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GASB UPDATE

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- OR just point your phone’s camera at the QR code to join directly

AGENDA

- Statement 102: Certain Risk Disclosures
- **Statement 103: Financial Report Model Improvements**
- Statement 104: Disclosure of Certain Capital Assets
- GASB Implementation Guide No. 2025-1
- Potential future GASB fund (GASB's ongoing projects)

Effective Dates

- December 31, 2025 (and June 30, 2025)
  - Statement 102
- December 31, 2026 (and June 30, 2026)
  - **Statement 103**
  - Statement 104

Disclaimer!

- All GASB statements are subject to materiality
- Materiality is a concept not a magic number!
  - Will omission be misleading to the users of the financial statements?
  - Discuss with all who are a part of the financial reporting process
- Materiality is to be applied individually and “in the aggregate”

GASB 102

Certain Risk Disclosures

- Footnote disclosure only
- Goal is to provide users of FS with risks related to a government's vulnerabilities due to certain:
  - Concentrations
  - Constraints

GASB 102: Definition of "Concentration"

- Lack of diversity related to an aspect of a significant inflow of resources or outflow of resources
- Examples included in guidance (but not limited to):
  - Major employer or industry
  - Collective bargaining agreements
  - Vendor/suppliers
  - Providers of financial resources

GASB 102: Definition of "Constraint"

- Limitation on the government by:
  - External party
  - Government itself (formal action)
- Examples included in guidance (but not limited to):
  - Limitations on raising revenue
  - Limitations on spending
  - Limitation on incurrence of debt
  - Mandates on spending

When is GASB 102 Disclosure Required?

- Concentration or constraint is known prior to FS issuance,
- Concentration or constraint makes government vulnerable to a substantial impact, AND
- An event(s) that could cause the substantial impact either has occurred or is *more likely than not* to begin to occur within 12 months of FS issuance

GASB 102: Mitigating Actions

- No disclosure is required IF:
  - Mitigating actions are taken BEFORE FS issuance AND
  - Result in any of the three disclosure requirements not being met

GASB 102: Required Disclosures

- Concentration or constraint that exists
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to financial statement issuance.
- Actions taken by the government prior to financial statement issuance to mitigate the risk.

GASB 102 Considerations

- Governments probably know of concentrations or constraints that currently exist
- Vulnerabilities may exist, but needs to be *substantial* impact
- Not required to search for events that could cause significant impact
- Comparative statements implementation – disclose only for risks that exist as of reporting date of current year

GASB 103

Financial Reporting Model Improvements

- Reporting changes to:
  - **Management's Discussion and Analysis**
  - Major component unit presentation
  - Unusual and infrequent items
  - **Proprietary Funds**
  - Statistical Section
  - Budgetary Comparisons

Summary of MD&A Content

Current	GASB 103
1. Discussion of the basic financial statements	1. Overview of the financial statements
2. Condensed financial information	2. Financial summary
3. Analysis of the government's overall financial position and results of operations	3. Detailed analyses
4. Analysis of the balances and transactions of individual funds	
5. Description of capital asset and long-term debt activity	4. Significant capital asset and long-term financing activity
6. Currently known facts, decisions or conditions of future significance	5. Currently known facts, decisions, or conditions
7. Analysis of budgetary variances	Moved to notes to RSI other than MD&A
8. Discussion of infrastructure accounted for using the modified approach	

Source: GFOA 2025 Governmental GAAP update

Management's Discussion and Analysis Changes

- Focus on understandability, especially users who many not be knowledgeable in governmental accounting
- Focus needs be on the "Analysis" – **Why** balances and results of operations changed
- Reduction in topics:
  - Modified approach to infrastructure discussion removed (include in notes and RSI instead)
  - Analysis of budgetary variances for General Fund is removed – include in notes to RSI
  - Government-wide and each major fund analysis now combined into 'detailed analysis' section

Management's Discussion and Analysis Changes

- Currently Known Facts, Decisions or Conditions
  - Have a significant effect
  - Produce significant differences in current period results
- Should Include:
  - Economic and demographic changes
  - Factors used to develop next years budget
  - Expected changes
  - Actions that will affect the government in future periods
    - Long-term financing
    - New laws and regulations

Presentation of Major Component Units under GASB 103

- No longer allowed to present condensed discretely presented component units (CUs) in the footnotes
- Required to present major discretely presented CUs:
  - Separate columns in FS unless it reduces readability
  - If reduce readability, display in combining statements of major CUs in basic FS following fund FS.

