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GASB 102, Certain Risk Disclosures

On Jan. 8, 2024, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 102, Certain Risk Disclosures (GASB 102 or Statement). GASB 102 addresses financial reporting regarding certain concentrations or constraints and related events that may have a substantial impact and negatively affect the level of service a government provides.

Background

Governments are exposed to numerous risks that may limit their ability to acquire resources or control spending. A municipality, for example, may have a property tax base heavily reliant on a single commercial property owner. A hospital's workforce may belong to a single collective bargaining unit. A college's ability to issue debt to fund capital construction may be limited by a cap on outstanding debt. Such circumstances may be well-known to those charged with governance and within management, but not widely understood by other stakeholders. Such concerns led to the GASB adding risk disclosures to its technical agenda in 2020. GASB released an exposure draft of Certain Risk Disclosures for public comment in 2022. The feedback received from stakeholders on the exposure draft was incorporated in what eventually resulted in GASB 102.

Key Considerations

The scope of GASB 102 is limited to risks arising due to certain concentrations or constraints. Risks related to the nature of a government's operations and the use of estimates are not within the Statement's scope. This is a notable difference compared to FASB ASC Topic 275, Risks and Uncertainties, used by nongovernmental entities for general disclosures related to risk.

GASB 102 defines a concentration as a lack of diversity related to an aspect of a significant inflow of resources or outflows of resources (i.e., revenue and expense). A constraint is a limitation that is imposed by an external party or by a formal action of a government's highest level of decision-making authority.

Governments should disclose a concentration or constraint if it is (1) known to the government prior to the issuance of the financial statements, (2) the concentration or constraint makes the reporting unit vulnerable to a risk of a substantial impact and (3) an event or events associated with the concentration or constraint that could cause a substantial impact has occurred, begun to occur, or more likely than not to occur within 12 months of the date the financial statements are issued.

If a government takes steps to address the risk presented by the concentration or constraint prior to the issuance of the financial statements, and such steps are successful to the point any of the three criteria listed in the previous paragraph are no longer met, then disclosure is no longer necessary.

Disclosure Requirements

Governments should include in the notes to the financial statements the (a) concentration or constraint, (b) each associated event that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements and (c) actions taken by the government prior to issuance of the financial statements to mitigate the risk. Information provided should be sufficient to allow for users to understand the nature of the circumstances and the government's vulnerability to the risk.

For government's presenting comparative financial statements, the reporting requirements apply only to the current period. To the extent other note disclosures within the financial statements address items required to be disclosed under the Statement, efforts should be taken to supplement the note disclosures and not to duplicate what is already disclosed.

Disclosure should occur at the reporting unit level; risks involving multiple reporting units should be disclosed in a combined fashion to avoid duplication.

Examples

The following examples are provided to illustrate whether a government would include a disclosure for risk arising due to certain concentrations or constraints:

1. **Background:** County A, with a June 30, 2025 fiscal year-end, was notified on July 24, 2025 that the County's largest property taxpayer, XYZ Corporation, will cease operations by the end of Dec. 2025. XYZ Corporation most recently paid 25% of the County's property tax collections. Given the specialized configuration of the facilities, it is unlikely another entity will acquire or occupy the property. The County's financial statements are expected to be issued in September 2025.

   Analysis: County A should include a disclosure in its June 30, 2025 financial statements. The concentration of property tax revenue with XYZ Corporation is known prior to the issuance of the financial statements. The decrease in property tax revenue is likely to have a substantial impact and to occur within 12 months of the financial statements being issued.

2. **Background:** Hospital B, with a Sept. 30, 2025 fiscal year-end, is currently negotiating with the National Nurses United, a labor union which effectively represents all the Hospital's nursing staff. Despite months of negotiations, no progress has been made towards a new collective bargaining agreement (CBA). The current CBA expires on Dec. 31, 2025. The Hospital's financial statements are to be issued no later than Nov. 30, 2025.

   Analysis: Hospital B should include a disclosure in its financial statements. The hospital nursing staff belonging to the same CBA represents a known concentration. The possibility of the Hospital's nursing staff walking out if no new agreement is reached by Dec. 31, 2025 would have a substantial impact on the hospital's ability to operate and provide services. Given the fact that no progress has been made toward a new CBA, a potential work stoppage is more likely than not to occur within 12 months of the date the financial statements are issued.

3. **Background:** College C, with a June 30, 2025 fiscal year-end, has experienced a recent surge in enrollment. The College's current instructional facilities cannot accommodate the current needs. As a result, the College's administration approved a $50 million expansion plan to acquire the instructional facilities of a nearby recently closed private university. The acquisition is to be funded by general obligation debt. As of June 30, 2025 the College has reached its cap on outstanding debt and is prohibited under state law from issuing additional debt. With no other available funding sources, the College will need to halt admissions and reduce its class offerings, thereby restricting tuition and fee revenue.

   During the recent state legislative session, a bill was introduced to increase the College's debt cap by $250 million. On Jan. 15, 2026, the bill passed and was signed into law. The College's financial statements are expected to be issued on Jan. 31, 2026.

   Analysis: The debt cap presented a constraint that made the College vulnerable to the risk of a substantial impact due to the inability to provide adequate instructional facilities. The passage of legislation increasing the debt cap to accommodate the issuance of the necessary debt represents a mitigating factor that eliminates the constraint prior to the issuance of the financial statements. As such, no risk disclosure is considered necessary in the financial statements.

4. **Background:** Tribe D, with a Dec. 31, 2025 year-end, operates a casino resort (Resort) that is an enterprise fund of the Tribe. The Resort has been highly profitable in recent years. On Dec. 1, 2025, the Tribe learned of plans for a competing casino to be built alongside the main highway connecting the Resort to the nearby city and airport where the majority of the Resort's guests reside or arrive from. Tribal officials estimate this new casino may reduce the Resort's guests by 40% and reduce net income by as much as 80%.

   The competing casino is still in the process of obtaining its gaming license. If approved, construction would likely begin in approximately 12-18 months, with an opening date in approximately three to four years.

   Analysis: The potential of a new competing casino is a risk to the operations of the Tribe and does not present a concentration or constraint, as defined by GASB 102. As such, no disclosure is required. Moreover, the likelihood of a substantial impact occurring within 12 months of the financial statements being issued is remote.

Items to Communicate to Those Charged with Governance

GASB 102 will benefit the users of the financial statements through better disclosure of the risks a government faces related to concentrations and constraints of resources. The Statement increases transparency by disclosing risk information often known to management and those charged with governance but less likely known to other stakeholders. The anticipated burden of implementing the Statement is expected to be minimal in most instances, as the Statement affects only financial reporting with no impact on accounting.

Effective Date

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

Have Questions?

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