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GASB Issues Guidance on Disclosure of Certain Risks.

Norwalk, CT, January 8, 2024 —The Governmental Accounting Standards Board (GASB) issued guidance today that requires governments to disclose information about certain risks.

Although governments are required to disclose information about their exposure to some risks, such as interest and credit risk associated with investments, 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 new Statement is meant to provide financial statement users with information about certain risks when circumstances make a government vulnerable to a heightened possibility of loss or harm.

[GASB Statement No. 102](#), *Certain Risk Disclosures*, requires governments to disclose essential information about risks related to vulnerabilities due to certain concentrations or constraints.

1. The Statement defines a concentration as a lack of diversity related to an aspect of a significant inflow or outflow of resources—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.
2. The Statement 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. Based on input from financial statement users during the research phase of the project, GASB is proposing that certain types of assets be disclosed separately in the note disclosures about capital assets. This would allow users to make informed decisions about these and to evaluate accountability.

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

Disclosure Criteria

The Statement generally requires a government to disclose information about a concentration or constraint if all of the following criteria are met.

1. The concentration or constraint is known to the government prior to issuing the financial statements.
2. The concentration or constraint makes the government vulnerable to the risk of a substantial impact.
3. An event or events associated with the concentration or constraint that could cause a 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.

Note Disclosures

The disclosures should include a description of the following:

1. The concentration or constraint,
2. Each event associated with the concentration or constraint that could cause a substantial impact if the event has occurred or has begun to occur prior to the issuance of the financial statements, and
3. Actions taken by the government to mitigate the risk prior to the issuance of the financial statements.

The requirements of Statement 102 are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. Earlier application is encouraged.

The Statement is available on the GASB website, www.gasb.org.