GASB 103: *Unusual* or *Infrequent* Items

UNUSUAL IN NATURE

- An event or transaction is abnormal and significantly different from the ordinary and typical activities of the government

INFREQUENT IN OCCURRENCE

- An event or transaction is of a type not reasonably expected to recur in the foreseeable future

GASB 103: Usual or Infrequent Presentation

- Present such items in “flows statement” as last flow item(s), before net change in net position or fund balance
- Inflows and outflows for unusual or infrequent items should be reported gross (not netted)

GASB 103: Proprietary Fund Presentation

- **Nonoperating** revenues and expenses are now defined specifically as (except if constitutes the fund's principal ongoing operations):
  - Contributions to permanent and term endowments
  - Financing related revenues and expenses
  - Proceeds from the disposal of capital assets and items reported as inventory Investment income and expenses
  - Subsidies received and provided (NEW)
- If doesn't meet definition of above, then it is operating

GASB 103: Proprietary Fund Presentation

- ‘Subsidy’ definition:
  - Resources received from another party or fund
    - Not related to the goods or services provided by the proprietary fund to the provider, and
    - That directly or indirectly keeps the fund’s current and future fees or charges lower than they otherwise would be
  - Resources provided to another party or fund
    - Not related to the goods or services provided by the provider or fund, and
    - That are recoverable through the fund’s current or future fees/charges
  - All other transfers

Statement of Revenues, Expenses and Changes in Fund Net Position
Transit Enterprise Fund
For the Year Ended June 30, 20X1

Note: operating revenues and expenses omited from illustration

Operating Income (loss)	(9,607)
Noncapital Subsidies	
Intergovernmental revenue	8,812
Transfers In	1,009
Total noncapital subsidies	9,821
Operating income (loss) and noncapital subsidies	214
Other nonoperating revenues (expenses)	
Investment income	227
Capital contributions	121
Interest expense	(446)
Total other nonoperating revenues (expenses)	(98)
Income (loss) before unusual or infrequent items	116
Unusual or infrequent item - earthquake (see note X)	
Grant revenues	65
Emergency response and clean-up	(100)
Total unusual or infrequent item	(35)
Increase (decrease) in net position	81
Net position - beginning of year	102
Net position - end of year	$ 183

Operating income (loss)

Noncapital (a.k.a. operating) subsidies

NEW: Operating income (loss) and *noncapital* subsidies

Nonoperating revenues (expenses) other than noncapital subsidies

Income (loss) before unusual or infrequent items, then those items, if applicable

Unusual or infrequent item – inflows and outflows displayed separately

Change in net position

2025 Governmental GAAP UPDATE

Source: GFOA 2025 Governmental GAAP Update

GASB 103: Budgetary Comparison Info

- Schedules for General Fund and each major Special Revenue Fund with legally adopted budget
  - Now required to present in RSI (no longer option to present in basic FS)
- Variance columns required
  - Original and final budgets (NEW)
  - Final budget and actual results
- Notes to RSI need to explain significant differences between
  - Original and final budgets (NEW)
  - Final budget and actual results

Example of Budgetary Schedule from GASB 103

Required Supplementary Information
Sample City
Budgetary Comparison Schedule
General Fund
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

	Budgeted Amounts		Variance with Original Budget— over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget— over (under) Actual Amounts
	Original	Final			
BUDGETARY REVENUES					
Taxes	$ 157,715	$ 157,715	$ -	$ 161,885	$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
Total budgetary revenues	208,179	208,764	585	213,376	4,612
BUDGETARY EXPENDITURES					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,086	22,075	(11)	21,354	(721)
Social and economic development	12,095	12,038	(57)	11,614	(424)
Debt Service:					-
Principal	1,275	1,275	-	1,262	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
Total budgetary expenditures	202,164	198,888	(3,276)	196,136	(2,752)
Budgetary excess of revenues over expenditures	6,015	9,876	3,861	17,240	7,364

