

Kansas Society of CPAs Governmental Not-for-Profit Conference



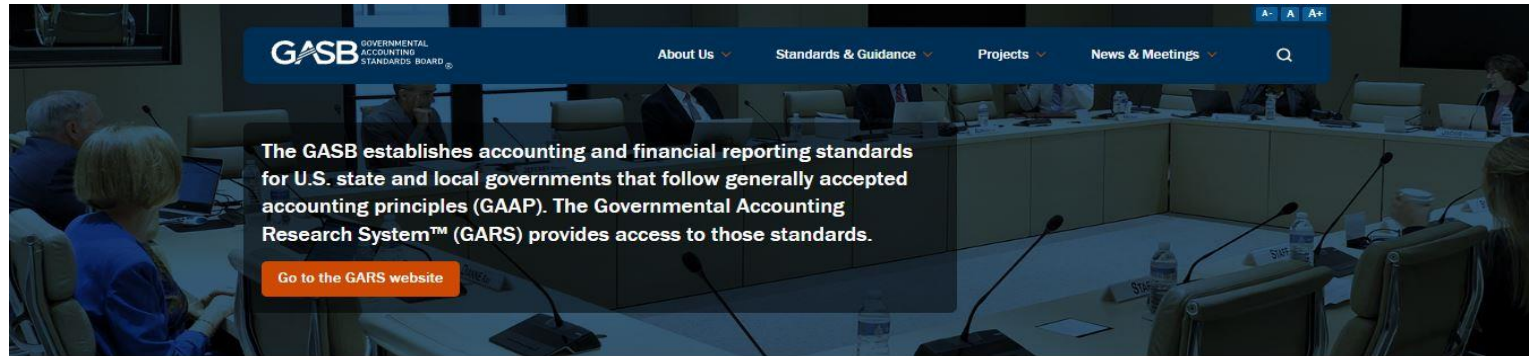
GASB UPDATE

Lisa R. Parker, CPA, CGMA, Senior Project Manager and GASAC Coordinator

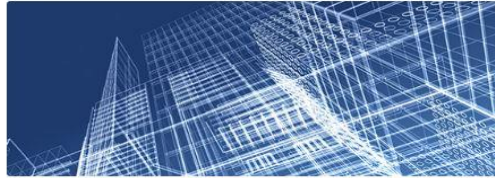
June 3, 2025

The views expressed in this presentation are those of Ms. Parker.
Official positions of the GASB are reached only after extensive due process and deliberations.

www.gasb.org



GASB Issues Statement on Financial Reporting Model Improvements



Statement No. 103 Now Available

Learn about new guidance designed to improve key components of government financial reports.

[Document](#)

[Media Advisory](#)

GASB Chair Report



Now Available: First Quarter Chair Report

GASB Chair Joel Black provides an update on quarterly activities, as well as his reflections on Board activities and priorities.

[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.

News

June 3, 2024

GASB Publishes Post-Implementation Review Report on Pension Standards

[Media Advisory](#) [PIR Report](#)

May 22, 2024

Financial Accounting Foundation Board of Trustees Seeks Nominations for Governmental Accounting Standards Board (GASB) Member

[Media Advisory](#)

April 1, 2024

AAA-GNP Holds 2024 Mid-Year Meeting in Norwalk

[View Page](#)

Website Resources

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

gars.gasb.org

🔍 Search

Codification >

Original Pronouncements >

Comprehensive
Implementation Guide >

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Updated through December 31,
2023

Welcome to the Governmental Accounting Research System™

📘 The Governmental Accounting Research System™ has been updated through December 31, 2023.

About GARS

The Governmental Accounting Standards Board (GASB) Governmental Accounting Research System™ (GARS) provides access to all U.S. generally accepted accounting principles (GAAP) for state and local governments. It includes material from the GASB's Codification, Original Pronouncements, and Comprehensive Implementation Guide, as well as related resources and tools.

What's New in This Update

This update incorporates into the Codification and the Comprehensive Implementation Guide the effects of the following pronouncements that first became effective between July and December 2023:

[Statement No. 99, *Omnibus 2022*](#) 📄

[Statement No. 101, *Compensated Absences*](#) 📄

This update incorporates into the Original Pronouncements the following pronouncement that was issued by the GASB between July and December 2023:

[Statement No. 102, *Certain Risk Disclosures*](#) 📄

[View documents for public comment](#) >

[Final Pronouncements Not Yet Incorporated into the Content](#) >

Help

The website offers several resources to enhance your working knowledge of GARS. They include a help page with descriptions of specific functions and features of the site and a downloadable user guide.

[Help Topics](#) >

[User Guide](#) >

Effective Dates

December 31: Fiscal Year 2025

- Statement 102—*Certain Risk Disclosures*

December 31: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*
- Statement 104—*Disclosure of Certain Capital Assets*

Effective Dates

June 30: Fiscal Year 2025

- Statement 101—*Compensated Absences*
- Statement 102—*Certain Risk Disclosures*

June 30: Fiscal Year 2026

- Statement 103—*Financial Reporting Model Improvements*
- Statement 104—*Disclosure of Certain Capital Assets*

Materiality

Included in EVERY Statement:

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

Presentation Overview



Pronouncements being implemented



Proposals for public comment



Projects currently being deliberated by the Board



Pre-agenda research and other research activities

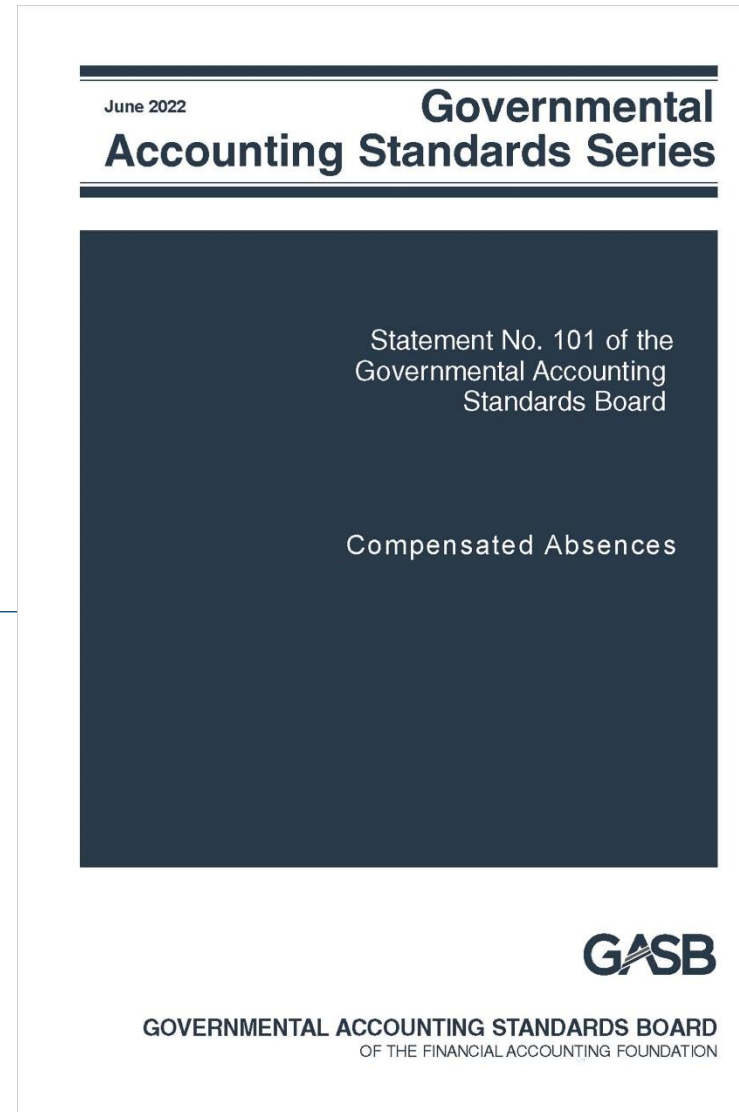


Post-implementation review

Pronouncements Being Implemented

Compensated Absences

Statement No. 101



Compensated Absences

What?

The Board has amended existing guidance for compensated absences.

Why?

A review of Statement 16 indicated opportunities for improvement and additional guidance for certain types of leave.

When?

Effective for fiscal years beginning after December 15, 2023.

Earlier application is encouraged.

Scope and Applicability

A compensated absence is

- Leave for which employees may receive one or more:
 - Cash payments when the leave is used for time off
 - Other cash payments, such as payment for unused leave upon termination of employment
 - Noncash settlement, such as conversion to postemployment benefits

Examples:

- Vacation and sick leave
- Paid time off (PTO)
- Holidays
- Parental leave
- Certain types of sabbatical leave

Recognition Criteria—Leave That Has Not Been Used

Leave is attributable to services already rendered

- Employee has performed the services required to earn the leave

Leave accumulates

- Can be carried forward from reporting period when earned to a future reporting period when it will be used or otherwise paid or settled

Leave is *more likely than not* to be used for time off or otherwise paid or settled

- Likelihood of more than 50 percent

Exceptions to the General Recognition Approach

Leave more likely than not to be settled through conversion to defined benefit postemployment benefits

- Excluded from liability

Leave that is dependent upon the occurrence of a sporadic event that affects a relatively small proportion of employees in any particular reporting period

- Recognize liability when leave commences
- Parental leave, military leave, jury duty recognized when commences
- Not sick leave or sabbatical leave

Unlimited leave and holiday leave taken on specific date

- Recognize liability when used

Measurement

Pay rate

Generally the employee's pay rate at financial reporting date*

* See next slide

Salary-related payments

Directly and incrementally related

DC pension or OPEB recognized as related leave is earned—not pension or OPEB liability

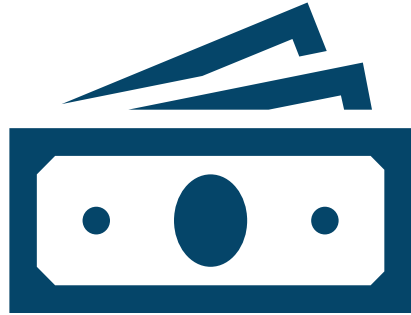
DB pension or OPEB excluded

Proposed Q&A – Implementation Guide Update

4.18. Q—Is a future pay rate that is known (for example, 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?

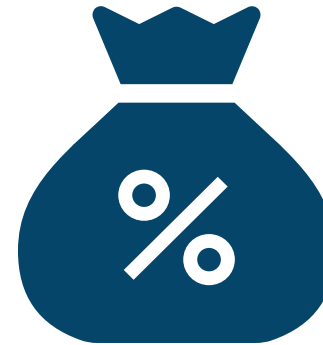
A—No. Paragraph 17 of Statement 101 describes a circumstance in which leave is more likely than not to be paid at a rate other than the pay rate in effect at the future date when the payment is made, such as a percentage of that pay rate or a set dollar amount. Governments should not use future pay rates, 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.

