

2026 Annual GASB Update

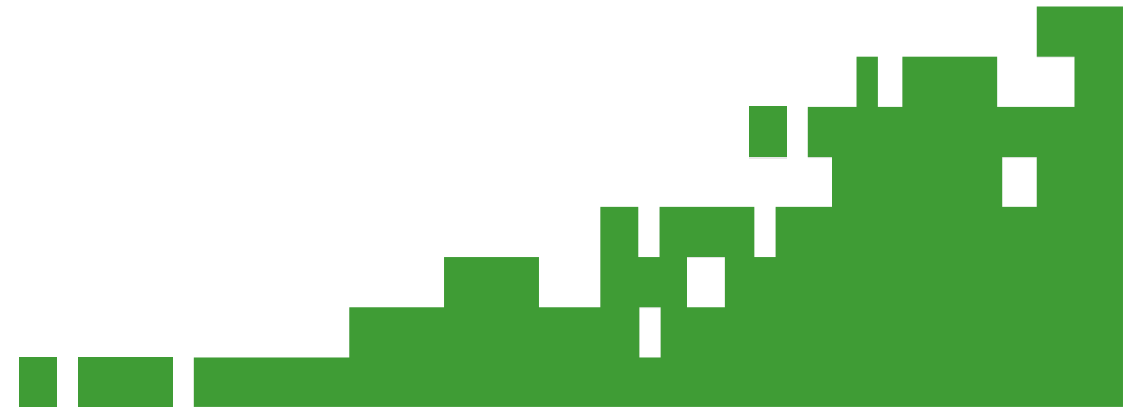
With you today



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Assurance Services – Public Sector



Objectives

By the end of this course, participants will be able to:

- Recognize key provisions of issued and pending accounting standards
- Identify pending pronouncements that may significantly affect their organizations
- Develop an implementation plan for the pending accounting standards

Agenda

Topic	Minutes
GASB Statement No. 103; Financial Reporting Model Improvements	60
GASB Statement No. 104; Disclosure of Certain Capital Assets	20
GASB Statement No. 105; Subsequent Events	20

Polling question 1

Please indicate the type of governmental entity you are representing.

- A. City
- B. County
- C. School district
- D. Health care entity
- E. Higher education institution
- F. Tribal government
- G. Other special purpose

Please submit your response in the Conferences i/o session.

Polling question 2

Has your organization early adopted any of the new GASB pronouncements we will be speaking about today?

- A. Yes
- B. No

Please submit your response in the Conferences i/o session.

- The adoption of a new standard falls under GASB Statement No. 100, *Accounting Changes and Error Corrections*, for a change in accounting principle
 - Single period: **reported retroactively** by restating beginning net position, fund balance, or fund net position, as applicable, for the cumulative effect, if any, of the change to the new adopted accounting principle on prior periods
 - Comparative: **reported retroactively** by restating FS for all prior periods presented, if practicable. Cumulative effect of the change on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of applying the newly adopted accounting principle
 - Disclose the nature of change and the financial statement line items affected

GASB Statement No. 103; Financial Reporting Model Improvements

GASB Statement No. 103 – Financial Reporting Model Improvements



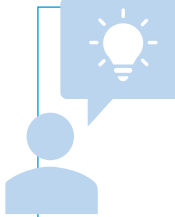
- Issued: April 2024
- Effective: Fiscal years beginning after **June 15, 2025 (June 30, 2026, Dec. 31, 2026)**, and all reporting periods thereafter
 - If government early implements, all CUs should also implement in the same year
- Improvements are to:
 - Enhance the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government's accountability; and
 - Address certain application issues identified through pre-agenda
- Applies to FS of all SLG
 - Supersedes certain paragraphs of GASB 34, GASB 37, Technical Bulletin No 2020-1 and various Implementation Guides
 - Amends certain paragraphs of NCGA Stmt. 1, GASB 14, GASB 34, GASB 37, GASB 41, GASB 42, GASB 44, GASB 49, GASB 56, GASB 58, GASB 61, GASB 62, GASB 69, Technical Bulletin No 2020-1, and various Implementation Guides