GASB 104

Disclosure of Certain Capital Assets

- Does not change recognition of capital assets
- Establish requirements for certain types of capital assets to be disclosed separately
- Establishes requirements for capital assets held for sale and required disclosure

GASB 104: Separate Disclosure Required

- Lease assets reported under GASB 87, by major class of underlying asset
- Intangible right-to-use assets under GASB 94, by major class of underlying asset
- Subscription assets reported under GASB 96
- Intangible assets other than those listed above, by major class of asset

GASB 104: Capital Assets Held for Sale

- Capital asset is a capital asset held for sale if:
  - The government has decided to pursue the sale of the asset AND
  - It is probable (likely to occur) that the sale will be finalized within one year of the FS date
- GASB Provides factors to consider when evaluating whether it is probable that a sale will be finalized within one year of FS (nonexclusive list)
- Government should evaluate annually whether capital asset is held for sale

GASB 104: Capital Assets Held for Sale Disclosures

- Historical cost and accumulated depreciation of such assets, by major class of asset
- Carrying amount of debt for which such assets are pledged as collateral
- Disclosure should be made for both governmental activities and business-type activities

Implementation Guide No. 2025-1

Implementation Guidance Update-2025

- 16 Q&A's regarding:
  - Cash flow reporting
  - Basic FS and MD&A
  - Leases: terms and modifications
  - Conduit debt obligations
  - GASB 100
  - GASB 101
  - GASB 103
- 2 amendments to previous guidance
  - Is title of an asset always equivalent to ownership?
  - Required to use Special Revenue Fund to report restricted or committed revenue sources?

Q&A on Cash Flows Reporting

4.1. 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. (See also Question 2.25.1 in Implementation Guide 2015-1.)

Q&A's on Operating vs. Nonoperating

4.2. Q—Paragraph 13 of Statement No. 103, *Financial Reporting Model Improvements,* indicates that interest revenues of a proprietary fund established to provide loans to first-time homeowners should be reported as operating revenues because those transactions constitute the proprietary fund's principal ongoing operations. If this proprietary fund reports interest expenses associated with borrowings that finance operations, would the interest expenses be reported as operating expenses?

A—No. Interest expenses related to financing are always reported as nonoperating expenses. The interest revenues are related to the operations of the program, whereas the interest expenses are related to how the fund obtained resources (financing) to operate its lending program.

Q&A's on Operating vs. Nonoperating

4.3. Q—If the principal ongoing operation of a business-type activity (BTA) or an enterprise fund is leasing property to other entities, should interest revenue related to leases be reported as operating revenue?

A—No. Interest revenue is a revenue related to financing, which, in accordance with paragraph 13 of Statement 103, is a nonoperating revenue unless financing transactions constitute the proprietary fund's principal ongoing operations. If the principal ongoing operation of a BTA or an enterprise fund is leasing property to other entities, the principal ongoing operation is conveying control of the right to use an underlying asset. Because interest revenue related to a lease is recognized from financing the operation of conveying control of the right to use an underlying asset, rather than from the operation itself, interest revenue from a lease should not be reported as operating revenue.

Although the foundational principle of Statement No. 87, *Leases*, as amended, is that leases are financings, leases are different from other types of financings (such as loans) because, in addition to interest revenue, a lease results in revenue from conveying control of the right to use an underlying asset through the recognition of the deferred inflow of resources as inflows of resources in subsequent periods.

Q&A's on Operating vs. Nonoperating

4.4. Q—Paragraph 54 of Statement 87 requires that the deferred inflow of resources related to a lease be recognized as inflows of resources (for example, revenue) over the term of the lease. If reported as revenue, should a BTA or an enterprise fund report those inflows of resources as operating revenue?

A—Yes. Paragraph 13 of Statement 103 provides that operating revenues are revenues other than nonoperating revenues and that revenues related to financing are nonoperating revenues. As discussed in Question 4.3, only interest revenue recognized from a lease is related to financing. Revenue recognized from the deferred inflow of resources related to a lease, therefore, is not related to financing. Such revenue does not meet any of the other categories for nonoperating revenue and, therefore, should be reported as operating revenue.