Leave Used but Not Paid



Liability for amount
of cash payment or
noncash settlement

Include applicable
salary-related
payments

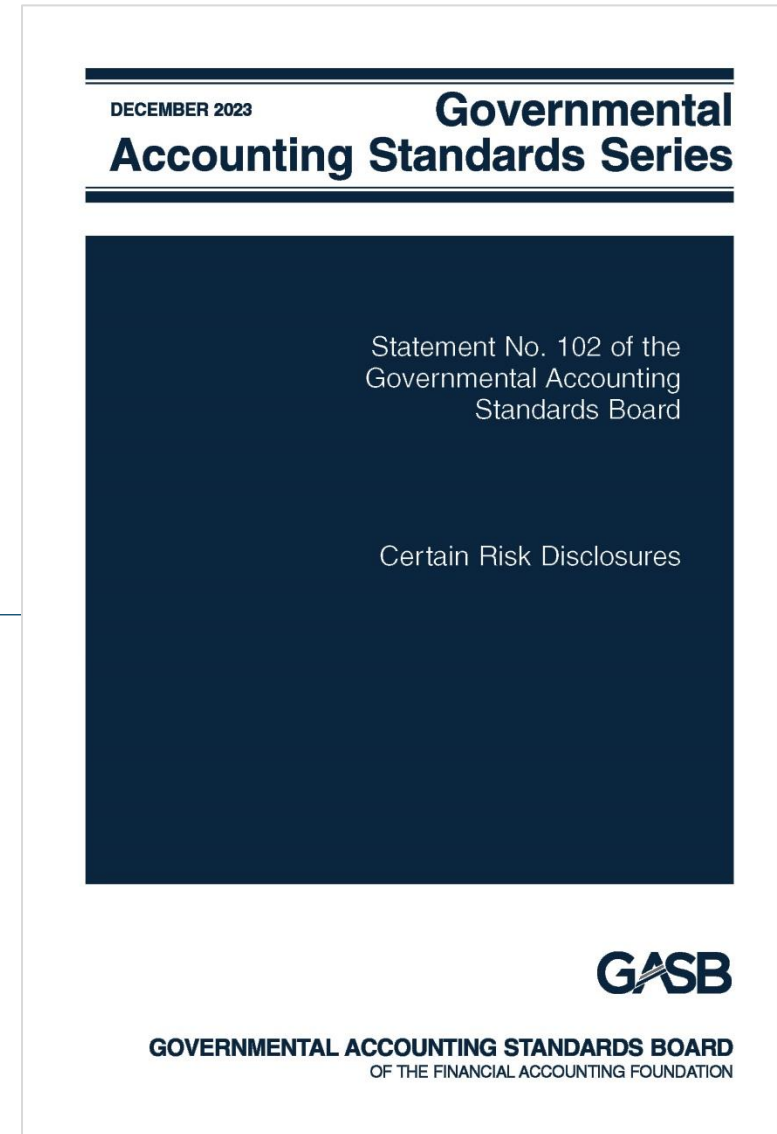


Note Disclosures and Effective Date

- Note disclosures
 - No new note disclosures
 - Exceptions to existing long-term liability disclosures for compensated absences:
 - Option to present net increase or decrease with indication that it is a net amount
 - Not required to disclose governmental fund used to liquidate
- Effective date
 - Fiscal years beginning after December 15, 2023

Certain Risk Disclosures

Statement No. 102



Statement 102: Certain Risk Disclosures

What?

The Board has established requirements to disclose certain risks faced by governments.

Why?

Stakeholders asked the GASB to address this issue.

When?

Effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter.

Earlier application is encouraged.

Scope and Definitions: Concentrations and Constraints

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

- For example, the composition of (1) employers, (2) industries, (3) inflows of resources, (4) workforce covered by collective bargaining agreements, (5) providers of financial resources, and (6) suppliers of material, labor, or services

Constraints: limitations imposed by an external party or the government's highest level of decision-making authority

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

Concentrations and constraints limit a government's ability to acquire resources or control spending.

Application of Disclosure Criteria:

Primary government reporting unit, including blended component units, AND

Other reporting units that report a liability for revenue debt

Disclosure Criteria

Disclosures would be required if a government determines that:

- A concentration or constraint is known to the government prior to the issuance of financial statements.
- The concentration or constraint makes the reporting unit vulnerable to the risk of a substantial impact.
- An event or events associated with the concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

General Disclosure Principles

If comparative financial statements are presented, disclosure requirements only apply to the current period.

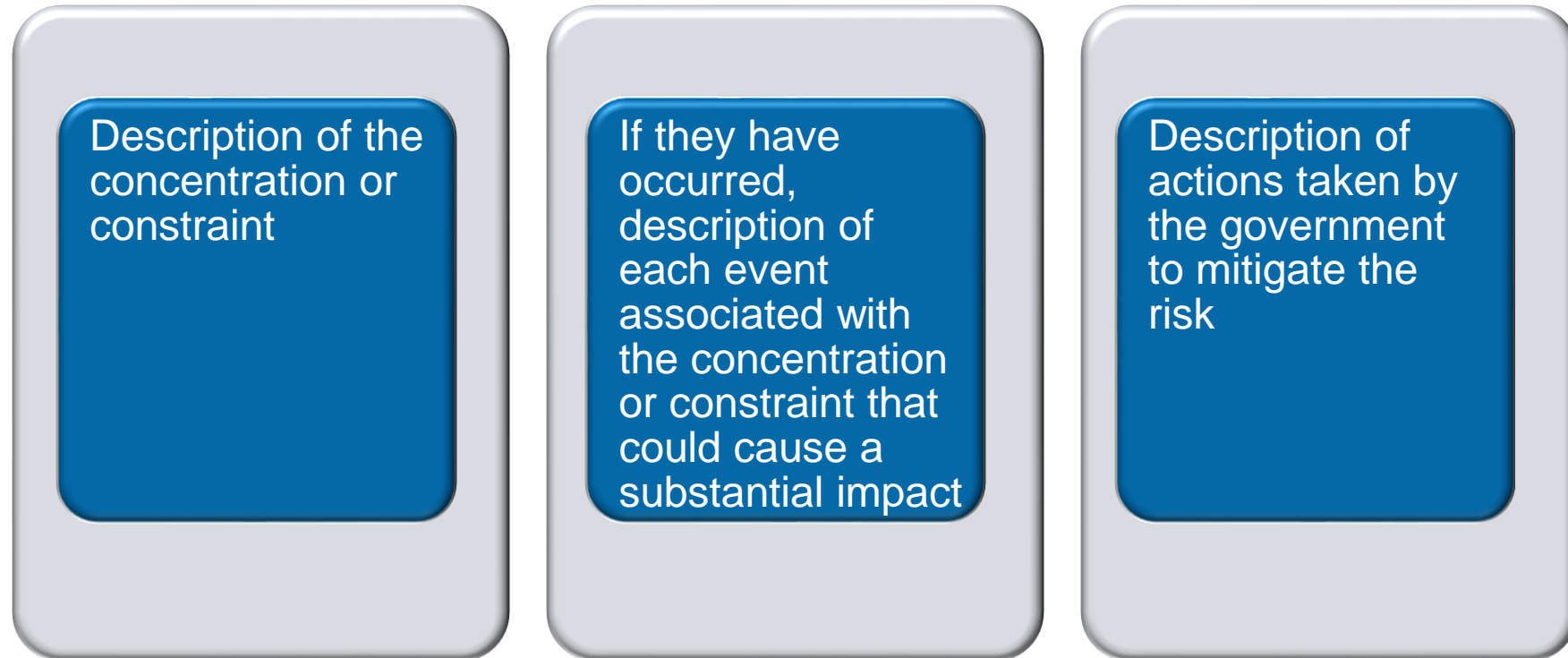
Some requirements may supplement other note disclosures; combine to avoid unnecessary duplication.

Information that is the same for more than one reporting unit should be combined to avoid unnecessary duplication.

Disclosure for discretely presented component units subject to paragraph 63 of Statement No. 14, *The Financial Reporting Entity*.

Disclosure Requirements:

Provide information in sufficient detail to enable users to understand the nature of the circumstances and the government's vulnerability to the risk of a substantial impact:

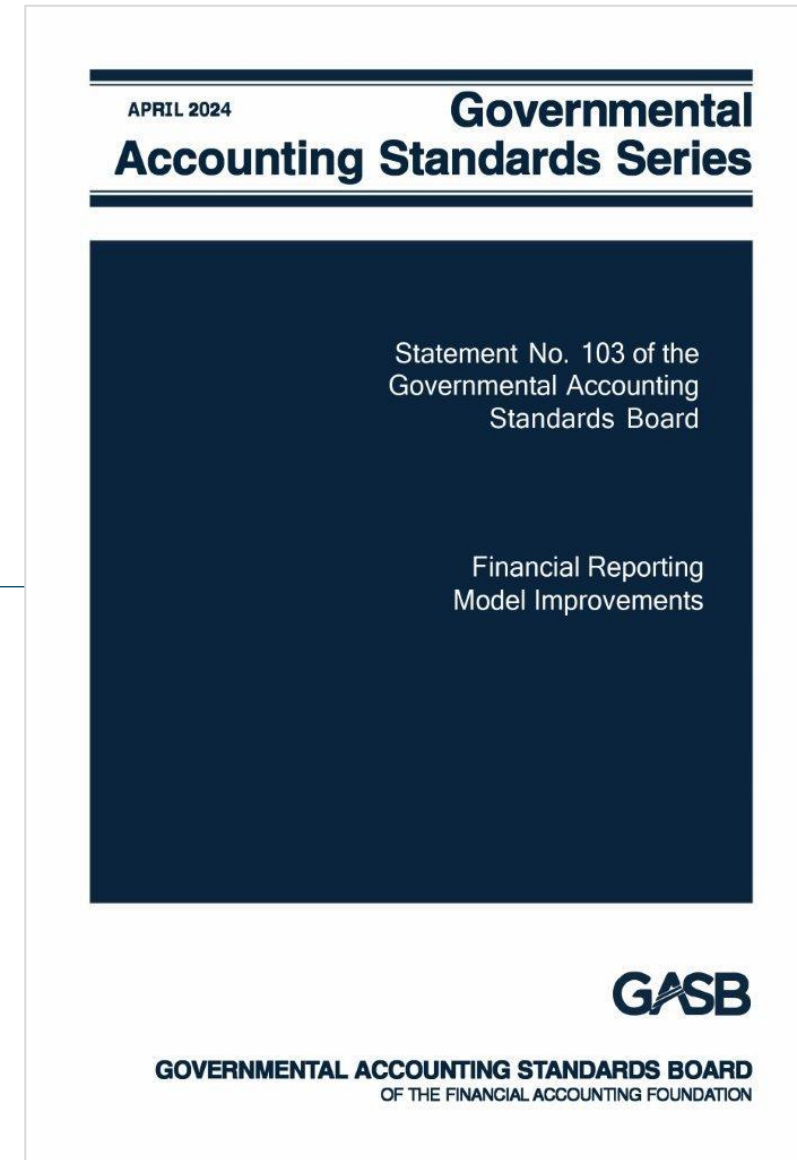


Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2024
 - All reporting periods thereafter
 - Transition is prospective

Financial Reporting Model Improvements

Statement No. 103



Financial Reporting Model Improvements

What?

The Board has made certain improvements to the financial reporting model—Statements 34, 35, 37, 41, and 46, and Interpretation 6.

Why?

A review of those standards found that they generally were effective but that there were aspects that could be significantly improved.

When?

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Earlier application is encouraged.

