the financial statement date

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

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)

Subsequent Events—Effective Date

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

Implementation Guide 2025-1

Implementation Guide 2025-1

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)

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.

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

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)

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	3,338,157		2,134, 985	5,473,142
Operating income	475,701		-$759,840	-284,139
Nonoperating revenues and expenses				
Total nonoperating revenues and expenses	221,638		25,832	247,470
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	**-1,184,000**	**1,184,000**	0
Net position--end of year	2,077,878	0	984,746	3,062,624

Implementation Guide—Implementation

Effective Date

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

Projects

Current Technical Agenda

Comprehensive Project

Revenue and Expense Recognition (To be determined, was 2027)

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

Major/Practice Issue Projects and Research Activities

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

Due Process Documents

Implementation Guide

Financial Reporting Model Improvements—Subsidies

EXPOSURE DRAFT ISSUED IN FEBRUARY 2026

Proposed Implementation Guide

New questions on subsides

- 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 subsides

- Subsidy not limited by provider, but used for capital purposes—noncapital subsidy

Infrastructure Assets

Exposure Draft Approved in March 2026

Infrastructure—Proposed Definition (Network)

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 consisting of many components

Infrastructure—Proposed Definition—Additional Criteria

- 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

Infrastructure—Examples

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

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

Need for Additional Information on Infrastructure

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

Depreciation/ Accumulated Depreciation Proposal

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

Note Disclosure—Proposal 1

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

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

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

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

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

Proposed Note Disclosure—Historical-cost Weighed Average Age

- Historical-cost weighed average age = Total historical cost X Age/Total historical cost
- Illustration provided in Exposure Draft

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

Deferred Maintenance

- Preservation and maintenance costs for infrastructure assets that have not been incurred but that were expected to be incurred should **not** 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

Infrastructure—Supplemental Information

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

Infrastructure—Project Timetable

- Exposure Draft—Approved March 25, 2026
- Proposed comment deadline—June 26, 2026
- Final Statement—March 2027

GAAP Structure

DISCUSSION MEMORANDUM

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)

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

Project Timetable

- Issue Discussion Memorandum—May 2026
- Present Research Memorandum—April 2027
- Consider changes to GAAP Hierarchy and Rules of Procedure

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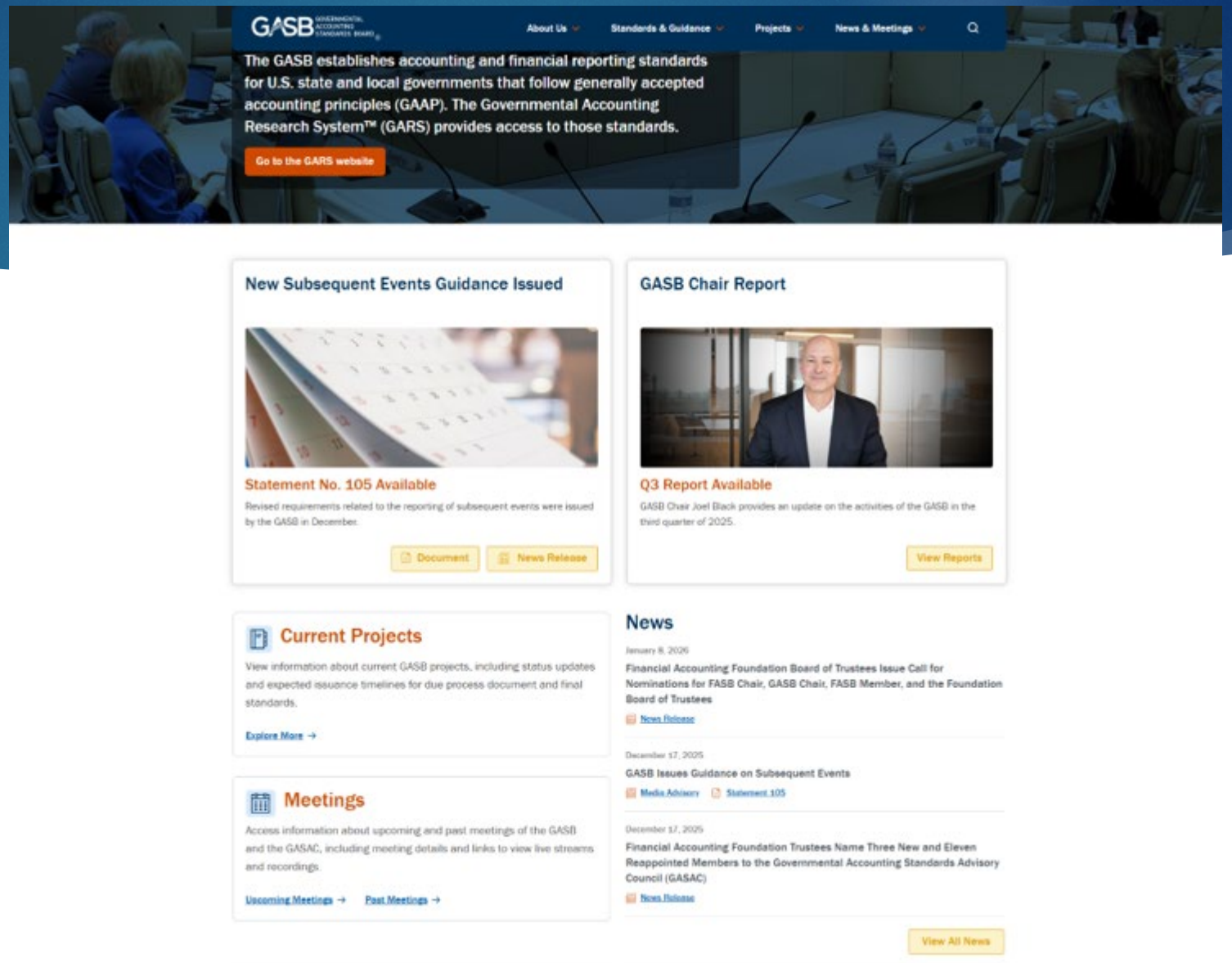