GASB Statement No. 103 – Financial Reporting Model Improvements

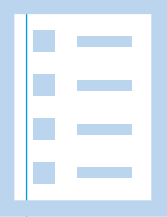
Established new accounting and financial reporting requirements or modifies existing requirements related to:



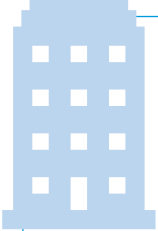
Management's discussion and analysis (MD&A)




Unusual or infrequent items



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



Information about major component units in basic financial statements



Budgetary comparison information



Financial trends information in the statistical section

Polling question 3

Which of the areas amended by the new standard do you believe will be most impactful?

- A. MD&A
- B. Proprietary funds FS
- C. Budgetary comparisons
- D. Other areas
- E. None, I did not think change was necessary

Please submit your response in the Conferences i/o session.

MD&A

Required elements to be included in the MD&A:

- Overview of the financial statements including the relationships of the statements to each other;
- Condensed Financial Summary of the government-wide financial statements CY vs PY
 - Both Governmental Activities and Business-Type Activities
- Detailed analyses of primary government's financial position and results of operations
 - Why the changes occurred
- Detailed analyses of fund balance or net position and results of operations for each major fund
- Significant capital asset and long-term financing activity
- Currently known facts, decisions, or conditions

GASB 103

- Precedes the basic financial statements as RSI
- Discuss CY balances and results of operations in comparison with PY, with emphasis on the CY
 - Fact based
 - Activities that have a **significant** positive/negative impact on **balances and results of operations** in comparison with the PY

GASB 34

- Precedes the basic financial statements as RSI
- Discuss the CY results in comparison with PY, with emphasis on the CY
 - Fact based
 - Positive and negative aspects of the comparison with the PY

GASB 103

- Focus on the primary government (PG)
 - Distinguish between the PG and its **discretely presented component units** (DPCU)
- Discuss DPCU – matter of **professional judgment** based on the nature/significance of the individual CU's relationship to the PG
- Avoid “boilerplate” discussion

GASB 34

- Focus on the primary government (PG)
 - Distinguish between the PG and that of its component units (CU)
- Discuss CU – matter of professional judgment based on the individual CU's significant to the total of all DPCUs and that CU's relationship with the PG
- Avoid “boilerplate” discussion

Overview of the financial statements

Financial summary

- Includes unusual or infrequent items and beginning net position as required elements

Detailed analyses

- Includes facts, decisions, or conditions that the user may not be aware of – should consider user may not be from the government's geographical area
- Includes significant policy changes
- Analysis of **major funds** may focus on explanations that differ from the analysis for government-wide rather than duplicating them

Significant capital assets and long-term financing activity

- Capital assets include intangible assets subject to GASB 51, leases, SBITAs, and P3s
 - Include discussion on significant additions/disposals; change in commitments for acquisition of capital assets; significant policy changes, economic factors relevant to capital asset activity
- LT financing includes debt, leases, P3s and SBITAs
 - Include discussion on agreements entered into; changes in credit ratings and/or debt limitations that may affect the financing of planned facilities or services, if any; significant policy changes; economic factors relevant to LT financing activity
- May refer to detailed analyses section for certain details rather than duplicating information

Currently known facts, decisions, or conditions

- Impact of currently known facts, decisions, or conditions must meet a significance threshold to be included
- Trends in relevant economic and demographic data
- Relevant factors used to develop the subsequent year's budget
- Expected changes in budgetary net position or fund balance
- Actions the government has taken after the end of the reporting period
- Actions other parties have taken that will affect the government in a subsequent period

MD&A (Continued)

- Provide objective and readable explanations and interpretations that users can understand
- Avoid unnecessary duplication, if possible
 - Determining whether to repeat explanations within multiple sections of the MD&A is a matter of professional judgment. It is not required.
- Move budgetary analysis and discussion of infrastructure assets modified approach to the relevant parts of RSI



Polling question 4

Based on this information, I expect significant changes to my MD&A.

- A. True
- B. False

Please submit your response in the Conferences i/o session.

