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GASB Requests Input on Proposal to Require Disclosures About Certain Governmental Risks.

Norwalk, CT, June 30, 2022 — The Governmental Accounting Standards Board (GASB) issued a proposal today that would require governments to disclose information about certain risks they face that could affect the level of services they are able to provide or their ability to meet obligations as they come due.

Although governments are required to disclose information about their exposure to some risks, essential information about certain other risks that are prevalent among state and local governments is not routinely disclosed because it is not explicitly required. The proposed Statement would provide financial statement users with an early warning that governments are susceptible to the financial effects of those risks.

The Exposure Draft (ED), *Certain Risk Disclosures*, would require governments to disclose essential information about risks related to a government's current vulnerabilities due to:

1. Certain concentrations, and
2. Certain constraints common in the governmental environment.

The proposed Statement defines a *concentration* as a lack of sufficient diversity related to an aspect of a significant revenue source or expense—for example, a small number of companies that represent a majority of employment in a government's jurisdiction, or a government that relies on one revenue source for most of its revenue. It defines a constraint as a limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority—such as a voter-approved property tax cap or a state-imposed debt limit. Concentrations and constraints may limit a government's ability to acquire resources or control spending.

Disclosure Criteria

This proposal would require a government to disclose information about a concentration or constraint if all of the following criteria are met:

1. It is known to the government prior to issuing the financial statements
2. An associated event either has occurred or is *more likely than not* to occur or begin to occur within 12 months of the financial statement date or shortly thereafter, and
3. It is *at least reasonably possible* that within three years of the financial statement date the event will cause a *substantial effect* on the government's ability to (1) continue to provide services at the level provided in the current reporting period or (2) to meet its obligations as they come due.

Note Disclosures

If a government determines that those criteria have been met, it would disclose information in notes

to financial statements in sufficient detail to allow users of financial statements to understand the general nature of the circumstances disclosed and their potential effect on the government's ability to provide services or meet its obligations.

Stakeholders are asked to review the proposal and provide input to the Board by September 30, 2022. Comments may either be submitted in writing or through an electronic input form.

More information about commenting on the ED can be found in the document, which is available on the GASB website, www.gasb.org.

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