Q&A's on Subsidies under GASB 103

4.5. Q—How should subsidies be classified if resources are used for the acquisition of capital assets in circumstances in which the provider of a subsidy did not limit the use of the resources to the acquisition of capital assets?

A—Subsidies are classified as noncapital subsidies if the provider of the subsidy either does not limit the use of the resources or limits the use of the resources to something other than the acquisition of capital assets. Subsidies are only classified as capital subsidies (that is, all subsidies other than noncapital subsidies) if the provider of the subsidy has limited the use of the resources to the acquisition of capital assets. The recipient's use of all or a portion of a subsidy for capital purposes does not, by itself, result in all or a portion of the subsidy being classified as a capital subsidy. Subsidies other than noncapital subsidies should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in Implementation Guide 2015-1, as amended.)

Q&A's on Subsidies under GASB 103

4.6. Q—Do payments in lieu of taxes (PILOTs) made by a BTA or a proprietary fund meet the definition of subsidies?

A—It depends on the substance of the transaction. In many circumstances, a PILOT is an arrangement in which (a) a payment from a BTA or proprietary fund is made either to the general fund of the primary government or to another government to compensate for tax revenue lost due to tax exemptions for the purpose of supporting general governmental activities and (b) the BTA or proprietary fund establishes a rate or fee that produces operating income greater than or equal to the amount of the PILOT. In these circumstances, the PILOT would meet the definition of subsidies. However, in other circumstances, a PILOT is a payment from a BTA or proprietary fund to another government or fund for goods or services provided to the BTA or proprietary fund. In those circumstances, the PILOT would not meet the definition of subsidies. The name of the arrangement is not relevant to the determination of whether it is a subsidy for accounting and financial reporting purposes. (See also paragraph 112 of Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, regarding interfund services provided and used and interfund transfers.)

Q&A's on Subsidies under GASB 103

4.7. Q—An insured individual receives covered healthcare services from a governmental healthcare provider, resulting in recognition of a revenue and receivable by the governmental healthcare provider. The third-party insurer is responsible for making payments to the governmental healthcare provider in accordance with the terms of the insurance contract. Does this circumstance meet the criterion established in paragraph 14a of Statement 103 for purposes of the definition of subsidies?

A—No. Even though the third-party insurer did not directly receive goods or services from the governmental healthcare provider, those payments do not meet the criterion in paragraph 14a. The insured individual received goods or

services from the governmental healthcare provider that resulted in the healthcare provider receiving resources in the form of a receivable. The third-party insurer is paying the governmental healthcare provider in place of the insured individual because of the contractual relationship between the insured individual and the third-party insurer.

Q&A's on Leases

Lease Term

4.8. Q—A government leases a vehicle. The contract states that the lease will end after 3 years or 60,000 miles, whichever comes first. There are no options to extend or terminate the lease. What is the lease term?

A—The lease term is three years, which is the noncancellable period. Reaching a certain number of miles is an event specified in the lease contract that requires termination of the lease. If that occurs before the end of the noncancellable period, paragraph 15c of Statement 87 requires reassessment of the lease term at that time.

Lease Modifications

4.9. Q—In circumstances in which a government remeasures a lease liability because of a modification in accordance with paragraph 73 of Statement 87, should the government remeasure from the commencement of the lease or from the date of the modification?

A—A remeasurement due to the modification of a lease should be calculated from the date of the modification.

Q&A on Conduit Debt

4.10. Q—A component unit issues debt on behalf of its primary government (third-party obligor). One of the characteristics of conduit debt in paragraph 6 of Statement 91 is that the issuer and the third-party obligor are not within the same financial reporting entity. For the purposes of the component unit's stand-alone financial statements, is that characteristic met?

A—No. The characteristic in paragraph 6b of Statement 91 does not refer to the financial reporting entity covered by a set of financial statements. Instead, it refers to the relationship between the issuer and the third-party obligor. In this case, because the issuer is a component unit of the third-party obligor, the debt does not meet the characteristic of conduit debt in paragraph 6b of Statement 91. Therefore, the component unit should not report the debt as conduit debt in

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its stand-alone financial statements; rather, the component unit should apply the provisions related to long-term debt.