GASB
About Us
Standards & Guidance
Projects
News & Meetings
The GASB establishes accounting and financial reporting standards for U.S. state and local governments that follow generally accepted accounting principles (GAAP). The Governmental Accounting Research System™ (GARS) provides access to those standards.
Go to the GARS website
New Subsequent Events Guidance Issued
Statement No. 105 Available
Revised requirements related to the reporting of subsequent events were issued by the GASB in December.
Document
News Release
GASB Chair Report
Q3 Report Available
GASB Chair Joel Black provides an update on the activities of the GASB in the third quarter of 2025.
View Reports
Current Projects
View information about current GASB projects, including status updates and expected issuance timelines for due process document and final standards.
Explore More →
Meetings
Access information about upcoming and past meetings of the GASB and the GASAC, including meeting details and links to view live streams and recordings.
Upcoming Meetings →
Past Meetings →
News
January 8, 2026
Financial Accounting Foundation Board of Trustees Issue Call for Nominations for FASB Chair, GASB Chair, FASB Member, and the Foundation Board of Trustees
News Release
December 17, 2025
GASB Issues Guidance on Subsequent Events
Media Advisory
Statement 105
December 17, 2025
Financial Accounting Foundation Trustees Name Three New and Eleven Reappointed Members to the Governmental Accounting Standards Advisory Council (GASAC)
News Release
View All News