Unusual or Infrequent Items

Unusual or infrequent Items

- Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence
 - ***Unusual in nature***: the underlying event or transaction should possess a **high degree of abnormality** and be of a type **clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government**, taking into account the environment in which the government operates
 - ***Infrequency of occurrence***: the underlying event or transaction should be of a type that would **not reasonably be expected to recur in the foreseeable future**, taking into account the environment in which the government operates
- Replaces extraordinary and special items

Financial Statement Considerations



- Present:
 - Individually (do not net)
 - Last inflows/outflows of resources prior to the net change in resource flows
 - Applies to government-wide, governmental fund, and proprietary fund statements of resource flows
- Disclose in the notes to the FS the program, function, or identifiable activity to which the item relates and whether it was within the control of management

Presentation of Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Position

Operating vs. Nonoperating

Operating

- Activities and transactions other than nonoperating activities and transactions

Nonoperating

- 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

Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements should be classified as operating revenues or operating expenses if those transactions constitute the proprietary fund's principal ongoing operations

GASB 103 paragraph 13.

Subsidies

- Resources received from another party or fund:
 - Proprietary fund doesn't provide goods and services to that party or fund and
 - Directly/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:
 - Other party or fund doesn't provide goods and services to the proprietary fund and
 - Recoverable through the proprietary fund's current or future pricing policies
- All other transfers



Subsidies – Exposure Draft Implementation Guide 2026



- Focused solely on issues related to subsidies as defined in GASB Statement No. 103, *Financial Reporting Model Improvements*
- Comment period ended April 27, 2026
- Release date, Q3 2026
- Effective date, fiscal years beginning after June 15, 2026; earlier application is encouraged

4.1. A government provides supplemental payments to hospitals in addition to the standard contractual Medicaid base payments made on a fee-for-service or managed-care basis. In this circumstance, the supplemental payments are not part of any contractual relationship between the patient and the government for healthcare coverage. Do those supplemental payments received by a hospital that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?

Yes. In contrast to a circumstance in which there is a contractual relationship between the patient and the government for healthcare coverage, the patient has no contractual relationship for healthcare coverage associated with supplemental payments. Therefore, in this circumstance, the supplemental payments would meet the definition of subsidies because the payments (a) are not related to the goods or services provided by the hospital as part of the contractual relationship with the patient and (b) allow the hospital's current or future charges to be lower than they would be otherwise. (See also Question 4.7 in Implementation Guide 2025-1 regarding contractual arrangements for covered medical services.)

4.2. A higher education institution that reports as a BTA or an enterprise fund receives donations for scholarships from individuals who do not receive goods or services in return. Do those donations meet the definition of subsidies in paragraph 14a of Statement 103?

Yes. Those donations for scholarships meet the definition of subsidies because they (a) are received from parties who have not received goods or services from the higher education institution as a result of the donations and (b) keep the higher education institution's current or future tuition or other charges lower than they would be otherwise



4.3. Would the answer to the previous question change if published tuition rates do not change based on the donations for scholarships received?

Exposure Draft – Implementation Guide 2026 (Continued)



No. Regardless of whether published tuition rates change, donations for scholarships either directly or indirectly keep current or future tuition or other charges paid lower than they would be otherwise. Therefore, even if published tuition rates do not change, donations for scholarships meet the definition of subsidies.

4.4. Do research grants received by a higher education institution that reports as a BTA or an enterprise fund meet the criterion established in paragraph 14a(2) of Statement 103 for purposes of the definition of subsidies?

Exposure Draft – Implementation Guide 2026 (Continued)



It depends on the substance of the transaction!

Exposure Draft – Implementation Guide 2026 (Continued)

For example, if the higher education institution receives a research grant that is used to offset operating expenses, such as salaries and laboratory costs, that would exist in the absence of the grant, the grant funds received would allow the higher education institution to keep the tuition or other charges lower compared to what would be charged had the higher education institution not received the grant. Therefore, in this circumstance, the research grant would meet the criterion established in paragraph 14a(2). In contrast, other research grants are not used to offset operating expenses, such as salaries and laboratory costs, that would exist in the absence of the grant. In those circumstances, the grant funds received would not allow the higher education institution to keep the tuition or other charges lower compared to what would be charged had the higher education institution not received the grant. Therefore, those research grants would not meet the criterion established in paragraph 14a(2) because the proceeds would not keep current or future tuition or other charges lower than they would be otherwise.

