

**TECHNICAL PLAN
FOR THE SECOND THIRD OF 2025:
BACKGROUND AND HISTORICAL
MATERIAL**

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Current Technical Agenda: Comprehensive Project

Revenue and Expense Recognition

Project Description: The overall objective of this project is to develop a comprehensive, principles-based model that would establish categorization, recognition, and measurement guidance applicable to a wide range of revenue and expense transactions. Achieving that objective will include: (1) development of guidance applicable to topics for which existing guidance is limited, (2) improvement of existing guidance that has been identified as challenging to apply, (3) consideration of a performance obligation approach to the GASB's authoritative literature, and (4) assessment of existing and proposed guidance based on the conceptual framework. The expected outcome of the project is enhanced quality of information that users rely upon in making decisions and assessing accountability.

Background: This project was prompted by three factors: (1) common exchange transactions that are not specifically addressed in existing GASB literature; (2) the results of the Financial Accounting Foundation's (FAF) Post-Implementation Review (PIR) of GASB Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*; and (3) the development of the GASBs conceptual framework.

Exchange Transactions That Are Not Specifically Addressed in Existing Literature

GASB standards provide guidance for revenue recognition for nonexchange transactions in Statements 33 and 36. However, GASB standards provide limited guidance for exchange and exchange-like transactions and that guidance is based on pre-November 30, 1989 Financial Accounting Standard Board (FASB) and the American Institute of Certified Public Accountants (AICPA) pronouncements incorporated through Statement 62. That guidance has not been reexamined and generally has been applied through custom and practice.

Additionally, in 2014 the FASB issued FASB Accounting Standards Codification® (ASC) Topic 606, *Revenue from Contracts with Customers*. These major changes in the FASB standards offer an opportunity to consider a performance obligation approach to the GASB's standards. Therefore, the project is considering developing guidance or improving existing guidance on revenue recognition related to:

- Exchange and exchange-like transactions having single elements
- Exchange and exchange-like transactions having multiple elements
- The differentiation between exchange-like and nonexchange transactions.

Post-Implementation Review of Statements 33 and 36

The FAF conducted a PIR of Statements 33 and 36 and published its findings in November 2015. Among those findings, the PIR report showed that Statements 33 and 36: (1) resolved the issues underlying their stated needs, (2) produced decision-

useful information for users of financial statements, and (3) could be applied as intended. However, there were areas that could be considered in this project, including:

- Distinguishing between eligibility requirements and purpose restrictions
- Determining when a transaction is an exchange or nonexchange transaction
- Using the availability period concept consistently across governments
- Applying time and contingency requirements.

Conceptual Framework

Statements 33 and 36 were issued in the 1990s, prior to the completion of key parts of the conceptual framework through the issuance of Concepts Statement No. 4, *Elements of Financial Statements*, in 2007. Concepts Statement 4 includes the definition of two additional elements in financial statements, deferred inflows and deferred outflows of resources. Therefore, an evaluation of the recognition of nonexchange transactions against the conceptual framework would be necessary.

History:

- Pre-agenda research approved: September 2015
- Added to current technical agenda: April 2016
- Task force established? Yes
- Deliberations began: May 2016
- Task force meeting held: August 2017
- Invitation to Comment issued: January 2018
- Comment period: January–April 2018
- Public hearings held: May 2018
- Redeliberations began: June 2018
- Task force meeting held: May 2019
- Preliminary Views approved: June 2020
- Comment period: July 2020–February 2021
- Public hearings and user forums held: March and April 2021
- Redeliberations began: May 2021

Current Technical Agenda: Major Projects

Going Concern Uncertainties and Severe Financial Stress

Project Description: The objective of this project is to address issues related to disclosures regarding going concern uncertainties and severe financial stress. The project will consider (1) improvements to existing guidance for going concern considerations to address diversity in practice and clarify the circumstances under which disclosure is appropriate, (2) developing a definition of severe financial stress and criteria for identifying when governments should disclose their exposure to severe financial stress, and (3) what information about a government's exposure to severe financial stress is necessary to disclose.