Overview

Clarification of operating and nonoperating in proprietary funds

Presentation of proprietary funds statement of revenues, expenses, and changes in net position

Management's discussion and analysis

Budgetary comparisons

Major component unit presentations

Unusual or infrequent items

Proprietary Funds—Operating and Nonoperating

Separate presentation of operating and nonoperating revenues and expenses

Operating

- Activities other than nonoperating activities

Nonoperating

- Subsidies received and provided
- Revenues and expenses of financing
- Resources from the disposal of capital assets and inventory
- Investment income and expenses
- Contributions to permanent and term endowments

Proprietary Funds—Subsidies

Subsidies

- Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
- Resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies
- All other transfers

Add a new subtotal for operating income (loss) and noncapital subsidies

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				Internal Service Funds
	Public Utility	Transit Authority	Golf Courses	Total	
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	<u>1,032</u>	<u>15,360</u>	<u>2,384</u>	<u>18,776</u>	<u>1,215</u>
Total other nonoperating revenue (expenses)	<u>3,556</u>	<u>14,987</u>	<u>1,524</u>	<u>20,067</u>	<u>1,664</u>
Increase (decrease) in fund net position	2,085	10,368	(3,134)	9,319	906
Fund net position—beginning of period	<u>331,657</u>	<u>177,997</u>	<u>29,423</u>	<u>539,077</u>	<u>12,387</u>
Fund net position—end of period	<u>\$ 333,742</u>	<u>\$ 188,365</u>	<u>\$ 26,289</u>	<u>\$ 548,396</u>	<u>\$ 13,293</u>

Management's Discussion and Analysis

- Users of MD&A “have different levels of knowledge and sophistication about governmental accounting and finance,” “may not have a detailed knowledge of accounting principles”
- Analysis of current-year balances and activity to explain why balance and results changed from prior year
- Avoid unnecessary duplication, avoid “boilerplate” language
- Focus on primary government, discussion of discretely presented component units is a matter of professional judgment

Management's Discussion and Analysis Components

- Overview of the financial statements
- Financial summary—condensed financial statements
- Detailed analyses
 - Primary government's financial position and results of operations—both governmental and business-type activities
 - In addition to amounts/percent of change, explain **why** change occurred
 - Fund balance or net position and results of operations of each major fund (nonmajor funds excluded)
 - In addition to amounts/percent of change, explain **why** change occurred

Management's Discussion and Analysis Components

- Significant capital asset and long-term financing activity
 - Capital asset activity
 - Include intangible capital assets
 - Discussion of significant additions and disposals
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component
 - Long-term financing activity
 - Includes debt, leases, PPPs, and SBITAs
 - Discuss new agreements, changes to credit rating, debt limit
 - Discussion of significant policy changes and economic factors
 - Avoid duplication between the analyses and this component

Management's Discussion and Analysis Components

- Currently known facts, decisions, and conditions that are expected to have a significant effect on financial position or results of operations in the subsequent year
 - Trends in relevant economic and demographic data
 - Factors used to develop the subsequent year's budget
 - Those affecting revenues available for appropriation, for example, changes in rates and bases of activity
 - Those affecting planned spending, for example, inflation, labor contracts, changes in programs
 - Expected changes in budgetary net position or fund balance
 - Actions government has taken related to PEB, capital plans, leases, PPPs, SBITAs (long-term items)
 - Actions other parties have taken, such as new laws or regulations

Budgetary Comparisons and Major Component Unit Presentations

Budgetary Comparisons

- Would be presented as required supplementary information (no option for basic statements).
- Required variances would be final-budget-to-actual and original-budget-to-final-budget.

Major Component Unit Presentations

- If it is not feasible to present major component unit financial statements in separate columns in the reporting entity's financial statements, the financial statements of the major component units would be presented in the reporting entity's basic financial statements as combining financial statements.

Unusual or Infrequent Items

Unusual or Infrequent Items

- Separately present inflows and outflows of resources that are unusual in nature and/or infrequent in occurrence (replacing extraordinary and special items).
- Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management.

Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2025
 - All reporting periods thereafter
 - Earlier application is encouraged
 - Changes adopted at transition—change in accounting principle (Statement 100)
 - All component units should implement the provisions in the same year as the primary government

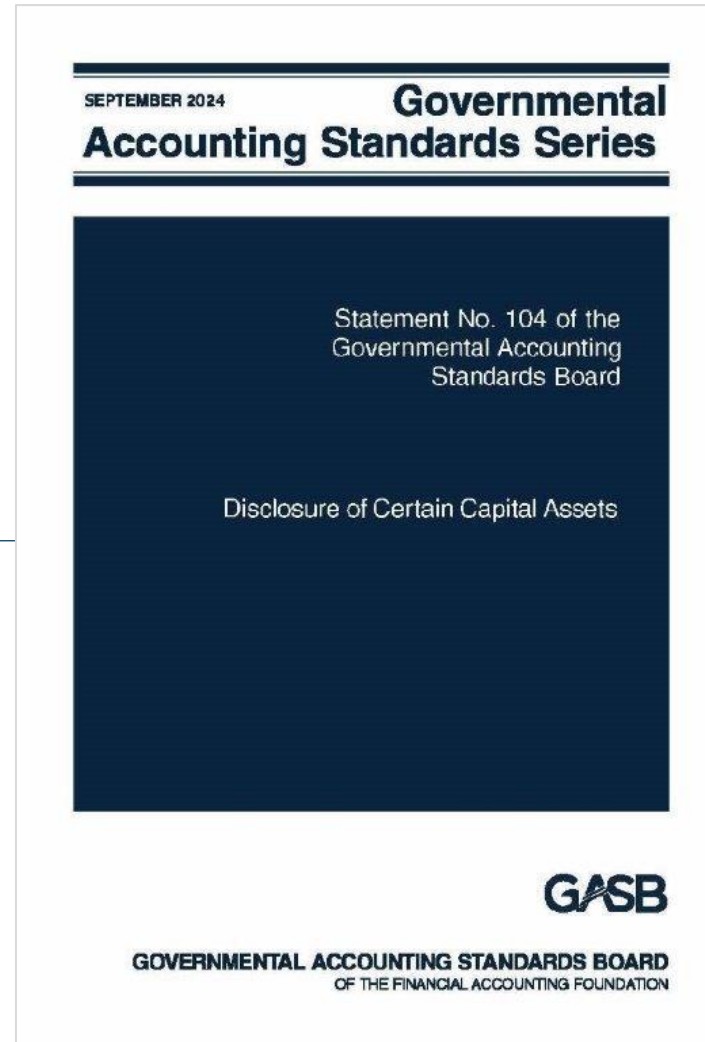
Proposed Q&A – Implementation Guide Update

4.19. Q—If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it includes 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.

Disclosure of Certain Capital Assets

Statement No. 104



Disclosure of Certain Capital Assets

What?

Establishes

1) Requirements for certain capital assets to be disclosed separately in Statement 34 disclosures

2) Capital assets held for sale

Why?

Provide essential information to users about certain types of nonfinancial assets

When?

Approved September 2024.

Effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.

Capital Assets Disclosure

- Within note disclosures required by Statement 34, separate disclosure of:
 - Lease assets by major class of underlying asset
 - Intangible right-to-use assets recognized by operator in PPP, by major class of underlying PPP asset
 - Subscription assets
 - Intangible assets other than those mentioned above, by major class of asset
- Intangible assets that represent the right to use a type of underlying asset should not be in same major class as owned assets of that type

Capital Assets Held for Sale

- Capital assets are capital assets held for sale if:
 - The government has decided to pursue the sale of the asset
 - It is probable that the sale will be finalized within one year of the financial statement date
- Factors to consider if it is probable that the sale will be finalized within one year
- No change to measurement
- Disclosures:
 - Historical cost and accumulated depreciation, by major class of asset
 - Carrying amount of debt for which capital assets held for sale are pledged as collateral

Effective Date and Transition

- Effective for fiscal years beginning after June 15, 2025
 - All reporting periods thereafter
 - Earlier application is encouraged
 - Retroactive application, if practicable
 - All periods presented in basic financial statements
 - Disclosure that Statement was implemented and any financial statement line items affected
 - If not practicable, disclose reason for not applying to prior periods

Proposals for Public Comment

Preliminary Views: Severe Financial Stress and Probable Dissolution Disclosures

Going Concern Uncertainties and Severe Financial Stress Project

What?

The Board is:

- reviewing existing standards related to going concern, and
- addressing issues related to disclosures regarding going concern uncertainties and severe financial stress.

Why?

Existing guidance presents challenges that result in diversity in practice.

Some governments experience severe financial stress but do not dissolve and others dissolve for reasons other than severe financial stress.

When?

The Board issued a Preliminary Views in March 2025.

Comment deadline is June 30, 2025.

Preliminary Views – Two Independent Ideas

- Severe Financial Stress (SFS)
 - Condition existing as of financial statement date
 - Regardless of continued existence
- Probable Dissolution (PD)
 - Uncertainty about future event occurring
 - Regardless of financial condition
- Government could be required to make SFS disclosures, PD disclosures, or both
- *Going concern uncertainty* not used for greater clarity

Preliminary Views – Severe Financial Stress

- Disclosures required if government is experiencing financial difficulties such that it is near or at the point of insolvency
 - Regardless of continued existence
 - Condition as of the financial statement date
 - Guidance to help evaluate whether government is near insolvency (proximity not time, indicators)
- Disclosures to be made
 - Reasons and causes for the condition
 - Government's evaluation of significance of those reasons and causes
 - Actions taken in response
 - Known effects
 - Additional disclosures in subsequent periods if condition persists or is alleviated

Preliminary Views – Probable Dissolution

- Disclosures required if probable that government will cease to exist as legally separate entity within 12 months from the date FS available to be issued
 - Regardless of financial condition
 - Could be merger, acquisition, or dissolution without replacement
- Disclosures to be made
 - Statement that there is PD
 - Reasons and causes for PD
 - Government's evaluation of significance of those reasons and causes
 - Actions taken in response
 - Recoverability or classification of assets and liabilities
 - Additional disclosures in subsequent periods if PD persists or no longer present

Providing Feedback

- Written comments

- Comment letter
- Electronic feedback form
- **Deadline: June 30, 2025**

- Public forums

- July 28-29, 2025 – Nashville
- August 11, 2025 – virtual
- August 21, 2025 – virtual
- September 9-10, 2025 – Norwalk
- **Deadline to notify of intent to participate: June 30, 2025**

Project Timeline

Pre-Agenda Research Started	April 2015
Added to Current Technical Agenda	December 2021
Deliberations Began	July 2022
Preliminary Views Issued	March 2025
Exposure Draft Scheduled to Be Considered for Issuance	June 2026

Current Technical Agenda Projects

Infrastructure Assets

Infrastructure Assets

What?

The GASB is evaluating existing guidance related to infrastructure assets and the usefulness of information reported by governments.

Why?

Stakeholders have asked the GASB to review various aspects of infrastructure asset reporting; the most relevant standards have been in effect 15-20 years.

When?

The Board issued a Preliminary Views in September 2024. Comment deadline is January 17, 2025.

Preliminary Views

Infrastructure assets should continue to be recognized and measured in financial statements using historical cost net of accumulated depreciation, except for those governments that elect to use the modified approach.

Requirements for use of the modified approach as described in Statement 34 generally should continue to apply.

Preliminary Views on Measurement Using Historical Cost

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

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

Proposed Disclosures

Change in policy for capitalizing infrastructure assets or estimating useful lives of infrastructure assets

Summary of policy for monitoring and maintaining or preserving infrastructure assets

Maintenance and preservation expense for infrastructure assets during the reporting period

Historical cost of infrastructure assets that have exceeded 80 percent of their estimated useful lives with separate disclosure of those (a) that have exceeded their estimated useful lives and (b) those that have exceeded 80 percent of their estimated useful lives but have not exceeded their estimated useful life

Proposed Removed Disclosures

Description of modified approach in summary of significant accounting policies for infrastructure assets reported using the modified approach

Infrastructure assets that were not, and were not required to be, reported with the implementation of Statement 34

Carrying amount of impaired infrastructure assets that are idle at year-end

Project Timeline

Pre-Agenda Research Started	August 2019
Added to Current Technical Agenda	April 2023
Deliberations Began	May 2023
Preliminary Views Issued	September 2024
Exposure Draft Scheduled to Be Considered for Issuance	February 2026

Subsequent Events

Subsequent Events

What?

The GASB is evaluating existing guidance related to subsequent events and the usefulness of information reported by governments.

Why?

Existing guidance is based on other literature dating back to 1972 and generally has not been reevaluated.

When?