Website Resources

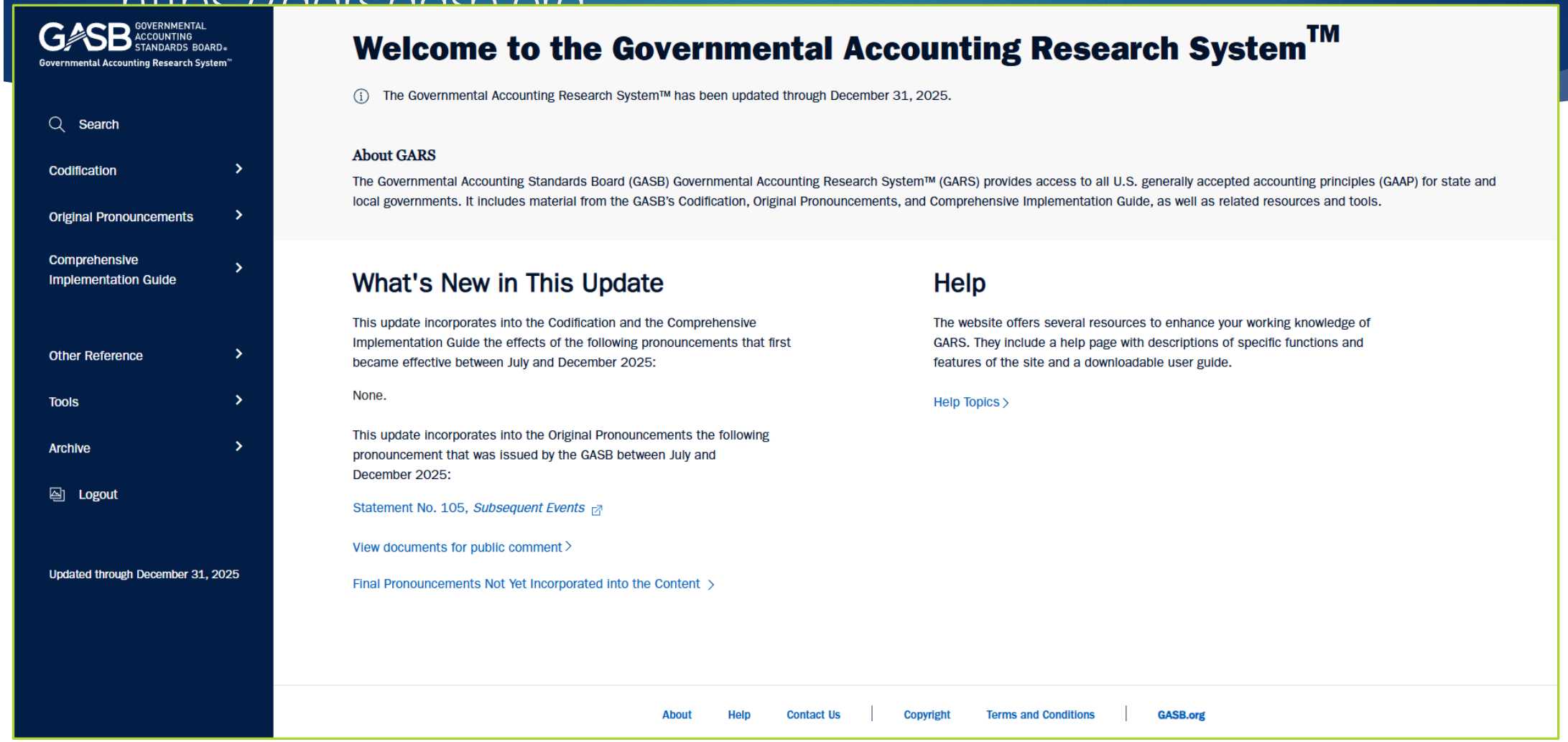
- Free download of Statements, Implementation Guides, Concepts Statements and other pronouncements
- Link to the Governmental Accounting Research System (GARS) – a free resource
- Free copies of proposals
- Up-to-date information on current projects
- Form for submitting technical questions
- Educational materials, including podcasts (Bridging the GAAP)

Understanding the Government Financial Report

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.

https://gars.gasb.org



Severe Financial Stress and Probable Dissolution Disclosures

PRELIMINARY VIEWS ISSUED IN FEBRUARY 2025

Classifications

- Severe financial stress
- Probable dissolution

Tentative Decisions Based on Redeliberations of Preliminary Views

Term going concern should be proposed to be eliminated from the GASB authoritative guidance

- Governments should 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 in very poor financial condition

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

Severe Financial Stress—Definition

Very Poor Financial Condition

- To be deliberated beginning in May

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

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

Indicators—Noncompliance or Legal Matters—Carryover to be Determined

- 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

Indicators—Factors to Consider—Carryover to be Determined

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

Severe Financial Stress—Disclosures—Carryover to be Determined

- 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

Severe Financial Stress—Disclosures—Carryover to be Determined

Known effects of the serve 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

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

Primary government and its blended component units

Probable Dissolution—Carryover to be Determined

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

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

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

Probable Dissolution—Disclosures—Carryover to be Determined

- 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

Probable Dissolution—Disclosures—Carryover to be Determined

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

Level of Assessment—Probable Dissolution—Carryover to be Determined

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

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

Taxonomy

Current State

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

Financial Data Transparency Act—Timetable

Law enacted December 2023

- Requires machine readable financial information, including financial reports

Joint rule proposed—July 2024

- Comment deadline—October 2024

Final joint rule?