Background: The concept of going concern uncertainties was not specifically developed for state and local governments and was not significantly modified for the government environment when incorporated into the GASB literature. The GASB's pre-agenda research indicated that, although current guidance provides that financial statement preparers have a responsibility to evaluate a government's ability to continue as a going concern, such evaluations often pose challenges to preparers and auditors and has resulted in diversity in practice when applying that guidance. For example, a study funded by the GASB's Gilbert W. Crain Memorial Research Grant program (Crain Grant) noted that in several cases, a government received more than one going concern opinion (GCO) during the period reviewed (1996–2013). Among those governments that received a GCO, most but not all disclosed in notes to financial statements or management's discussion and analysis (MD&A) the reasons for receiving a GCO in the year they received the GCO; a smaller majority also mentioned those issues in the financial report for the year prior to receiving the GCO.

The pre-agenda research also indicated that, even when governments are in or have been experiencing severe financial stress, few dissolve or cease operations. Some state laws prohibit governments from filing for bankruptcy and some states do not allow dissolution of governments without a merger or consolidation arrangement with another government to avoid interruption of services provided for affected citizens. Even when a government seeks Chapter 9 bankruptcy protection, it generally continues to exist as the same legal entity.

The pre-agenda research indicates that users need information well in advance of the point at which dissolution is a practical consideration. However, existing GASB standards do not contain guidance for an earlier disclosure that would be more beneficial to users, such as a process by which a government evaluates its exposure to severe financial stress and, under certain circumstances, discloses information about that exposure. Governments facing severe financial stress is a significant concern of governments themselves, as evidenced by the many states that take a proactive approach to monitoring their local governments' financial health and addressing those experiencing severe financial stress.

The findings of studies funded with Crain Grants indicate that relatively few governments cease to continue as a going concern in the sense of dissolving without arrangements to ensure that the needs of affected citizens continue to be met. This suggests that the population of governments with going concern uncertainties is small. Consequently, the number of governments likely to be affected by potential amendments to current going concern disclosure guidance may continue to be small.

In contrast, there is evidence that the population of governments experiencing severe financial stress is noticeably larger than the population of governments with going concern uncertainties. It was not the goal of the pre-agenda research to count the number of governments experiencing severe financial stress in any given year. However, the research results suggest that the population size of governments in severe financial stress is larger than that of governments with going concern uncertainties but still represents a small subset of governments.

Nearly half (47 percent) of respondents to a GASB survey of users have evaluated government financial statements that contained a going concern note disclosure. Those respondents generally found the disclosures to be valuable and indicated that the information in the note was used to assess a government's financial condition, operating results, and ability to meet its ongoing commitments; make municipal bonds investment decisions and credit rating assessments; and develop legislative or oversight responses. Those respondents also noted that the information disclosed helped them understand the reasons for the going concern uncertainty and the likelihood that management's plans to remediate the concerns were realistic.

The survey asked users what information should be disclosed in the notes if a government is in severe financial stress. All four types of information listed in the answer received substantial support (multiple choices were allowed):

- Management's plan to remediate the severe financial stress (89 percent).
- Explanation of how the severe financial stress was identified (81 percent)
- Environmental factors leading to the severe financial stress determination (75 percent)
- Specific financial ratios that indicate severe financial stress (72 percent)

Project History:

- Pre-agenda research approved: April 2015
- Consultative group established? Yes
- Research results reported to the Board: October 2021
- Added to current technical agenda: December 2021
- Task force established: October 2022
- Deliberations began: July 2022

- Preliminary Views approved: March 2025

Infrastructure Assets

Project Description: This proposed project would address issues related to accounting and financial reporting for infrastructure assets. The project would evaluate standard-setting options related to reporting infrastructure assets to make information (1) more comparable across governments and more consistent over time, (2) more useful for making decisions and assessing government accountability, (3) more relevant to assessments of a government's economic condition, and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time.