The Board issued an Exposure Draft in November 2024. Comment deadline is February 21, 2025.

Exposure Draft

- Definitions of recognized and nonrecognized events
- Information to be provided in basic financial statements
- Interactions with other GASB standards

Exposure Draft Proposals

- Scope

- Proposed requirements should be applied in the absence of more specific GASB standards.

- Subsequent events time frame

- Date the financial statements are available to be issued.

Exposure Draft Proposals

- Recognized events
 - Occur during the subsequent events time frame
 - Indicative of conditions existing at the financial statement date that informs inputs to an accounting estimate measured as of the financial statement date
 - Should be incorporated into measurement of accounting estimates reported as of the financial statement date.

Exposure Draft Proposals

- Nonrecognized events
 - Occur during the subsequent events time frame
 - Have a significant effect (favorable or unfavorable) on the basic financial statements in the period in which the event occurs
 - Either are:
 - One of the following specific events: debt-related transaction, combination/disposal, change to legally separate entities, application of new tax rate, or
 - Of such a nature to be essential to a user's analysis for making decisions or assessing accountability
 - Should be disclosed in notes to financial statements

Exposure Draft Proposals

- Notes to financial statements
 - Description of nonrecognized event
 - Estimate of the effect of the nonrecognized event on basic financial statements
 - Or reason why an estimate cannot be made
 - Correspond to reporting units
 - Subject to paragraph 63 of Statement 14
 - Combine information to avoid unnecessary duplication
- Effective date and transition
 - Fiscal years beginning after June 15, 2026, and all reporting periods thereafter
 - Prospective application

Project Timeline

Pre-Agenda Research Started	July 2022
Added to Current Technical Agenda	August 2023
Deliberations Began	October 2023
Exposure Draft Issued	November 2024

Implementation Guidance Update

Proposed IG Update 2025

Implementation Guidance Update

What?

The need for updates to Q&A implementation guidance is considered annually.

Why?

New guidance is added as new pronouncements are issued and new issues arise.

When?

The Board issued an Exposure Draft in November 2024. Comment deadline is January 24, 2025.

Proposed Implementation Guide Update—2025

- New questions related to:
 - Capital assets (including application of Statement 104)
 - Statement 103
 - Statement 101
 - Statement 100
 - Statement 91
 - Statement 87
- Amendments to existing questions related to:
 - Capital assets (7.9.6 in Implementation Guide 2015-1)
 - Special revenue funds (Z.54.30 in Implementation Guide 2015-1)
- Exposure Draft issued Q4 2024; Final expected to be issued Q2 2025

Revenue and Expense Recognition

Revenue and Expense Recognition

What?

The Board has proposed a comprehensive model for recognition of revenues and expenses

Why?

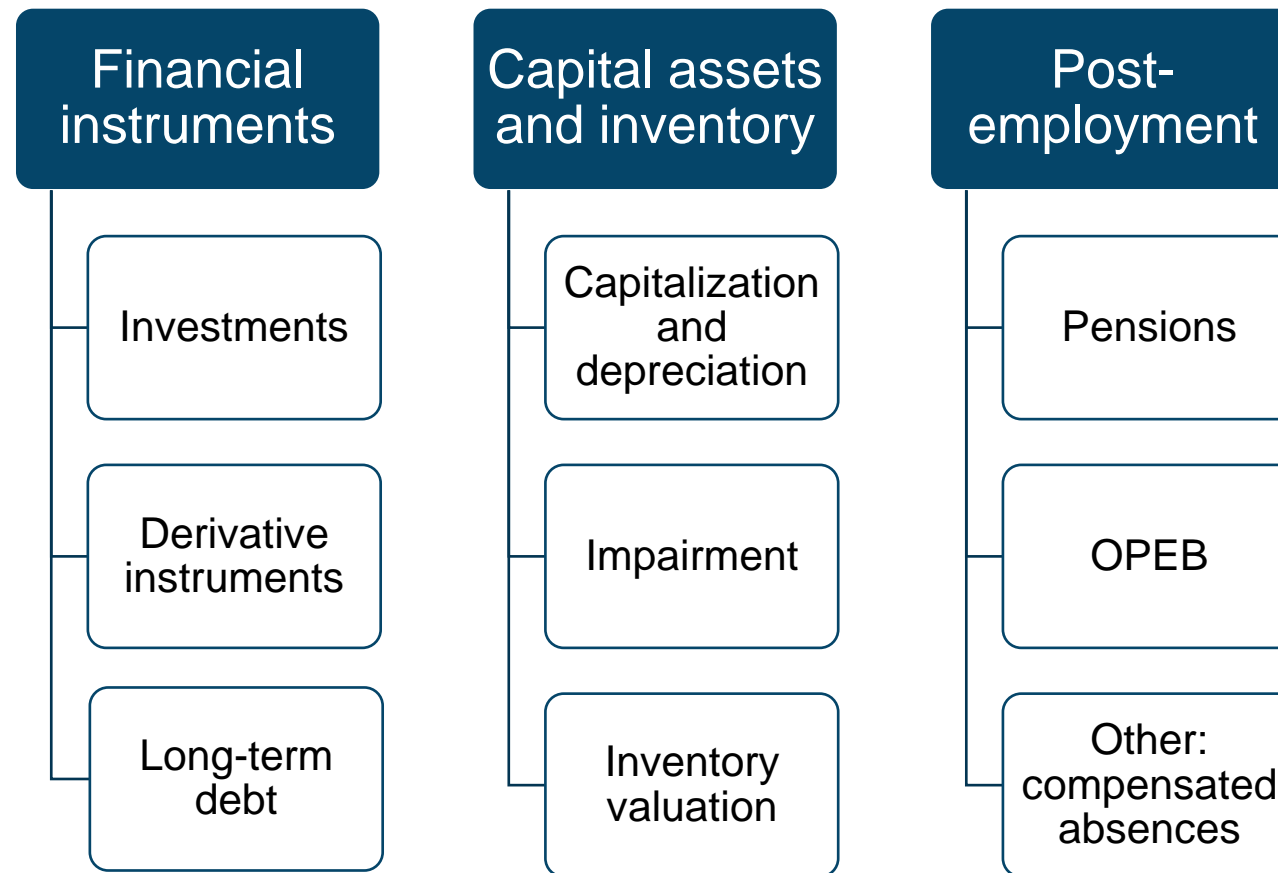
Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified

When?

Exposure Draft scheduled for November 2025

Scope of the Project

- The scope is defined broadly to include revenues and expenses that are not ***explicitly excluded***:



Scope in the Context of Standards

In Scope:

- Revenue and expense recognition from nonexchange transactions
 - Statements 6, 24, 33, 36
- Revenue and expense recognition from exchange transactions
 - Statements 34 and 62

Out of Scope:

- Statements issued since Statement 63
- Statements that result from projects added to the technical agenda after April 2016