Q&A's on GASB 100

4.11. Q—Is a change in a government's capitalization threshold a change in accounting principle as defined in Statement 100?

A—No. A capitalization threshold is the application of materiality to a specific asset class, not an accounting principle. Therefore, the requirements of Statement 100 for a change in accounting principle, including the requirement to restate beginning balances, as appropriate, do not apply to that change.

4.12. Q—Can an individual adjustment to or restatement of beginning net position, fund balance, or fund net position be displayed separately from the remaining aggregate of adjustments to or restatements of those beginning balances?

A—No. Paragraph 31 of Statement 100 requires display of the aggregate of all adjustments and restatements. Accordingly, unless each accounting change and each error correction is separately displayed in the financial statements in accordance with the exception permitted by paragraph 32 of Statement 100 (in addition to the aggregate amount as required by paragraph 31), a single line item presenting the sum of all adjustments to and restatements of beginning balances for each reporting unit should be displayed.

Q&A's on GASB 100

4.13. Q—How should a change in a fund's presentation from major to nonmajor be displayed in the financial statements?

A—Paragraph 31 of Statement 100 requires that the aggregate adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed separately by reporting unit. As a result, a column should continue to be presented in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position, as applicable, that displays (a) the fund's beginning balance as previously reported in the major column and (b) the adjustment to that balance, even though that column does not present activity for the reporting period. Correspondingly, in the statement of revenues, expenditures, and changes in fund balances or the statement of revenues, expenses, and changes in fund net position, as applicable, the column that presents nonmajor funds in the aggregate also should display the adjustment to its beginning balance.

Q&A's on GASB 100

4.14. Q—Would the answer to Question 4.13 be different if the major fund no longer exists as a result of the movement of continuing operations, for example, a major enterprise fund will be reported as part of the general fund (instead of as a result of a change in fund presentation as described in Question 4.13)?

A—No. Consistent with the answer in Question 4.13, in the example in this question, a column should continue to be presented in the statement of revenues, expenses, and changes in fund net position that displays (a) the enterprise fund's beginning balance as previously reported in the major column and (b) the adjustment to that balance, even though that column does not present activity for the reporting period. Correspondingly, in the statement of revenues, expenditures, and changes in fund balances, the column that presents the general fund also should display the adjustment to its beginning balance.

Q&A on GASB 101

4.15. Q—Is a future pay rate that is known (for example, because the next year's salary increases are approved or a collective bargaining agreement is in place) a rate different from the employee's pay rate at the time the payment is made as described in paragraph 17 of Statement 101?

A—No. Paragraph 17 of Statement 101 describes a circumstance in which leave is more likely than not to be paid at a rate different from the employee's pay rate in effect at the future date when the payment is made, such as a percentage of that pay rate or a set dollar amount. Governments should not use future pay rates, even if known, in the measurement of the liability for leave that is more likely than not to be paid at the future pay rate. Paragraph 20 of Statement 101 requires future pay rate changes to be recognized in the period of the change.

Q&A on GASB 103 Implementation

See also Questions 4.2–4.7 of this Implementation Guide for other implementation guidance related to Statement 103.

4.16. Q—If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it will include in its financial statements a component unit with a fiscal year-end of December 31, 2025 (in accordance with the provisions in paragraph 59 of Statement No. 14, *The Financial Reporting Entity*), when should the component unit implement Statement 103?

A—For the purposes of implementing Statement 103, which requires changes to the presentation of certain financial statements, the component unit should implement that Statement in its December 31, 2025 financial statements.

Q&A: Amendments to IG 2015-1

5.1. Q—Is title to an asset always equivalent to ownership?

A—For the purposes of Statement 34, as amended, ownership is considered a collection of rights to "use and enjoy" property, including the right to transmit it to others. For assets held for public benefit, such as roads, the right to use and enjoy property includes the right to determine how the property is used. All rights may not be vested in a single entity. The term *title* is used to refer to the right to or ownership of an asset and is also used to refer to the evidence of such ownership. Title may be evidence of legal ownership; however, that ownership may be held for the entity's own benefit or for the benefit of another entity. Generally, holding title to an asset equates to ownership, and the entity that holds title to an asset should report the asset in its financial statements. However, the facts and circumstances of the situation should be considered. There may be instances in which title is held by one entity, yet some rights of ownership are held by another entity. For example, in certain arrangements associated with conduit debt, the issuer of that conduit debt does not recognize a capital asset even though it holds title from the beginning of the arrangement.