Background: Prior to the issuance of Statement 34, reporting infrastructure assets only was required for business-type activities. With the introduction of the government-wide financial statements prepared using the economic resources measurement focus and accrual basis of accounting, infrastructure assets used by governmental activities were first reported for governmental activities. Although some stakeholders disagreed with that decision, the Board decided that reporting infrastructure assets of governmental activities is essential to provide information for assessing financial position and changes in financial position and for reporting the cost of programs or functions. To address some concerns related to the cost of providing such information, the Board extended the transition period to provide that information and to allow smaller governments (phase 3 governments with total annual revenues of less than \$10 million in the first fiscal year ending after June 15, 1999) to report infrastructure assets prospectively

As discussed in more detail below in the relevant literature for reporting infrastructure assets, infrastructure assets are reported either using net book value (historical cost net of accumulated depreciation) or the modified approach to reporting infrastructure. During the development of Statement 34, the Board considered other alternatives to reporting infrastructure assets at net book value. One such alternative was the preservation method, which proposed reporting a capital use charge in the statement of activities based on changes in an asset's condition level. The Board heard from engineers and transportation finance officers at that time that, although those approaches are of great value in managing infrastructure assets, they had not developed to the point at which consistent measurement methods or scales could be used to assess condition sufficiently for recognition in financial statements. The Board tabled the preservation method and did not include the option in Statement 34 due to measurement and other issues. However, as a compromise the Board decided that it was important to allow governments to begin reporting using a method other than net book value. The result of that compromise was the modified approach.

In addition, the pre-agenda research noted that users consider information related to the deferral of costs for the maintenance and preservation of capital assets valuable. Generally, users expressed a desire to receive additional information that could be used in their assessments of the long-term and short-term capital needs of a government.

History:

- Pre-agenda research approved: August 2019
- Consultative group established? No
- Research results reported to the Board: February 2023
- Added to current technical agenda: April 2023
- Task force established? Yes
- Deliberations began: May 2023
- Preliminary Views approved: October 2024
- Comment period: October 2024–January 2025
- Redeliberations began: April 2025

Current Technical Agenda: Practice Issues

Implementation Guidance—Update

Project Description: The objective of this project is to update implementation guidance for additional issues that come to the attention of the staff. This project will result in the issuance of an Implementation Guide when sufficient need exists for new or improved guidance and the Board does not object to its issuance. All updates are incorporated into the *Codification of Governmental Accounting and Financial Reporting Standards* and the *Comprehensive Implementation Guide*, as appropriate.

Background: New implementation guidance is considered annually and may result in the addition of new questions and answers or revision of existing questions and answers.

Project History:

- Staff proposals for a 2025 update presented: August 2024
- Exposure Draft cleared: November 2024
- Comment period: November 2024–January 2025
- Consideration of feedback began: March 2025

Subsequent Events

Project Description: The objective of this project is to improve the accounting and financial reporting for subsequent events. The project will reexamine existing requirements in Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, to address issues related to (1) confusion about and challenges associated with applying the existing standards, (2) inconsistency in practice in the information provided about subsequent events, and (3) the usefulness of the information provided about subsequent events.

Background: The guidance in Statement 56 related to subsequent events, although effective upon issuance in March 2009, dates back to the Association of International Certified Professional Accountants' (AICPA) audit literature from 1972. The Board incorporated the guidance from the AICPA literature into Statement 56 essentially as is, and therefore, that guidance has not been evaluated for appropriateness to state and local governments, effectiveness, consistency with the conceptual framework, or the usefulness of the information that results from its application.

Pre-agenda research identified the misreporting of subsequent events in notes to financial statements in two manners: (1) disclosing events as subsequent events when they do not constitute such events or (2) omission of a disclosure to report a subsequent event when it should be reported. Furthermore, the pre-agenda research indicated diversity in practice with regard to the types of subsequent events disclosed and the content of disclosures about subsequent events. Pre-agenda research also indicated challenges some have with (1) identifying subsequent events and (2) distinguishing between recognized and nonrecognized subsequent events. Subsequent events are broadly applicable across governments, and users generally find information about subsequent events to be valuable to their assessments of governments' financial condition, credit quality, and compliance with rules and regulations.

Project History:

- Pre-agenda research approved: December 2021
- Consultative group established? No
- Research results reported to the Board: July 2023
- Added to the current technical agenda: August 2023
- Task force established? No
- Deliberations began: October 2023
- Exposure Draft approved: November 2024
- Comment period: November 2024–February 2025
- Redeliberations began: April 2025

Technology Project

Voluntary Digital Financial Reporting

Project Description: The objective of this project is to develop a digital taxonomy for governmental financial reporting to enable governments to *voluntarily* consider alternative digital technologies that can provide for easier extraction of government financial information by the users of government financial reports. Also, a digital taxonomy can support the GAAP reporting requirements of the GASB.