Proposed Recognition Model Components

Categorization

Identify the *type* of transaction



Recognition

Determine *what* element should be reported and *when*

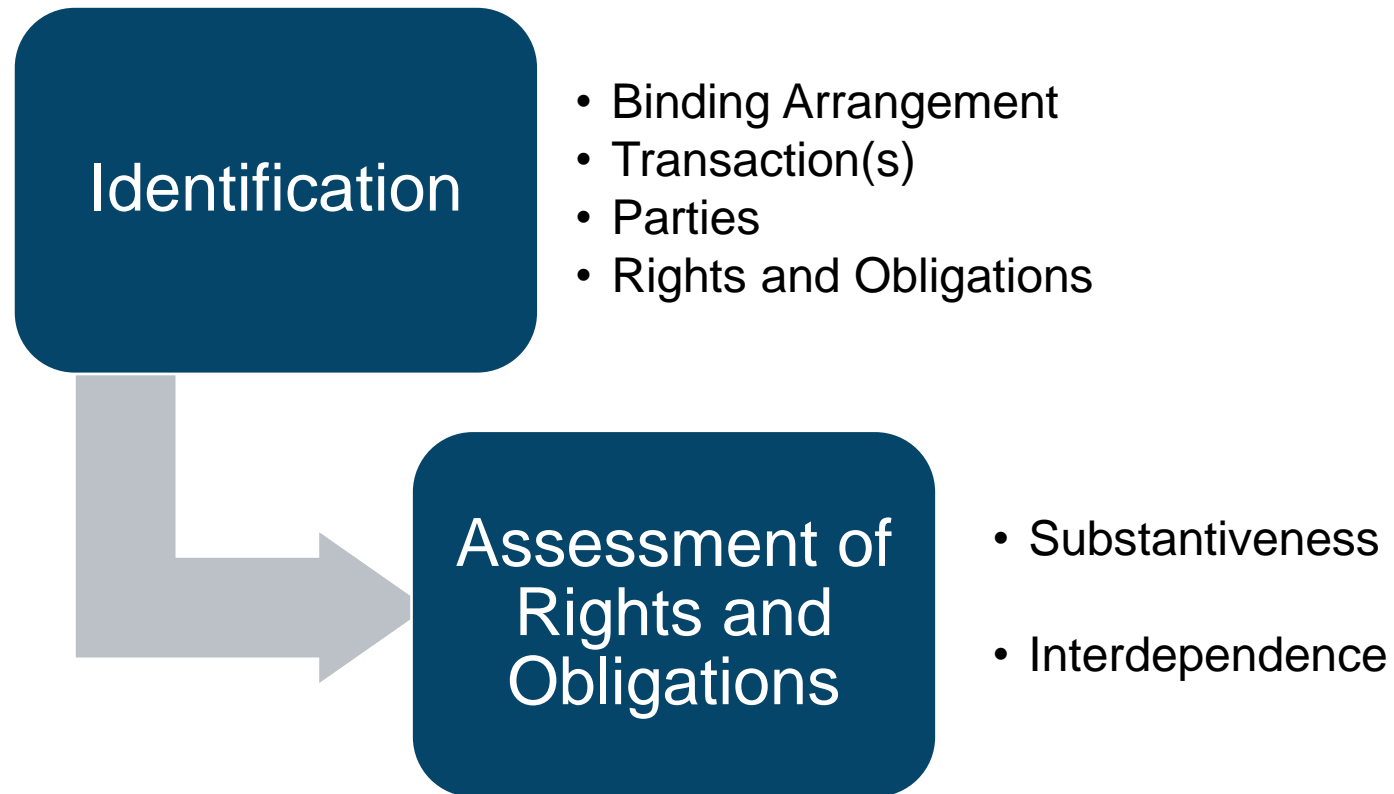


Measurement

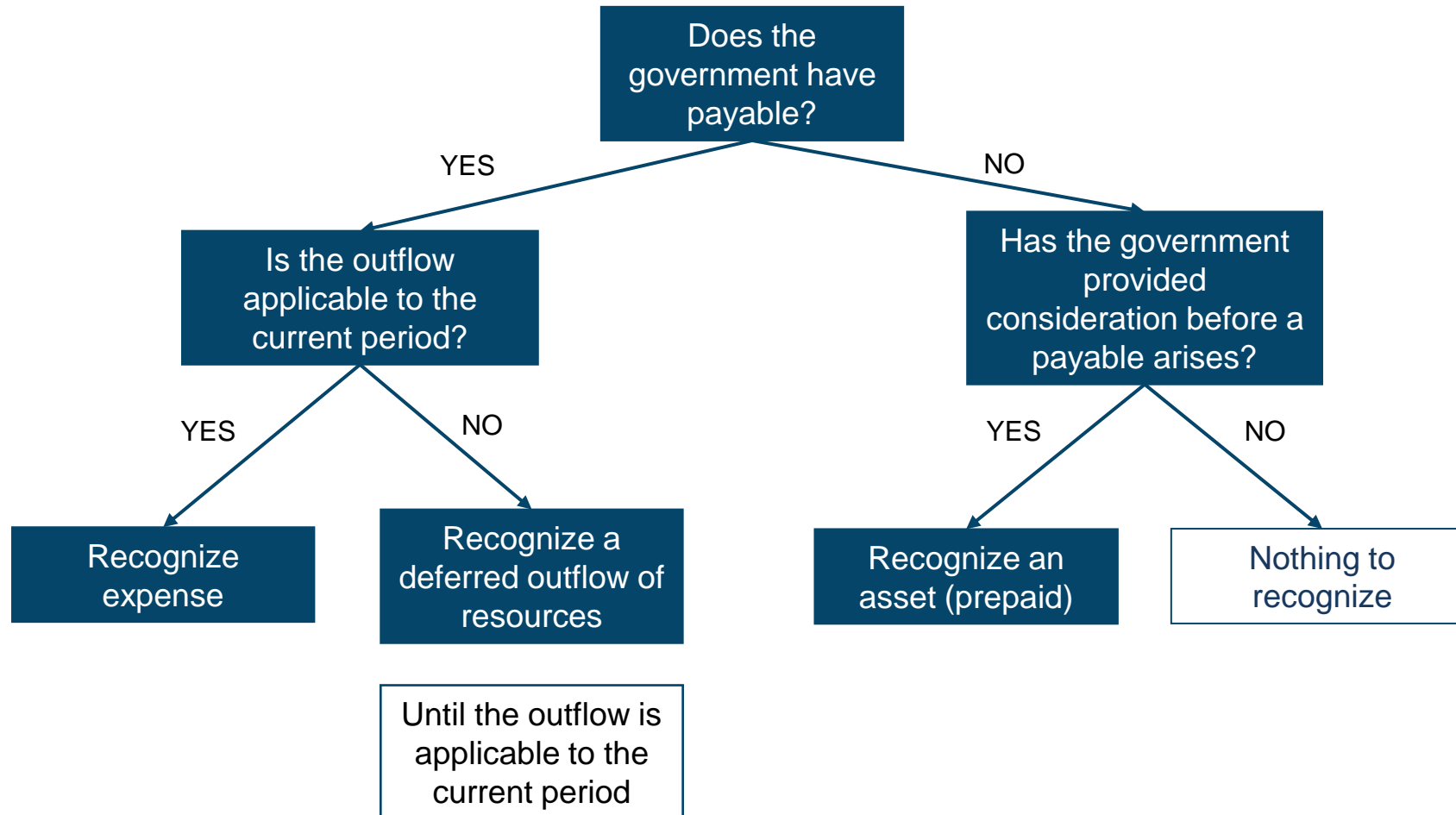
Determine the *amount* to report

Categorization Methodology

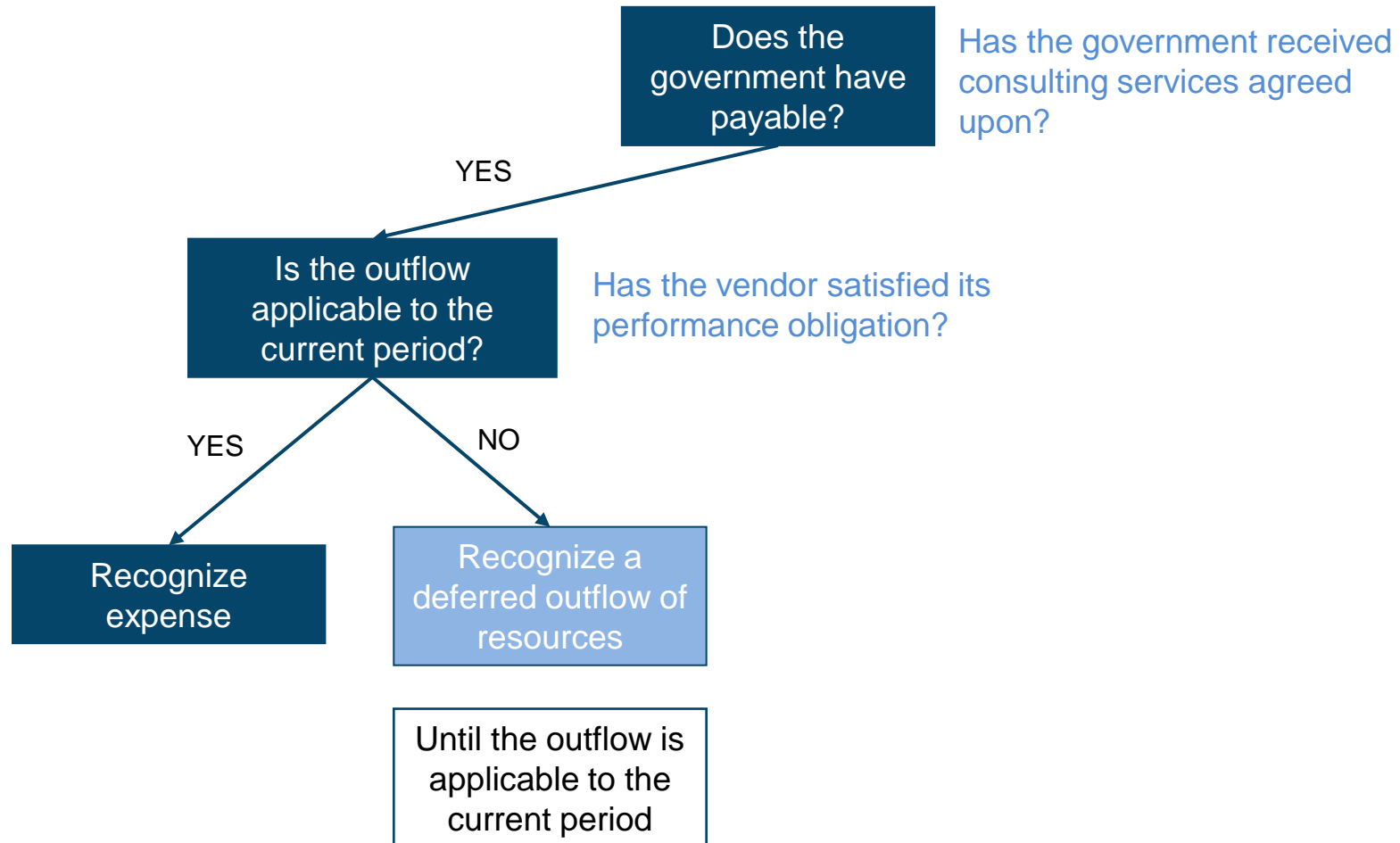
Process to identify transactions as Category A (include a performance obligation, or Category B (does not include a performance obligation)



Proposed Expense Recognition Principles



Consulting Expense Example—Part I



Consulting Expense Example—Part II

Has the government received consulting services agreed upon?

Does the government have payable?

NO

Has the government paid the consultant for future services?

Has the government provided consideration before a payable arises?