4.5. Do taxes imposed by a BTA meet the definition of subsidies in paragraph 14a of Statement 103?

Yes. Taxes imposed by a BTA meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the BTA as a result of the tax and (b) directly or indirectly keep the BTA's current or future fees and charges lower than they would be otherwise.



4.6. Passenger facility charges fund airport projects approved by the Federal Aviation Administration. Do passenger facility charges received by an airport that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?

Exposure Draft – Implementation Guide 2026 (Continued)



Yes. Similar to taxes discussed in Question 4.5, passenger facility charges are fees imposed on passengers that meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the airport as a result of the fee and (b) allow the airport to directly or indirectly keep current or future fees and charges to airlines and concessionaires lower than they would be otherwise.

4.7. How should subsidies other than noncapital subsidies be reported?

Exposure Draft – Implementation Guide 2026 (Continued)



Subsidies other than noncapital subsidies are capital subsidies and should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in Implementation Guide No. 2015-1, as amended.)

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

4.8. How should subsidies be classified if the provider of the resources limits the use to debt service for capital-related debt?

Exposure Draft – Implementation Guide 2026 (Continued)



In this circumstance, subsidies should be classified as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt, which is capital in nature.

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	<u>41,286</u>	<u>18,669</u>	<u>2,665</u>	<u>62,620</u>	<u>42,601</u>
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	<u>40,777</u>	<u>25,378</u>	<u>7,433</u>	<u>73,588</u>	<u>44,540</u>
Operating income (loss)	<u>509</u>	<u>(6,709)</u>	<u>(4,768)</u>	<u>(10,968)</u>	<u>(1,939)</u>
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	<u>(1,980)</u>	<u>2,090</u>	<u>110</u>	<u>220</u>	<u>1,181</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>	<u>(4,619)</u>	<u>(4,658)</u>	<u>(10,748)</u>	<u>(758)</u>
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)	<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	<u>2,085</u>	<u>10,368</u>	<u>(3,134)</u>	<u>9,319</u>	<u>906</u>
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>

Information About Major Component Units in Basic Financial Statements

Major Component Units in Basic Financial Statements

Present each major CU in a separate column

If separate presentation is not possible, because it reduces the readability of the statements, combining statements of major component units should be included after the fund financial statements.

Major Component Units

- “Major” – based on the nature and significance of a CU’s relationship to the primary government
 - Services provided by the component unit to the citizenry are such that separate reporting as a major component unit is considered to be essential to financial statement users
 - There are significant transactions with the primary government, or
 - There is a significant financial benefit or burden relationship with the primary government.