Background: Electronic Financial Reporting (EFR) was a monitoring activity that the Board had retained in its Technical Plan for decades. Since the fourth quarter of 2022, additional staff had been consistently added to this activity with the objective to expand the monitoring of this topic and develop expertise in the following ways: (1) conduct user outreach about data usage, (2) gain working knowledge about existing technology tools and technologies that are used in the development of a digital means of communication, (3) gain a better understanding of taxonomy development, and (4) monitor electronic financial reporting regulation. The goal of the enhanced monitoring activity was to assess the feasibility of developing a governmental taxonomy for digital reporting. As a result of the knowledge gained, the Board added this project to develop a *GASB Taxonomy* framework for voluntary digital financial reporting.

Project History:

- Technology project approved: December 2024
- Consultative group established? In progress

Pre-Agenda Research

Cybersecurity Risk Disclosures

Research Description: The primary objectives of this pre-agenda research would be to determine: (1) the types of cybersecurity threats faced by state and local governments, (2) whether and how these are currently disclosed in the financial statements, and (3) whether financial reporting guidance has the potential to address user needs for this information. Project staff will explore existing financial reporting standards and whether additional guidance may be able to improve financial reporting with specific disclosures related to cybersecurity.

Background: Cybersecurity risks have increased alongside the ever-increasing share of economic activity that depends on electronic systems, the growth of remote work, the ability of criminals to monetize cybersecurity incidents, the use of digital payments, and the increasing reliance on third party service providers for information technology services, including cloud computing technology. The focus of this research is whether financial reporting guidance has the potential to address user needs for cybersecurity risk information.

This topic was ranked highly by members of the GASAC during their discussion of technical plan priorities in April 2024 and March 2025.

History:

- Monitoring activity approved: August 2024
- Pre-agenda research approved: December 2024
- Consultative group established? No

GAAP Structure

Research Description: The initial objective for the first phase of this pre-agenda research was to evaluate the effectiveness of the GASB’s current dual-authority approach to communicating generally accepted accounting principles (GAAP) for state and local governments—that is, a GAAP structure that includes both original pronouncements and a codification, each with equal authoritative status—with a primary focus of researching how stakeholders engage with GASB literature. The second phase of the research is intended to explore a single authority structure, including whether and how it could be operationalized.

Background: Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the GAAP hierarchy, which sets forth what constitutes GAAP for all state and local governmental entities and identifies authoritative sources of literature. As described in paragraph 4 of that Statement, GASB Statements (and GASB Interpretations issued prior to the issuance of Statement 76) comprise Category A authoritative GAAP, and GASB Technical Bulletins, GASB Implementation Guides, and AICPA literature cleared by the GASB comprise Category B authoritative GAAP. Both Category A and B GAAP are incorporated into the *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), and when incorporated, Category A and B GAAP retain that authoritative status. As a result, the GAAP structure for governmental accounting standards is “dual authority;” that is, there are two sources—original pronouncements and the Codification—in which authoritative GAAP resides.

This pre-agenda research topic evaluating the GASB’s GAAP structure is not intended to reexamine the GAAP hierarchy; that is, the conclusions reached in Statement 76 regarding the two levels of authoritative GAAP are not being reconsidered. Rather, the purpose is to evaluate the mechanisms through which GAAP is communicated and consider whether a dual authority structure remains appropriate.

The issue of the GASB dual-authority structure has been raised by stakeholders as part of their feedback on other GASB due process documents. Some stakeholders have suggested that the GASB move to a single source of GAAP, similar to the FASB. Further, as more standards are issued and as the GASB continually reexamines and amends existing standards, both using and maintaining a dual authority structure becomes more complex.

History:

- Pre-agenda research approved: August 2023
- Consultative group established? No

Pension and OPEB Disclosures—Concepts Statement 7

Research Description: The primary objective of this pre-agenda research would be to evaluate the required note disclosures in Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, (hereinafter collectively referred to as the postemployment benefit Statements), through the lens of Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*.