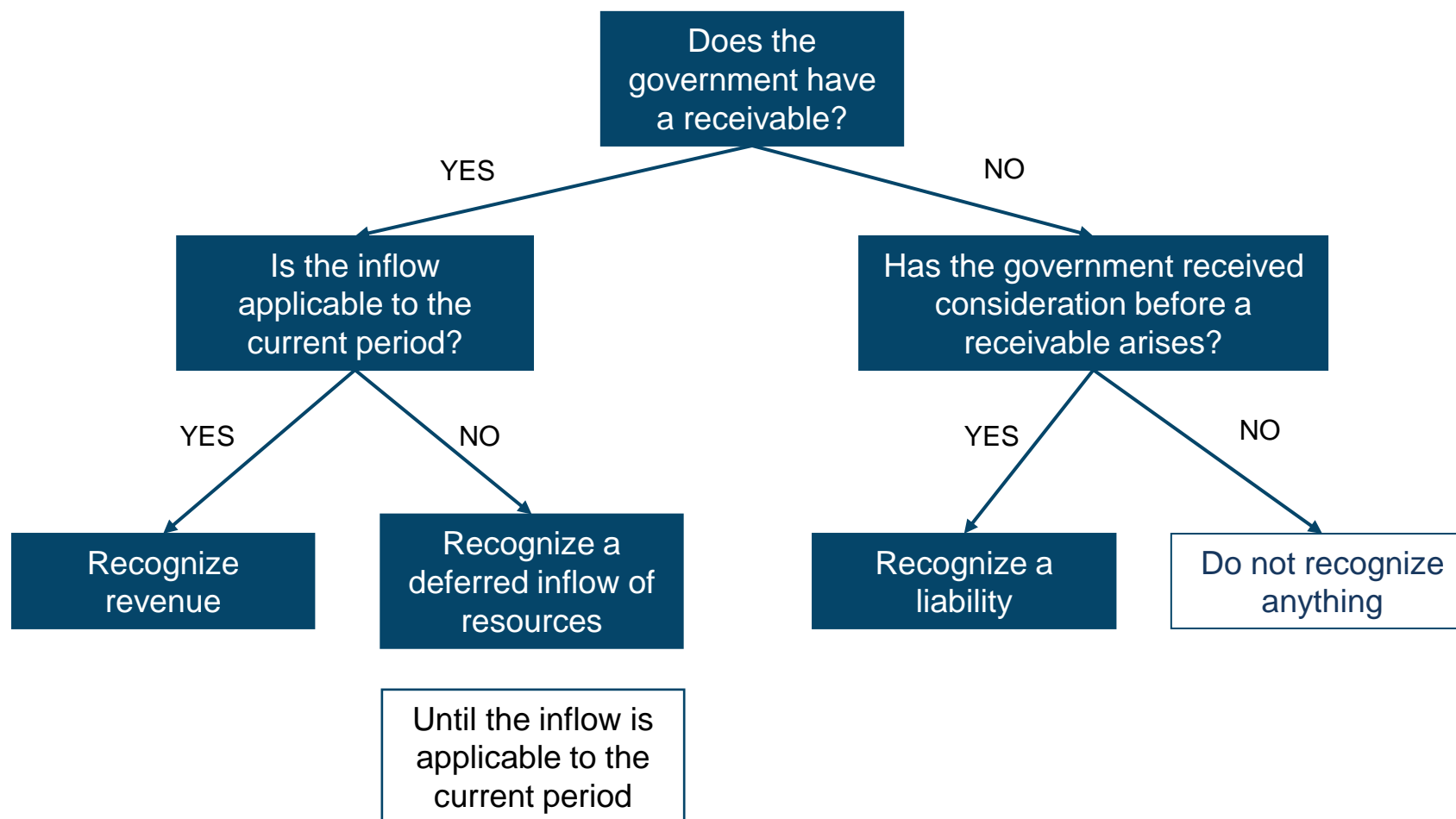
YES

NO

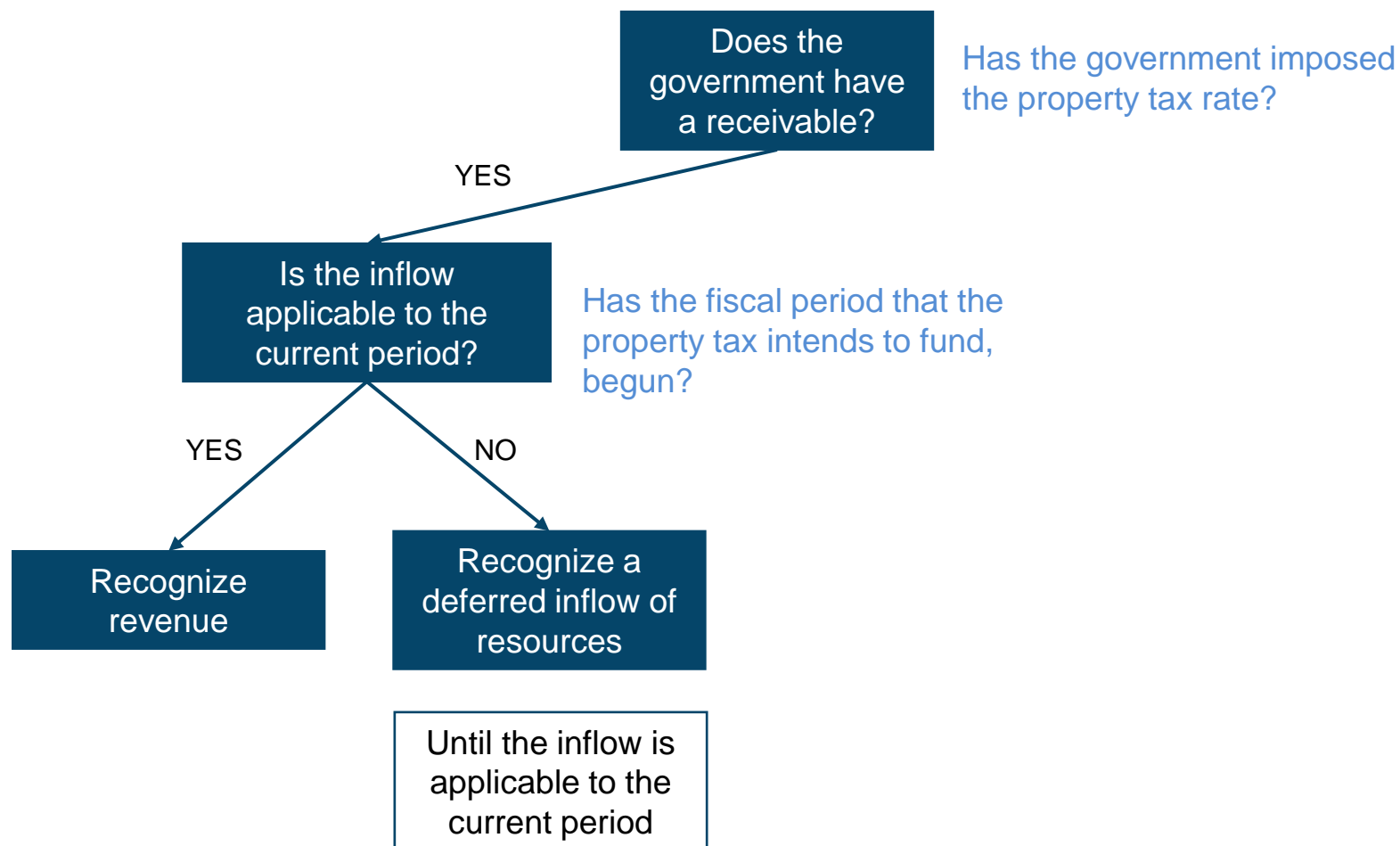
Recognize an asset (prepaid)

Nothing to recognize

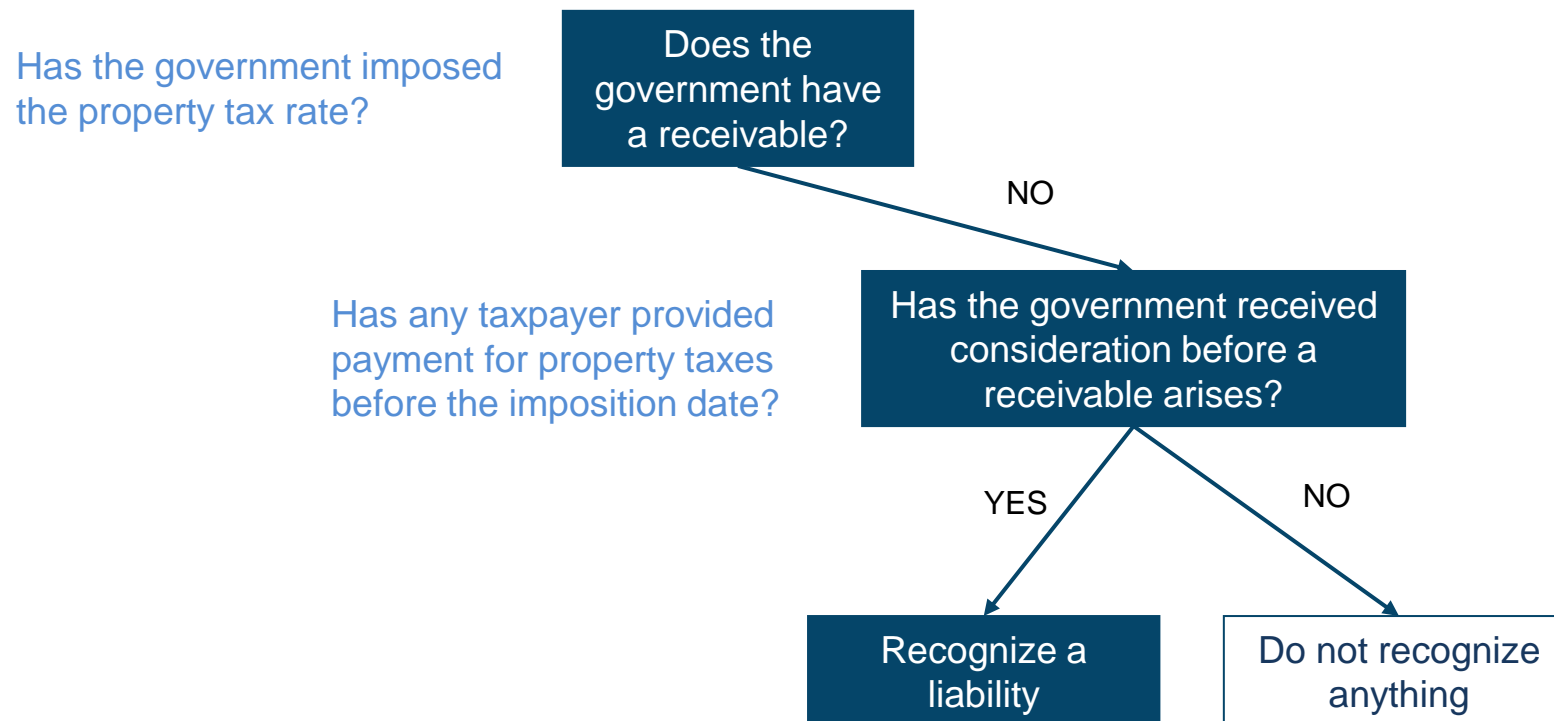
Proposed Revenue Recognition Principles



Property Taxes Revenue Example—Part I



Proposed Revenue Recognition Principles



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		Pledges PILOTs	K-12 Aid	Shared Motor Fuel Tax

Imposed on an Underlying Transaction

Characteristics

- A government ***imposes*** a requirement to provide resources
- Upon the occurrence of an underlying transaction

Recognition

- Receivable is recognized when the underlying transaction occurred
- Revenue is generally recognized along with the receivable

Examples

- Sales Tax
- Personal and Corporate Income Taxes
- Passenger Facility Charges



Imposed on Actions Committed or Omitted

Characteristics

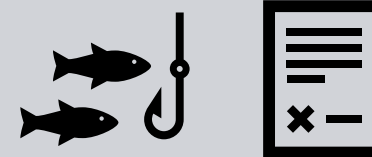
- A government ***imposes*** a requirement to provide resources
- Upon an action or an omission

Recognition

- Receivable is recognized when the underlying action or omission takes place
- Revenue is generally recognized along with the receivable

Examples

- Regulatory fees: Fishing License
- Punitive fees: Moving Violations
- Escheats and seizures



Imposition on Property Ownership

Characteristics

- A government ***imposes*** a requirement to provide resources
- On property ownership
 - Personal property
 - Real Property

Recognition

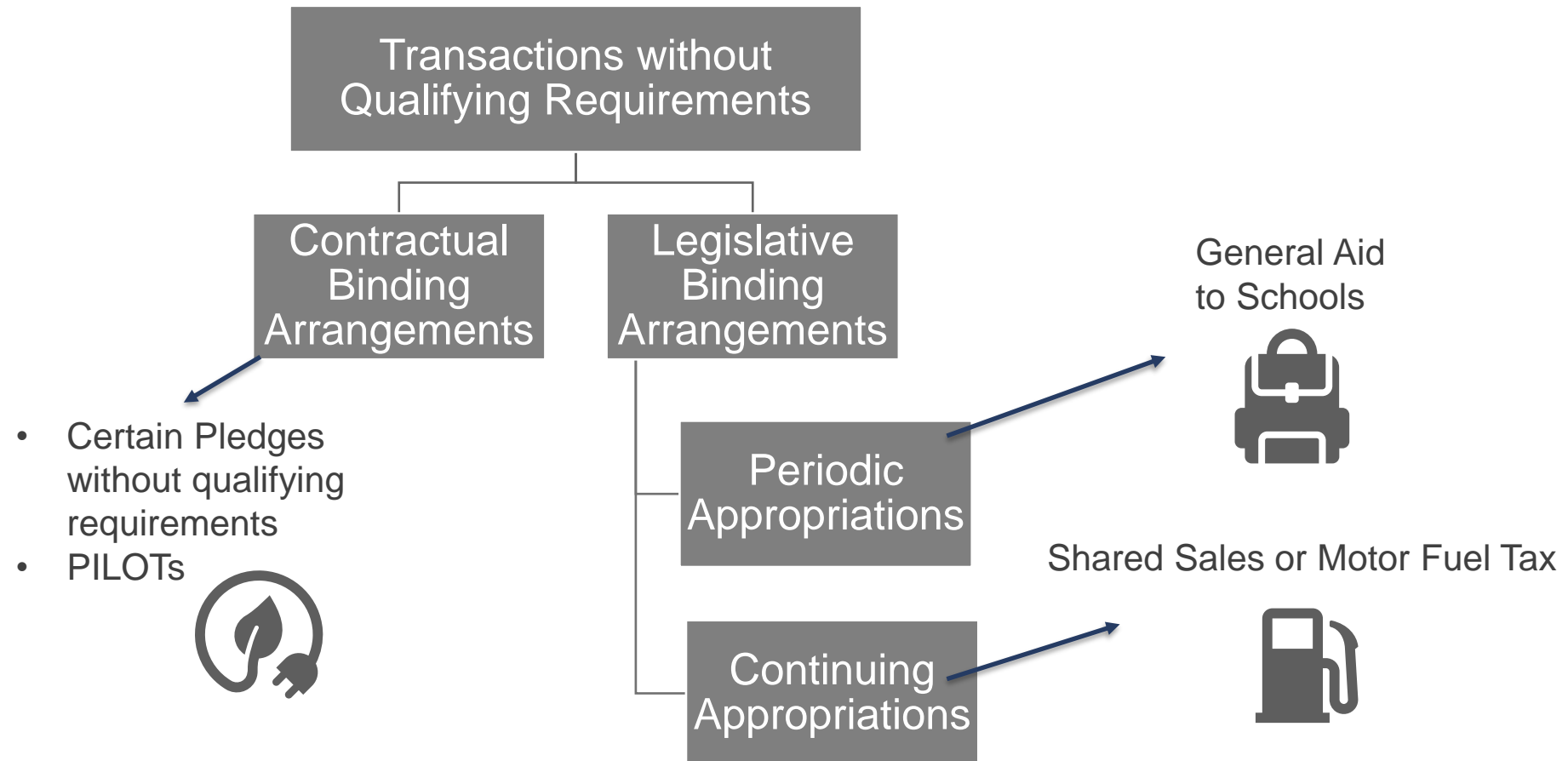
- ***Receivable is recognized at the imposition date***
- A deferred inflow of resources is recognized if the imposition occurs before the fiscal period the tax is intended to fund
- Revenue is recognized in the fiscal period the tax is intended to fund

Examples

- Real Property Tax
- Personal Property Tax



Transactions without Qualifying Requirements— Examples



Transactions without Qualifying Requirements — Recognition

General Aid to Schools (Periodic Appropriation)

- The provider government has appropriated the resources.
- The period of the appropriation has begun, and
- The provider government intends to provide the resources.