Budgetary Comparison Information

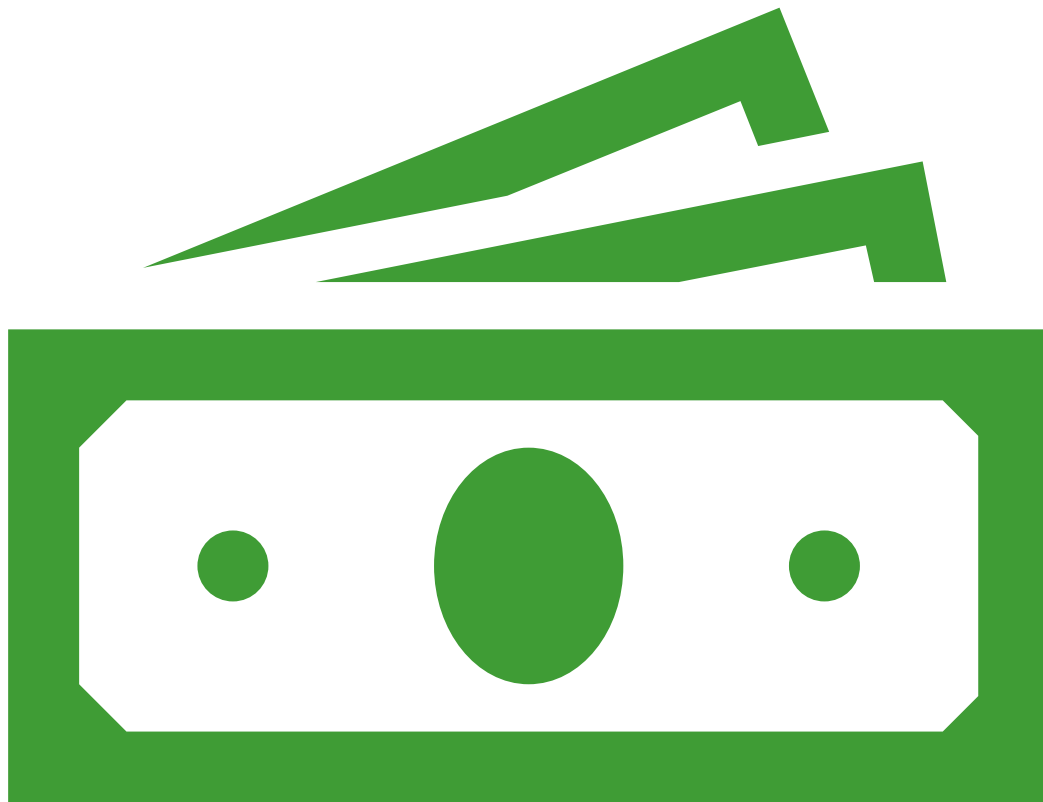
Budgetary Comparison Information

Must be presented as RSI for General Fund and each major special revenue fund that has legally adopted budget

- Required columns for variances:
 - Original and final budget amounts
 - Final budget amounts and actual results

Explanation of significant variances between original and final budget amounts and final budget amounts and actual results are required to be presented in notes to RSI

Statistical Section – Financial Trends Information



- Information about changes in net position, present revenues by major source
 - Distinguish between operating, noncapital subsidy, and other nonoperating activities
 - **Applies to governments engaged only in**
 - **BTA or**
 - **BTA and fiduciary activities**

Polling question 5

Which of the following do you anticipate will be affected by implementation of GASB 103?

- A. Entity policies
- B. Controls
- C. IT systems
- D. All of the above

Please submit your response in the Conferences i/o session.

GASB Statement No. 104; Disclosure of Certain Capital Assets

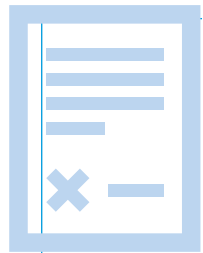
GASB Statement No. 104 – Disclosure of Certain Capital Assets



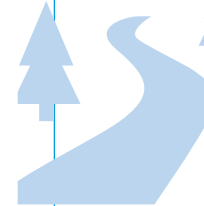
- Issued: September 2024
- Effective: Fiscal years beginning after **June 15, 2025 (June 30, 2026, Dec. 31, 2026)**, and all reporting periods thereafter
 - Earlier application is encouraged.
- Provides users of government financial statements with essential information about certain types of capital assets.
- Supersedes various Implementation Guide questions and rescinds the effects of GASB 87 and GASB 96 on GASB 34 paragraphs 116 and 117
- Amends certain paragraphs of GASB 62, GASB 72, and various Implementation Guides

GASB Statement No. 104 – Separate Disclosure for Certain Capital Assets

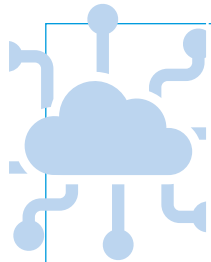
- Within the note disclosures about capital assets, information about the following capital assets and related amortization should be disclosed separately:



Lease assets reported in accordance with GASB 87 by major class of underlying asset



Intangible right-to-use assets recognized by an operator in accordance with GASB 94, by major class of underlying public-public partnership asset



Subscription assets reported in accordance with GASB 96



Intangible assets other than those listed above, by major class of asset

- Intangible assets that represent the right to use a type of underlying asset should not be disclosed in the same major class as any owned assets of that type.

