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GASB Issues Guidance to Improve Key Components of Government Financial Reports.

Norwalk, CT, May 28, 2024 — The Governmental Accounting Standards Board (GASB) today issued guidance designed to improve key components of the financial reporting model—the blueprint for governmental financial reports.

GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, which established government financial statements as we know them today, was issued almost 25 years ago in 1999. It represented perhaps the most significant and far-reaching change in governmental accounting since the establishment of the GASB in 1984.

GASB Statement No. 103, Financial Reporting Model Improvements, builds on Statement 34 by providing key targeted improvements to the financial reporting model. Its requirements are designed to:

- Enhance the effectiveness of governmental financial reports in providing information essential for decision making and assessing a government's accountability, and
- Address certain application issues.

The targeted improvements contained in Statement 103 establish or modify existing accounting and financial reporting requirements related to:

- Management's discussion and analysis
- Unusual or infrequent items (previously known as extraordinary and special items)
- Presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position
- Major component unit information, and
- Budgetary comparison information.

Targeted Improvement Areas

The Board periodically reexamines existing standards to learn whether the standards are accomplishing their intended purpose and if the informational benefits to financial statement users justify the cost to governments in complying with the standards. GASB research found that Statement 34 continues to be highly effective but did identify certain opportunities for improvement.

The requirements in Statement 103 improve financial reporting in a number of ways. While the overall requirements do not substantially change management's discussion and analysis, the modifications are meant to improve the analysis included in this section and provide details about the items that should be discussed as currently known facts, decisions, or conditions expected to have a significant financial effect in the subsequent period.

With respect to unusual or infrequent items, the new Statement simplifies GASB literature by

eliminating the separate presentation of extraordinary and special items. Under the requirement of Statement 103, applicable items will either be identified as unusual or infrequent, or both.

The changes to the presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position are designed to improve consistency around the classification of items in those statements by better defining what should be included in operating revenues and expenses and nonoperating revenues and expenses including, for example, the addition of subsidies received or provided as a new category of nonoperating revenues and expenses.

Statement 103 is designed to improve the consistency of the reporting of major component unit information and budgetary comparison information by specifying required placement of that information. GASB Concepts Statements, issued after Statement 103, provide guidance that was used to determine where to report this information in a government financial report. Furthermore, GASB research found that optionality of placement could lead to inconsistency in practice in the reporting of that information.

The requirements of Statement 103 are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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