Shared Revenue (Continuing Appropriation)

- Recipient recognizes the asset when the underlying transaction has occurred if:
- There is an appropriation (if required), and
- The provider government intends to provide the resources



Pledges (without Qualifying Requirements)

- Recognize a receivable when the government receives or becomes aware of the binding arrangement.
- If subject to time requirements, recognize a DIR.



Transactions with Qualifying Requirements—Proposed Clarifications

Characteristics

- Externally imposed conditions or conditions imposed by law that are required to be satisfied by the recipient before said recipient is entitled to the resources

Recognition

- Recipient recognizes a receivable when qualifying requirements are satisfied.

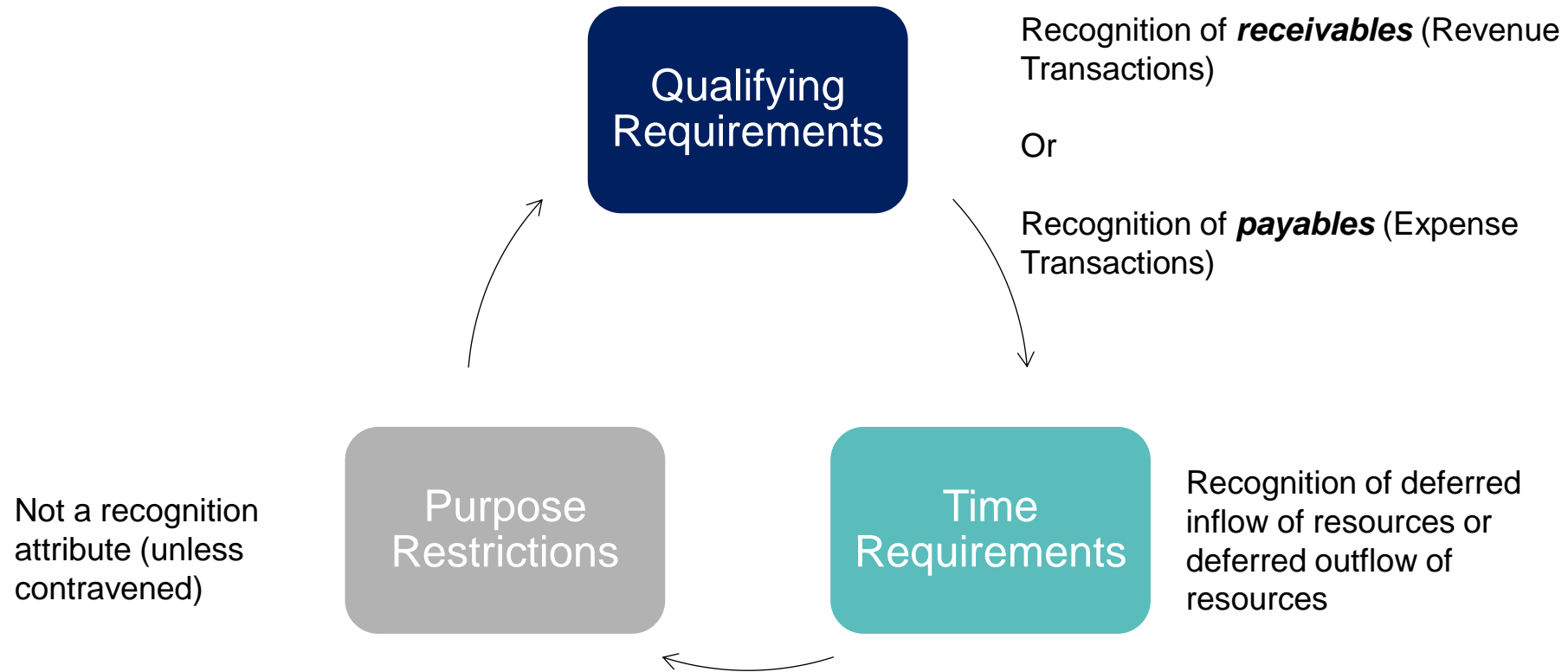
- *Terminology difference to communicate change in concept.*
- *Timing of cash does not determine the type of transaction (no longer identified as “reimbursement based”).*
- ***Exercise of professional judgement remains a necessary step to determine if a transaction includes qualifying requirements.***

Tentative Decisions about Qualifying Requirements

Administrative Requirements	<ul style="list-style-type: none">• Filing reports or reimbursement requests	
Qualifying Costs	<ul style="list-style-type: none">• Incurrence of cost in compliance with all other applicable requirements	<input checked="" type="checkbox"/>
Other Qualifying Requirements	<ul style="list-style-type: none">• Actions of the government not associated with costs, for example, outputs or outcomes	<input checked="" type="checkbox"/>
Post Grant Compliance Requirements	<ul style="list-style-type: none">• Capital maintenance, purpose of the capital asset, prevailing wages	

A receivable (for the recipient) is recognized when the government has complied with either qualifying costs requirements or other qualifying requirements.

Transactions with Qualifying Requirements—Clarifications



Purpose Restrictions and Time Requirements

Purpose Restrictions

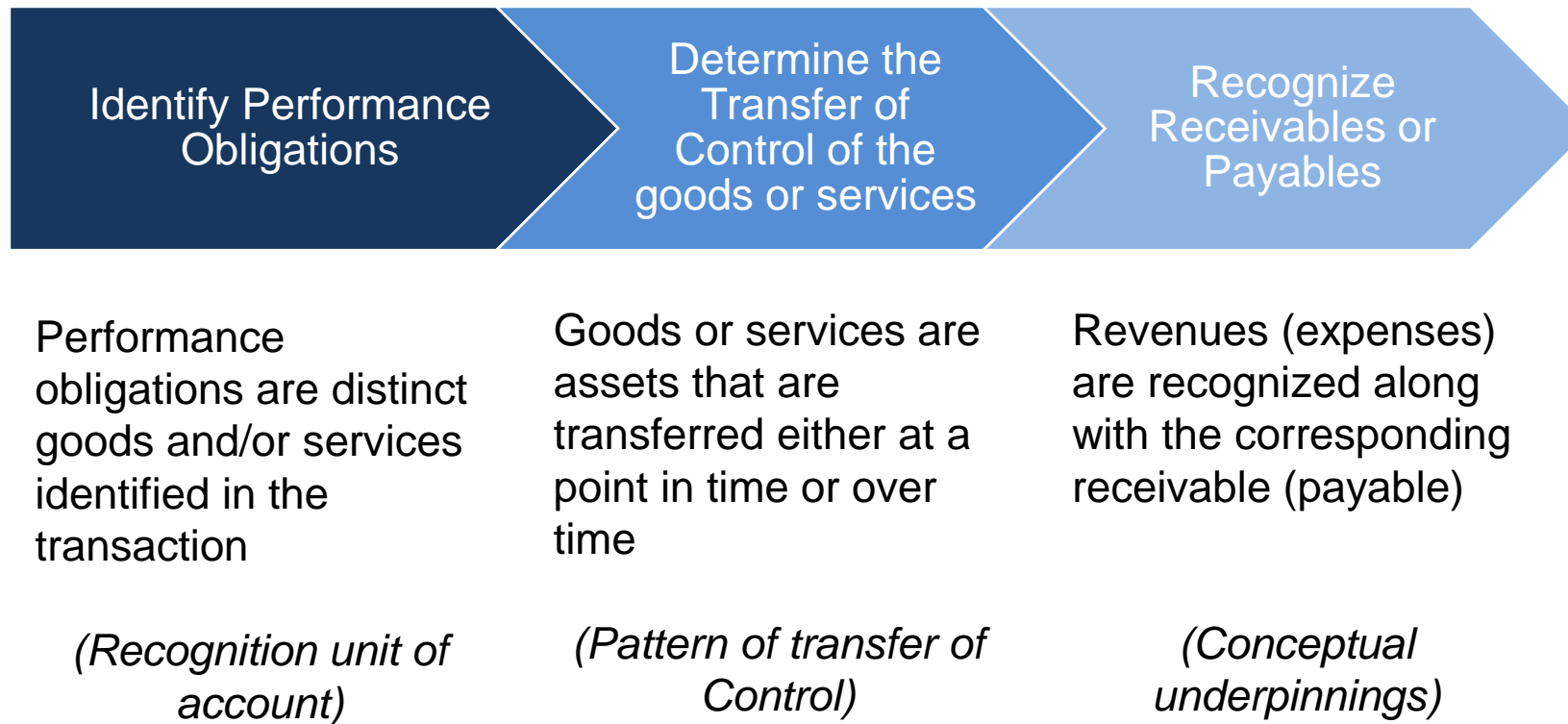
- Externally imposed or imposed by law that limits the activities or programs for which resources can be deployed
- Not a recognition attribute
- Not self-imposed
- Can simultaneously exist with qualifying requirements
- Motor fuel tax

Time Requirements

- Externally imposed or imposed by law that establish the period or periods when the use (sale, disbursement, or consumption) of resources may begin or should end.
- A recognition attribute that establishes the existence of a deferral
- Neither permanent constraint nor self-imposed
- Not appropriations nor performance periods
- For example, property taxes to fund a specific fiscal period.

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Proposed Recognition Principles for Category A Transactions



Criteria for Identifying Performance Obligations

Service capacity of the good or service can be obtained by being:

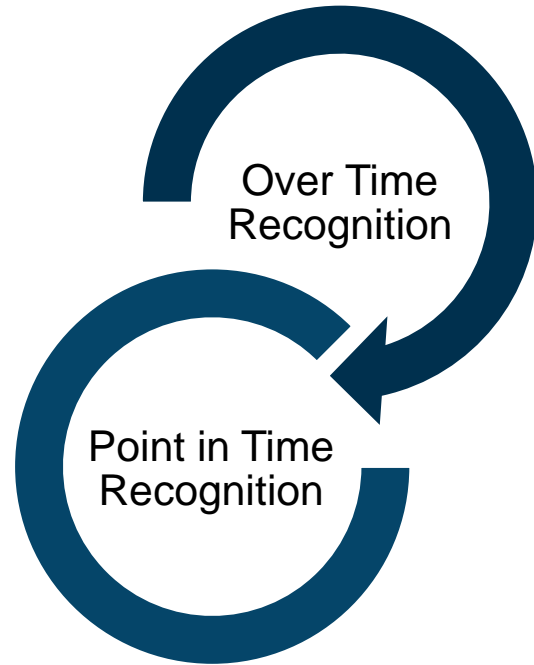
1. Combined with readily available resources
2. Used, consumed, or sold

Goods and services are separately identifiable within the context of the transaction. Indications that they are NOT separately identifiable:

1. Significant integration
2. Significant customization
3. Highly interrelated

Goods and/or services may be combined into bundles, or a transaction may result in a single performance obligation

Category A Revenue Recognition: Over Time or Point in Time



Criteria for Recognition Over Time

Criterion 1	Criterion 2	Criterion 3
<ul style="list-style-type: none">• Simultaneous consumption• Example: Electricity	<ul style="list-style-type: none">• Creates or enhances an asset• Example: Construction in progress	<ul style="list-style-type: none">• Creates a resource without an alternative use• Has right to payment• Example: Research work

- If one over time criterion is met, revenue is recognized over time.
- If no criterion is met, then recognition is at a point in time.