Background: Statements 67 and 68 were issued by the GASB in 2012 and Statements 74 and 75 were issued in 2015. Concepts Statement 7 was issued in 2022, subsequent to the issuance of the postemployment benefit Statements. As a result, the note disclosure requirements within these Statements were established considering the criteria for disclosing information items in notes to financial statements in Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, which was issued in 2005. Paragraphs 36-38 of Concepts Statement 3 provided the following:

36. Notes have a clear and demonstrable relationship to information in the financial statements to which they pertain and are essential to a user’s understanding of those financial statements. In this context, “essential to a user’s understanding” means so important as to be indispensable to a user (a) with a reasonable understanding of government and public finance activities and of the fundamentals of governmental financial reporting and (b) with a willingness to study the information with reasonable diligence. The use of professional judgment may be necessary for making a determination about whether an item of information is “essential to a user’s understanding.”

37. Unlike financial statements, notes may include management’s objective explanation of recognized amounts and related known facts, contingencies, certain risks that affect financial statements, subsequent events, measurement methods, accounting policies, and other information essential to understanding the financial statements and to assess compliance with finance-related legal or contractual requirements. However, notes do not include either (a) subjective assessments of the effects of reported information on the reporting unit’s future financial position or (b) predictions about the effects of future events on future financial position.

38. Items of information that meet the definition of and criteria for notes to financial statements are reported in that manner. Presentation as supporting

information is not an adequate substitute for disclosure in notes to financial statements.

Concepts Statement 7 expanded upon the concept of what it means for information to be “essential” and described the degree of importance that information included in the notes to financial statements should possess. Paragraphs 11-14 provide the following:

11. Notes to financial statements are essential to users in making economic, social, or political decisions or assessing accountability. The term essential, as used in this Concepts Statement, conveys the degree of importance that information contained in notes to financial statements should possess. The following are the characteristics of essential information:

- a. The information has or is expected to have a meaningful effect on users’ analyses for making decisions or assessing accountability.
- b. A breadth or depth of users utilize or are expected to utilize the information in their analyses for making decisions or assessing accountability.

12. The determination of whether information is essential is informed by the degree to which the characteristics in paragraph 11 are present. Those characteristics should be evaluated in combination to make that determination. The use of professional judgment generally will be necessary to evaluate the characteristics of essentiality and, therefore, determine whether information is essential.

13. The determination of whether information is essential should relate to individual information items. That is, each item disclosed should possess the characteristics of essentiality.

14. Information that meets the criteria for notes to financial statements should be reported in that manner. Presentation as supporting information is not an adequate substitute for disclosure in notes to financial statements.

Furthermore, the concepts established by Concepts Statement 7 are primarily intended to provide the Board with criteria (including the characteristics of essential information) in order to consistently evaluate notes to financial statements in the standard-setting process. That process includes the reexaminations of existing note disclosure requirements. The reexamination of the note disclosure requirements in the postemployment benefit Statements would allow for evaluation of those existing requirements to assure consistency with the newly established concepts.

History:

- Pre-agenda research approved: April 2025
- Consultative group established? No

Revenue and Expense Recognition—Note Disclosures

Research Description: The objective of this activity is to research the need for note disclosure requirements associated with transactions that are in the scope of the revenue and expense recognition (RER) project.

Background: One of the objectives of the RER project is to reexamine the guidance in Statements No. 33, *Accounting and Financial Reporting for Nonexchange Transactions* and No. 36, *Recipient Reporting for Certain Shared Nonexchange Revenues*. These pronouncements as well as other existing guidance include limited note disclosure requirements related to revenue and expense transactions.

In addition, the Board is considering Category A transactions recognition based on the satisfaction of performance obligations. In the RER project, the Board also is considering guidance issued by the FASB in *Accounting Standards Codification*® (ASC) Topic 606, *Revenue from Contracts with Customers*. This FASB revenue recognition guidance includes a significant amount of note disclosure requirements.

The objective of this pre-agenda research is to assess whether and what type of information about revenues and expenses in the scope of the RER project users need. Whether that information is essential to users of financial statements will be assessed at a later time.