Specified agency rule?

- Securities and Exchange Commission (SEC)rule

Effective date?

GASB Voluntary Project

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

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

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?

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

Project Timetable

Discussion Memorandum—August 2026

Revenue and Expense Recognition

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

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

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
- Statement 66 and beyond considered Concept Statement 4

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

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.

Recognition

Wholly unperformed contracts

- Not recognized, period
- No "theorical" 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

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

Recognition Methodology—Expenses

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

Prepaid asset should be recognized for resources provided in advance of a present obligation that is a payable

Recognition Methodology—Deferred Inflows and Deferred Outflows of Resources

Recognition of a deferral 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

Organization of Category B Transactions

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 Periodic Appropriation	Legislative Binding Arrangement Continuous Appropriation
Sales Tax Income Tax	Regulatory Fees Punitive Fees	Property Taxes	Grants	Pledges PILOTs	K-12 Aid	Shared Motor Fuel Tax

Transaction

Definition—Type of economic activity between the government and at least one counterparty that is evidenced by one or more binding arrangements

A transaction is the most suitable categorization unit of account

- In instances in which a transaction is evidenced by more than one binding arrangement, the binding arrangements should be combined for the purpose of identifying the categorization unit of account

For circumstances in which a government has transactions with similar characteristics, the government can opt to apply a portfolio approach to categorization

Binding Arrangement

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

Binding arrangements should be considered as broadly as possible to include contracts that (1) are unilateral, (2) are conditional, and (3) can be terminated without cause

- Rejects limiting the definition to firm commitments

Identification of a binding arrangement also should include the identification of the parties to the binding arrangement

Rebuttable presumption of enforceability and economic substance

Economic substance is characteristic of the binding arrangement

- Economic substance results in an expected change in the risk, amount, or timing of the government's cash flows, or an expected change in the government's service potential

Identify Substantive Additional Rights and Obligations

The characteristic of *substantive* denotes importance

Rights and obligations that should be considered in the categorization assessment are *additional* rights (something that the entity currently does not control) that arise from the binding arrangement such that

Additional rights and obligations generally can be expressed as:

- Goods and services
- Consideration

Determine If the Rights and Obligations Are Interdependent

Interdependent rights and obligations in Category A transactions are linked, such that the rights are dependent on the obligations, and the obligations are dependent on the rights

Recognition Unit of Account

Category A—distinct goods or services

Category B

- Derived and imposed-transactions
  - 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
- Transactions subject to qualifying requirements—grants

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

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

If both criteria are not met, 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

Identify a Distinct Good or Service—Criteria 1

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

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
- Customer obtained from other transactions or events

Identify a Distinct Good or Service—Criteria 2

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

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—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

Category A—Modes of Transfer of Control

Point in time (default)

Over time—meets one of the following criteria

- Customer simultaneously receives and consumes the present service capacity of the asset as the seller performs
- Seller's performance creates or enhances an asset that the customer controls as the asset is created or enhanced
- 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

Recognition Indicators—Point in Time

- Seller has the right to receive consideration
- Customer has legal title to the asset
- Asset has been physically transferred to the customer
- Customer has accepted the asset

Recognition Over Time—Revenue and Expense

Input methods—Revenues recognized on the basis of the entity's efforts or inputs to date to satisfy the performance obligation relative to the total expected input to completely satisfy the performance obligation

- Labor hours
- Time elapsed
- Labor hours and machine costs

Inputs that do not contribute to the satisfaction of the performance obligation should not be included in the revenue recognition determination

Specific Category B Recognition Proposals

- Imposed transactions—Property taxes
- Other imposed transactions
  - Regulatory fees
  - Impact fees
  - Punitive fees
- Derived transactions
- General aid and shared revenue with periodic appropriations
- Shared revenue with continuing appropriations
- Transactions subject to qualifying requirements—grants

Imposed Transactions—Property Taxes—Recognition

Assets (receivables) should be recognized at the imposition date

- Property taxes, the imposition date is the date at which a governing body approves a local ordinance or similar legal action that specifies the property tax rate or total property tax amount that citizens are expected to provide for a specific fiscal period or periods
- Other impositions on property ownership, the imposition date is the date on which a governing body approves a local ordinance or similar legal action that specifies the tax rate or total tax amount that citizens are expected to provide for a specific fiscal period or periods

