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GASB Requests Input on Severe Financial Stress and Probable Dissolution Disclosures.

Norwalk, CT, March 31, 2025 — The Governmental Accounting Standards Board (GASB) issued a Preliminary Views (PV) today for public comment on proposals associated with accounting and financial reporting for severe financial stress and probable dissolution disclosures.

The PV, [*Severe Financial Stress and Probable Dissolution Disclosures*](#), is intended to set forth and seek comments on the Board's current views at a relatively early stage of the project. The objective of the project is to address issues related to disclosures regarding going concern uncertainties (GCU) and severe financial stress (SFS) with the intention of making clarifications and improvements to the existing GCU guidance to reduce diversity in practice and providing guidance for disclosures related to SFS.

The Board's Early Views

GASB's current guidance on going concern uncertainties was brought into the Board's literature without significant modification from the AICPA's literature and contains elements of both financial stress and continued existence. Pre-agenda research showed that stakeholders were unclear on what going concern means in the government context. Some governments get into financial difficulties but continue to exist and provide services. There are also governments that dissolve and cease to exist for reasons other than financial stress (for example, to realize greater efficiency and cost savings through governments merging or combining operations).

The PV seeks to separate the notions of financial stress and continued existence and sets out the Board's early thinking on issues associated with SFS and probable dissolution (PD) disclosures. SFS guidance would focus on a government's financial condition, regardless of whether there is uncertainty about its continued existence. The PD guidance would focus on the uncertainty about a government's continued existence, regardless of its financial condition.

If a government meets either the SFS or PD disclosure requirement, the government would be required to make certain disclosures related to the SFS or PD. In some cases, a government may meet requirements for both SFS and PD and would be required to make both sets of disclosures.

SFS Disclosures

A government would be required to make SFS disclosures if, as of the financial statement date, it is experiencing financial stress at such a degree that it is near or at the point of insolvency, regardless of whether it will continue to exist. The point of insolvency would be when a government generally is not paying its liabilities as they come due or is unable to pay its liabilities as they come due. A government near the point of insolvency would be experiencing a very high level of financial stress but would not be insolvent.

SFS disclosures would be the reasons and causes for the condition, the government's evaluation of the significance of those reasons and causes, the actions taken by the government in response, and

the known effects of the condition.

PD Disclosures

A government would be required to make PD disclosures if it is probable that it will cease to exist as the same legally separate entity within 12 months of the date the financial statements are available to be issued, regardless of its financial condition. Relevant factors would be evaluated in the aggregate to determine the likelihood of the dissolution within the time frame.

The PD disclosures would be a statement that dissolution is probable; the reasons and causes for the PD; the government's evaluation of the significance of those reasons and causes; the actions taken by the government in response; and information about the recoverability, amounts, or classification of assets and liabilities.

Share Your Views

Stakeholders are asked to review and provide input on the document by June 30, 2025. Comments may be submitted either through a comment letter or an electronic input form.

A series of public forums on the PV has been scheduled to enable stakeholders to share their views with the Board. Additional information on the public forums is available in the document.