Category A Revenue Recognition Examples

A performance obligation is satisfied when there is a transfer of control of resources

Bus Service

- The performance obligation is satisfied as the government makes the service available

Tuition

- The performance obligation is satisfied as education is provided

State Lottery

- The performance obligation is satisfied when the State provides the opportunity for financial gain

Category A Expense Recognition Examples

A performance obligation is satisfied when there is a transfer of control of resources.

Expenses are assets even if only momentarily.

City orders supplies

- The performance obligation is satisfied when the city receives the supplies

School District hires CPA

- The performance obligation is satisfied as the CPA firm carries out the expected work, such as an audit

Public Utility employees

- The performance obligation is satisfied as the employees perform services over time

Pre-Agenda Research, Technology Project, and Other Research Activity

Pre-Agenda Research

Cybersecurity Risk Disclosures

Cybersecurity Risk Disclosures

What?

The GASB is determining whether additional guidance may be able to improve financial reporting with specific disclosures related to cybersecurity.

Why?

State and local governments are increasingly being exposed to cybersecurity threats.

When?

The Board added the pre-agenda research in December 2024.

Research Objectives

To determine:

- the types of cybersecurity threats faced by state and local governments
- whether and how cybersecurity threats are currently disclosed in the financial statements
- whether financial reporting guidance has the potential to address user needs for this information

GAAP Structure

GAAP Structure

What?

The GASB is evaluating the effectiveness of the GASB's current dual-authority approach to communicating GAAP for state and local governments.

Why?

The existing GAAP structure includes both Original Pronouncements and the Codification, each with equal authoritative status.

When?

The Board added the pre-agenda research in August 2023.

Research Objectives

- Phase 1

- Evaluate the effectiveness of the GASB's current dual-authority approach to communicating GAAP.

- Phase 2

- Explore a single authority structure, including whether and how it could be operationalized.

Revenue and Expense Recognition—Note Disclosures

Revenue and Expense Recognition—Note Disclosures

What?

The GASB is evaluating the need for note disclosures associated with transactions that are in the scope of the revenue and expense recognition project.

Why?

Note disclosures were scoped out of the revenue and expense recognition project.

When?

The Board added the pre-agenda research in August 2024.

Research Activities

- Survey of users – to determine what information users need related to revenue and expense transactions in the scope of the revenue and expense recognition project to make decisions or assess accountability
- Focus groups – to further discuss the types of information identified in the user survey as being needed

Technology Project

Voluntary Digital Financial Reporting

Voluntary Digital Financial Reporting

What?

The GASB is developing one or more governmental digital taxonomies for GAAP financial reporting.

Why?

The taxonomies that may result from this effort could be used by governments on a voluntary basis to report their GAAP financial statements in digital formats.

When?

The Board added the technology project in December 2024.

GASB GAAP Taxonomy

Voluntary Digital Financial Reporting Project



Phase I

- Basic Financial Statements
- Required Supplementary Information

Basic Financial Statements:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to Financial Statements



Phase II

- Supplementary Information

Required Supplementary Information:

Pensions and OPEB Schedules
Infrastructure Schedule
Budgetary Schedules

Other Research Activity

GAAP Utilization

GAAP Utilization

What?

The GASB is studying state-level financial reporting requirements for governments and also evaluating the determinants of GAAP choice.

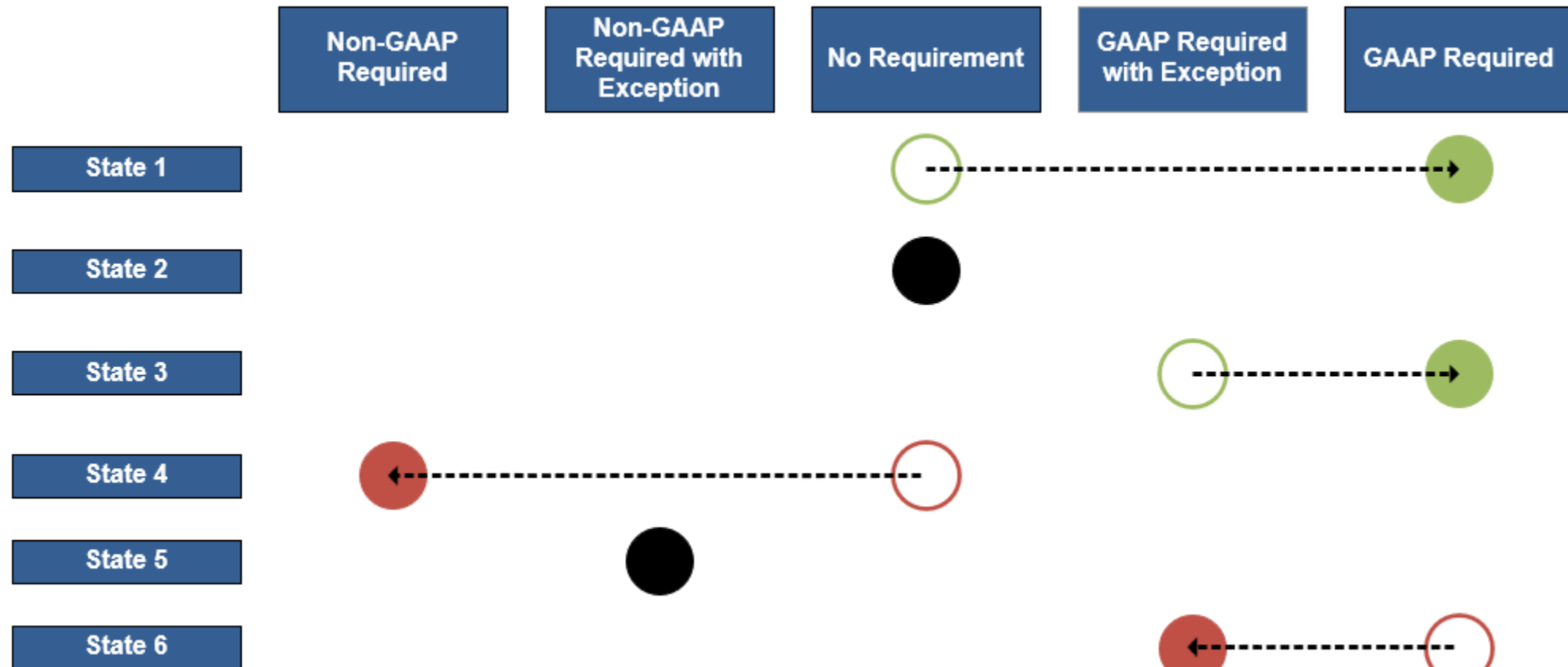
Why?

To gain an understanding of any shift in financial reporting requirements and determinants of GAAP choice to support EFR and broader impact.

When?

The Board added the research project in December 2023.

State-Level Financial Reporting Requirements 2024 and Future



Determinants of GAAP Choice

- GAAP Conformity (1, 0) = function of:
 - State requirements
 - Size of government (total revenue)
 - MSRB filer
 - FAC filer
 - Other control variables.
- Will be able to replicate periodically to determine shift in financial reporting framework choice.

Post-Implementation Review (PIR)

What is PIR?

The GASB monitors and supports implementation of all of its pronouncements.

For Statements resulting from comprehensive projects and major projects that address a fundamental aspect of the standards, the GASB also:

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 nonstaff costs for those three years.

Examines financial reports for the same random sample in the fifth year of implementation.

Conducts stakeholder roundtables and surveys regarding their experience with the standards.

Reports the findings publicly.

Why does the GASB conduct PIRs?

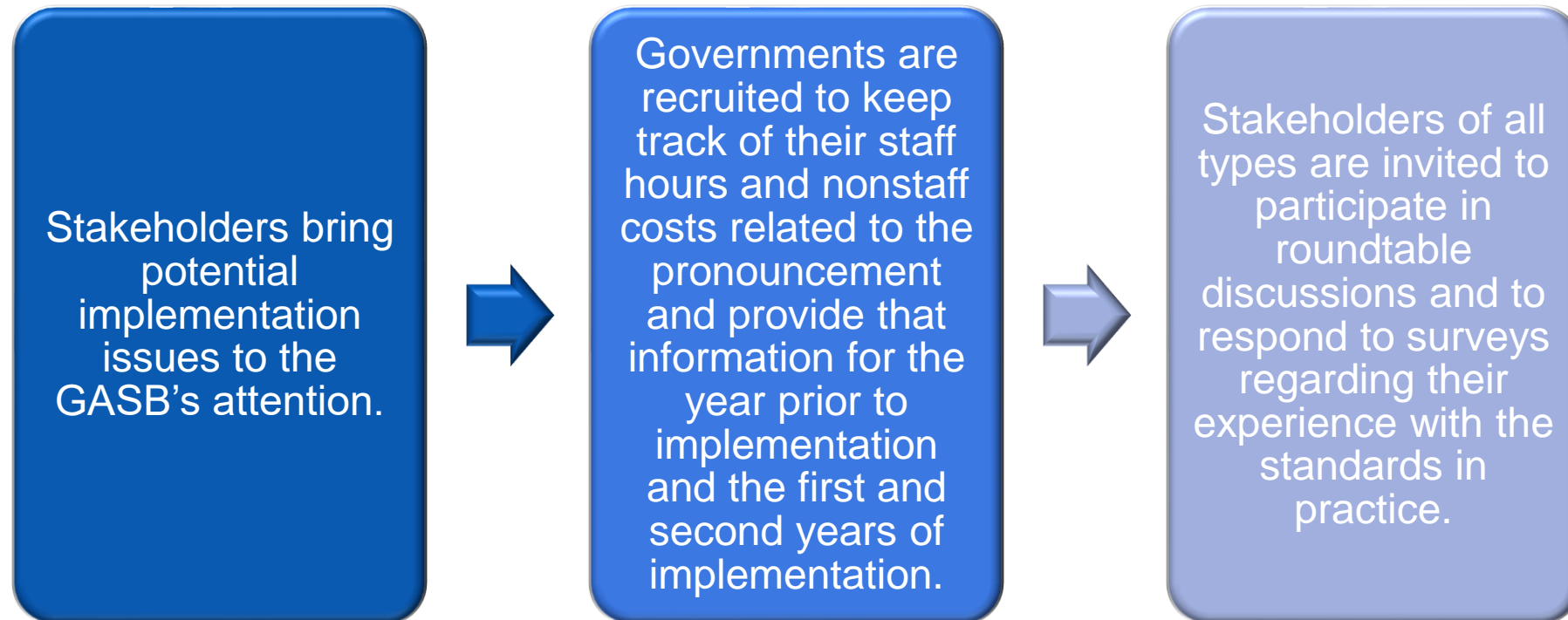
To provide general support to stakeholders when implementing significant new pronouncements

To identify and address practice issues that arise

To answer technical inquiries from stakeholders and develop and publish Q&A implementation guidance

To collect timely information that the Board can use to evaluate cost-benefit considerations as it develops other pronouncements and when it reexamines the standards in the future

How does the GASB involve stakeholders in PIR?



Which Statements Are under Review?

Statement 72—Fair Value Measurement and Reporting

Statement 75—Employer Reporting for Other
Postemployment Benefits (OPEB)

Statement 84—Fiduciary Activities

Statement 87—Leases

What is the status of the PIRs?

Fair value	Summarizing research findings
OPEB	Archival data collection completed for year prior to implementation, implementation year, second year of implementation, and fifth year of implementation; Collection of implementation effort and cost information completed; Roundtables completed, and results have been summarized
Fiduciary activities	Collection of implementation effort and cost information completed
Leases	Collection of implementation effort and cost information and pre-implementation year reports has begun

Questions?

Visit www.gasb.org



Thank You