Liability should be recognized for resources received before a receivable for property taxes or other imposition on property ownership arises

Deferred inflow of resources should be recognized when the government has not yet complied with time requirements

- Revenue should be recognized when the government has complied with time requirements, if applicable

Other Imposed Transaction—Recognition

Assets (receivables) should be recognized when an individual or entity commits or omits an action for which the government has imposed the provision of resources

Liability should be recognized for resources received before a receivable arises

Deferred inflow of resources should be recognized when the government has not yet complied with time requirements.

- Revenue should be recognized when the government has complied with time requirements, if applicable

Derived Transactions—Recognition

Assets (receivables) should be recognized when the underlying transaction on which the resource is imposed has occurred

Liability should be recognized for resources received before a receivable from a derived transaction arises

Deferred inflow of resources should be recognized when the government has not yet complied with time requirements

- Revenue should be recognized when the government has complied with time requirements, if applicable

General Aid to Governments and Shared Revenue Transactions—Recognition

Assets (receivables) should be recognized for recipients and liabilities (payables)should be recognized for providers when payments are due, if the following two criteria are met:

- Resource provider has appropriated funds for the provision of resources and the period applicable to the appropriation has begun
- Resource provider intends to provide the resources to the resource recipient
  - Resource recipient should presume the resource provider intends to provide the resources and should only evaluate the provider's intent to not provide the resources to the recipient if there is a sufficient need to reassess

Shared Revenue With Continuing Appropriations—Recognition

Assets (receivables) should be recognized by government recipients and liabilities (payables) should be recognized by government providers when the underlying transaction that is shared has occurred if the following two criteria are met:

- Resource provider has appropriated funds for the provision of resources (if required) and the period applicable to the appropriation has begun
- Resource provider intends to provide the resources to the resource recipient
  - Resource recipient should presume the resource provider intends to provide the resources and should only evaluate the provider's intent to not provide the resources to the recipient if there is a sufficient need to reassess

Liability for resources received by a government recipient before a receivable arises, and a prepaid asset should be recognized a provider government for resources disbursed before a liability arises

Deferred inflow of resources should be recognized when the government has not yet complied with time requirements

- Revenue should be recognized when the government has complied with time requirements, if applicable

Qualifying Requirements—Grants

Qualifying requirements definition—Conditions either (a) externally imposed by grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation that are required to be satisfied by the recipient before said recipient is entitled to the resources

Pursuant to an executed grant agreement (when one is required), qualifying requirements should be identified by relying on the following two criteria:

- The incurrence of qualifying costs in compliance with all other applicable requirements that are associated with the determination of qualifying costs
- Other qualifying requirements, which are specified actions of the government that are not associated with the incurrence of qualifying costs
  - Output and outcome requirements are a specific type of other qualifying requirement because they are described as actions of the government

Qualifying Requirement Transactions—Recognition

- Assets (receivables) should be recognized by recipients for transactions when (or as) the recipient complies with all applicable qualifying requirements
- Liabilities (payables) should be recognized by providers for transactions when (or as) the recipient complies with all applicable qualifying requirements
- Liabilities should be recognized by recipient governments for resources received before compliance with qualifying requirements
- Assets should be recognized by provider governments for resources provided before the recipient's compliance with qualifying requirements

Qualifying Requirement Transactions—Recognition—Deferrals

Deferred inflow of resources should by recognized by recipient governments for circumstances in which the government has complied with qualifying requirements but has not yet complied with time requirements

- Revenue should be recognized by a recipient government when it has complied with both qualifying and time requirements

Deferred outflow of resources should be recognized by provider governments for circumstances in which the recipient government has complied with qualifying requirements but has not yet complied with time requirements

- Expense should be recognized by a provider government when the recipient government has complied with both qualifying and time requirements

Measurement

- 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

Project Timetable

Exposure Drafts

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

Final Statement—TBD

Post-Implementation Review (PIR)

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)

Statements Under Review

- Employer Reporting for Other Postemployment Benefits—Statement 75
- Fiduciary Activities—Statement 84
- Leases—Statement 87

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

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

What Does the Future Hold?

Thank you!