Sample Disclosure

Illustration 1—Capital Assets Note Disclosure

This illustration provides an example of the governmental activities capital assets note disclosure for a hypothetical government. The example illustrates some of the requirements in paragraph 4 of this Statement. Other presentations also may satisfy those requirements.

Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	\$ 29,484	\$ 2,020	\$ (4,358)	\$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	<u>32,399</u>	<u>15,240</u>	<u>(19,204)</u>	<u>28,435</u>
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	<u>218,431</u>	<u>20,480</u>	<u>(5,363)</u>	<u>233,548</u>
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	<u>(49,778)</u>	<u>(7,325)</u>	<u>2,097</u>	<u>(55,006)</u>
Governmental activities capital assets, net	<u>\$ 201,052</u>	<u>\$ 28,395</u>	<u>\$ (22,470)</u>	<u>\$ 206,977</u>

GASB Statement No. 104 – Capital Assets Held for Sale

- A capital asset is a capital asset held for sale if:
 - a) The government has decided to pursue the sale of the asset and
 - b) It is probable (likely to occur) that the sale will be finalized within one year of the financial statement date

- Factors to consider when evaluating whether it is probable that the sale will be finalized within one year of the financial statement date include, but are not limited to, the following:
 - a) Whether the asset is available for immediate sale in its present condition
 - b) Whether an active program to locate a buyer has been initiated, which may include the asset being put out for bid
 - c) Market conditions for selling that type of asset
 - d) Regulatory approvals needed to sell the asset

Polling question 6

Do you currently have policies and procedures designed to allow for the tracking of capital assets held for sale?

- A. Yes
- B. No

Please submit your response in the Conferences i/o session.

GASB Statement No. 104 – Capital Assets Held for Sale (continued)



- A government should evaluate whether a capital asset is a capital asset held for sale each reporting period
- A capital asset held for sale should continue to be reported within the appropriate major class of capital asset. Additionally, a government should disclose capital assets held for sale in notes to financial statements, with separate disclosure of historical cost and accumulated depreciation (or amortization), by major class of asset. A government also should disclose the carrying amount of debt for which capital assets held for sale are pledged as collateral, for each major class of asset. The disclosure of capital assets held for sale should be made for both governmental activities and business-type activities.

Illustration 2—Capital Assets Held for Sale Disclosure

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of \$8.0 million and an accumulated depreciation of \$5.0 million, and they are pledged as collateral for debt with a balance of \$1.5 million.

GASB Statement No. 105; Subsequent Events

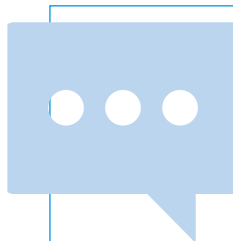
GASB Statement No. 105 – Subsequent Events



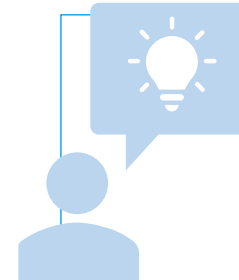
- Issued: December 2025
- Effective: Fiscal years beginning after **June 15, 2026 (June 30, 2027, Dec. 31, 2027)**, and all reporting periods thereafter
 - Early application is encouraged
- Improvements are to:
 - Clarify the subsequent event time frame and the subsequent events that constitute recognized and nonrecognized events; and
 - Specify the information items that are required to be disclosed as subsequent events
- Applies to FS of all SLG
 - Supersedes GASB Statement No. 56
 - Amends certain paragraphs of NCGA Stmt. 1, NCGA Stmt. 4, NCGA Interpretation 6, GASB 10, GASB 48, GASB 54, GASB 56, GASB 62, GASB 69, GASB 100, GASB 102, GASB 103, Interpretation No. 1, Technical Bulletin No. 2020-1, 2025-1 implementation guide and other various implementation guides

GASB Statement No. 105 – Subsequent Events

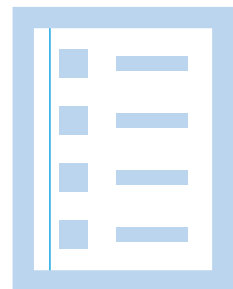
Established new accounting and financial reporting requirements or modifies existing requirements related to:

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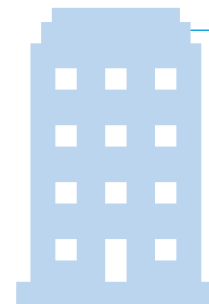
Subsequent event dates

A blue icon of a person's head and shoulders next to a speech bubble containing a glowing lightbulb.