In October 2015, the FAF summarized the findings of a PIR of Statements 33 and 36, which included some findings related to nonexchange revenues. Users who participated in the PIR effort indicated that, after identifying significant variances in nonexchange revenues, they usually contact governments to obtain further information because the notes to financial statements do not provide sufficient detail. These users provided examples of nonexchange transaction information not currently required to be disclosed that they believe would enable them to consider nonexchange transactions more thoroughly in their analyses. It is important to note that some of the most frequently requested items by users were consistent with the disclosure information being asked about by preparers and auditors in technical inquiries. Those items included but were not limited to, various grants and contributions. Requested items were disclosures related to:

- Timing of recognition of nonexchange revenue transactions including timing of receipt of resources
- Disaggregation of nonexchange revenue amounts by nature, source, or both
- Nature of significant grants or donations including description of their purpose, time, and eligibility requirements

- Sources of nonexchange revenue transactions to assess whether a government depends on certain revenue sources to sustain its future financial viability.

Similarly, in comment letter feedback and during user forums conducted in response to the Preliminary Views, *Revenue and Expense Recognition*, users of financial statements expressed interest in having note disclosure requirements that provide additional information about the nature and timing of revenues and expenses.

History:

- Pre-agenda research approved: August 2024
- Consultative group established? No

Monitoring Activities

AICPA Auditing Standards

Description of Monitoring Activities: The objective of this activity is to monitor the effect of potential or proposed changes in generally accepted auditing standards (GAAS) established by the American Institute of Certified Public Accountants (AICPA) on the state and local government environment. Monitoring will provide the Board with a basis for evaluating the need to consider modifying accounting and financial reporting standards as a result of any potential or proposed changes to GAAS by the AICPA.

Background: Certain changes to GAAS can either establish differences between auditing and accounting standards that may need resolution or raise questions that may require additional clarification. At their November 2018 meeting, some GASAC members identified a need to formally establish an activity at the GASB that would monitor the activities of the AICPA's Auditing Standards Board and Audit Issues Task Force in order to identify the effect of potential or proposed changes in GAAS.

This monitoring activity was ranked in the middle third of all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2021–2025.

Monitoring History:

- Monitoring activity approved: December 2018

Digital Assets

Description of Monitoring Activities: The objective of this activity is to monitor the development of governments' activities with respect to cryptocurrency and other types of digital assets, both as investments and as consideration paid or received in transactions. This activity also will monitor the development of guidance in this area by other standard setters.

Background: A definition of digital assets, as they relate to finance, might be value in a digital form that is not issued or guaranteed by a government or central bank and, therefore, may not have the legal status of currency. Broader definitions of digital assets beyond finance may encompass any digitally stored content, such as images and videos, documents, and so on.

Even the finance-related definition, however, is imprecise, with fluid boundaries that may be wide or narrow depending upon who is defining them. For instance, many types of common investments, such as stocks and bonds, have been sold and traded in digital form for a generation or more. They often are issued or guaranteed by governments or financial institutions and typically represent a legally binding contract between investor and investee. However, the increasing usage of blockchain in connection with investments may introduce potential assets such as security tokens, even for plain-vanilla-type investments. For the time being, the focus of this monitoring activity is on finance-related digital assets that do not have similar legal standing; legal standing, however, may change as governments consider regulating digital asset markets.

Cryptocurrency may be the furthest advanced among the types of digital assets. Initially limited to individual investors, cryptocurrencies such as Bitcoin are increasingly being considered by investment companies and institutional investors as potential areas of investment. Among governments, public employee pension plans are beginning to investigate cryptocurrency as a means of diversifying portfolios and improving performance. Two pensions plans of a large Virginia county and a pension plan of a large Texas city announced significant initial investments in late 2021, for instance. In addition to viewing digital assets as potential investments, some governments have begun to explore digital assets as methods of payment, including tax payments.

This monitoring activity was ranked in the top third of all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2023 and 2025.

Monitoring History:

- Monitoring activity approved: December 2021

Environmental Credits

Description of Monitoring Activities: The initial objective of this potential topic would be to consider the need to develop specific accounting and financial reporting standards for environmental credits programs, such as emissions trading, that are administered by state and local governments. If additional guidance is determined to be needed, another objective would be to develop recognition and measurement alternatives and potential disclosures.