Q&A: Amendments to IG 2015-1

Question Z.54.30 in Implementation Guide 2015-1

5.2. Q—Are governments required to use special revenue funds to report restricted or committed revenue sources?

A—No. Special revenue funds are not required, except to report the general fund of a blended component unit or to report restricted resources that are legally mandated to be included in a fund that meets the requirements to be reported as a special revenue fund in paragraphs 30 and 31 of Statement 54, as amended.

Standard Setting GASB Projects

- Going Concern Uncertainties and Severe Financial Distress
  - Current Stage: Preliminary Views concluded 6/30/25. Exposure Draft expected in 2Q2026
- Infrastructure Assets
  - Current Stage: Exposure Draft expected in 1Q2026

Standard Setting GASB Projects

Continued

- Revenue and Expense Recognition
  - Current Stage: Exposure Draft expected 2027
- Subsequent Events
  - Current Stage: Statement issuance expected 4Q2025 or early 2026
- Implementation Guide expected to be issued in 2026
  - Focus mainly on GASB 103 regarding “subsidies”

GASB: PRE-AGENDA RESEARCH

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- Pre-Agenda research activities:
  - Cybersecurity risk disclosures
  - GAAP Structure
  - Pension and OPEB Disclosures – Concepts Statement 7
  - Revenue and Expense Recognition – Note Disclosures

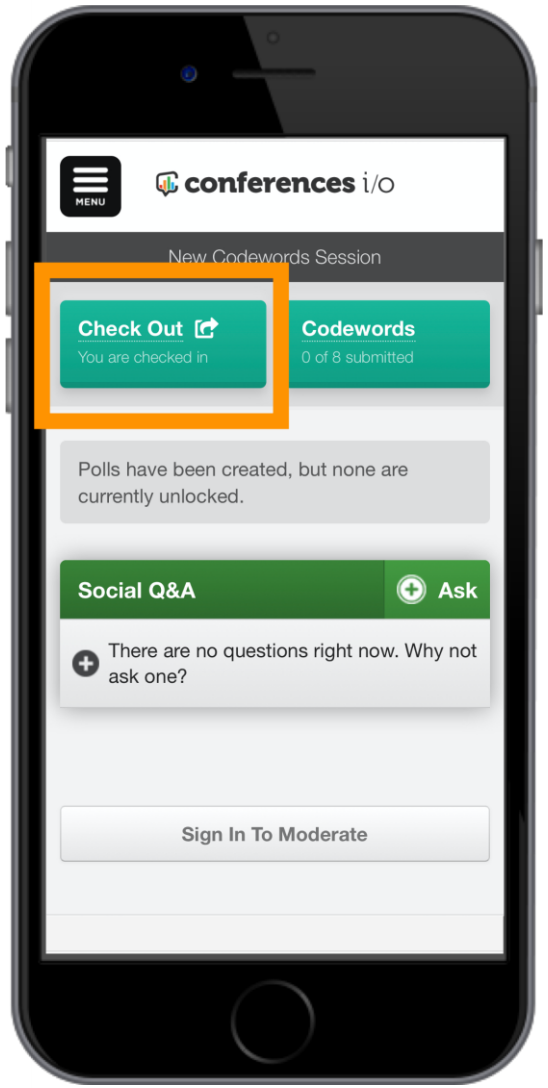
GARS

- Governmental Accounting Research System
- Access to all GAAP
- https://gars.gasb.org/Home

Sources

- 2025 GFOA Governmental GAAP Update
- 2025 AICPA Governmental and Not-for-Profit Training Program, GASB Update
- GASB IG-2025
- GASB Statements 102, 103, and 104
- GASB “Bridging the GAAP” podcast

Don’t Forget To Check-Out Before You Leave!



QUESTIONS?

Contact me!

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