Subsequent event disclosure

A blue icon of a document with a list of four items, each represented by a square bullet point and a horizontal line.

Recognized events

A blue icon of a multi-story building with a grid of windows.

Nonrecognized events

Why GASB Issued Statement No. 105

Challenges in Previous Guidance

There was inconsistent application in identifying and disclosing subsequent events.

Uniform Definitions and Evaluation

Statement 105 establishes clear definitions and evaluation periods to improve comparability across governments.

Improved Transparency and Accountability

The statement reduces the diversity in practice and provides information that better meets the needs of financial statement users.



Definition of Subsequent Events



“Subsequent events are 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 (the subsequent events time frame)”

GASB Statement No. 105



Date Financial Statements are Available to be Issued

Definition of Availability Date

- The financial statements are complete in a form and format that complies with GAAP and approvals necessary for issuance have been obtained

Approval Variations

- Approval requirements vary by entity, involving management, boards, or oversight bodies

Implications for Timing

- Delays in approvals extend evaluation periods, increasing chances of considering additional subsequent events

Importance of Coordination and Documentation

- Close coordination with auditors and clear documentation ensure compliance and transparency in financial reporting

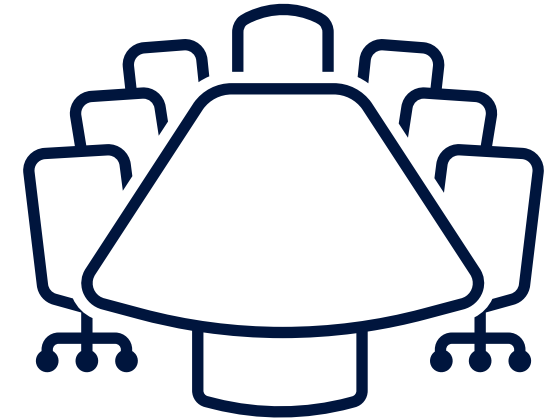
Disclosure of the Evaluation Date

The date through which subsequent events have been evaluated should be disclosed in the notes to the financial statements.

The date should be disclosed regardless of whether there is a recognized or a nonrecognized event

Recognized Subsequent Event

- A recognized event is a subsequent event that provides evidence of conditions that existed at 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
- Identifying recognized events requires professional judgment and knowledge of the facts and circumstances



Recognized Subsequent Event Examples

Examples:

- Litigation settlements
- A government-owned airport authority has a fiscal year-end of June 30. The airport authority levies a passenger facility charge for each passenger departing from the airport. On August 1, a major airline operating at the airport declared bankruptcy and ceased operations. As of August 1, the airport authority's financial statements were not available to be issued. The bankruptcy may be indicative of the airline's failing financial conditions as of the financial statement date. Because the airline's financial difficulties likely existed as of the reporting date, the event is recognized in the allowance calculation as of June 30.

Nonrecognized Subsequent Event

- A nonrecognized event is a 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:
 - A debt-related transaction
 - A government combination or a disposal of government operations
 - A change to the legally separate entities that comprise the financial reporting entity
 - A transaction or other event that is of such a nature that the information is essential to a user's analysis for making decisions or assessing accountability

Nonrecognized Event Disclosure



- The following information should be disclosed about a nonrecognized event:
 - A description of the nonrecognized event and its effect
 - An estimate of the amount of the effect of the nonrecognized event, or the reason why an estimate of the amount cannot be made

Polling question 8

I am already looking forward to next year's presentation from RSM on pending GASBs.

- A. True
- B. Definitely true

Please submit your response in the Conferences i/o session.

THANK YOU FOR
YOUR TIME AND
ATTENTION





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