Background: Environmental credits programs are major aspects of efforts to address climate change. Although originally limited to the federal government, states and some local governments now have programs of their own. Of note in recent years are state governments and localities that have taken legislative or executive action to commit to reaching 100 percent clean energy and reducing greenhouse gases. In addition to imposing legal and regulatory limits on pollution to meet those commitments, governments have been initiating environmental credit programs. For example:

- Under California's Western Climate Initiative, for example, utilities and businesses pay a fee per ton for permits to emit carbon, establishing a market price for valuing carbon storage on natural resource lands and watersheds.
- In Texas, the Emission Credit Reduction Program awards credits for permanent emission reductions from stationary and area sources such as factories (emission reduction credits) and from mobile sources such as vehicles (mobile emission reduction credits).
- Louisiana administers an Emission Reduction Credits Banking program for certain parishes.
- Some programs, like the Ozone Transport Region NOx Cap and Allowance Trading Program, involve multiple states; that program includes 11 New England and Mid-Atlantic states, northern counties of Virginia, and the District of Columbia. (NOx is nitrogen oxide, a primary source of smog and, with sulfur dioxide, the cause of acid rain.) Twenty-five states participate in the US Climate Alliance.

Other efforts, such as America Is All In, include both government and private-sector participants. Programs such as those aim to reduce a variety of airborne pollutants, whereas some government programs address other environmental conservation and pollution reduction concerns. For instance, the Virginia State Water Control Law requires that allowable impacts to wetlands be offset such that there is no net loss of wetlands acreage and functions, using a Stream and Wetlands Mitigation Banking system. Companies perform state-supervised restoration projects to generate credits, which can then be sold to private developers or others whose projects adversely affect wetlands in the same watershed. A similar example is the Michigan Municipal Wetlands Alliance's wetlands mitigation bank system. Virginia also initiated the first

state-run Nutrient Credit Exchange Program, which strictly limits nitrogen and phosphorous discharge from both industrial facilities and municipal wastewater treatment plants by requiring them to make “nutrient control investments” to earn exchangeable credits. Additionally, some governments are accumulating credits under federal environmental programs by performing restoration and conservation projects, and then selling or granting those credits to others.

The following issues would be considered:

- When should environmental credits be recognized by (1) governments that administer those programs, (2) governments that hold credits as a result of exchange and nonexchange transactions involving those programs, and (3) governments that hold credits accumulated through their own restoration, mitigation, and conservation projects?
- How should those credits be measured by governments in those three circumstances?
- What information should be disclosed regarding the recognition and measurement of credits related to those programs? Reasons for Considering

State and local government sponsored programs are widespread and the pace of expansion has accelerated. The GASB has received inquiries regarding the appropriate accounting and financial reporting for programs that are in place and for programs that are being considered. For programs administered by governments, specific guidance does not identify the point at which the rights associated with those programs meet the definition of an asset or an inflow of resources. Moreover, specific recognition and measurement guidance has not been provided for governments that hold emission trading credits acquired in an exchange or nonexchange transaction or received in return for their own environmental projects.

Background: Staff will develop a research plan for determining the prevalence and common uses of environmental credits through academic- and policy-related literature, review of federal and state governments, as well as other standard setter activity

This topic originally was brought to the attention of the GASB through a constituent request that the Board consider setting standards for emission trading transactions. GASAC members ranked the topic—when it was called Emissions Trading (Carbon Credits)—in the top 10 of all pre-agenda research and monitoring activities and potential topics in 2022; in the top third in 2016, 2020, and 2021; and in the middle third in 2017–2019.

This monitoring activity was ranked as one of the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2023 and 2024 and in the middle of those activities in April 2025.

Monitoring History:

- Monitoring activity approved: August 2023

Environmental, Social, and Governance (ESG) Reporting

Description of Monitoring Activities: The objective of this activity is to monitor the development of government activities surrounding ESG reporting. The monitoring activity will exclusively focus on the impact of ESG topics on the government's financial condition rather than the government's impact on ESG topics. This activity also will monitor the development of guidance in this area by other standard setters.

Background: ESG reporting is an area of growing focus for a wide range of interested parties, including investors, credit rating agencies, preparers and auditors of state and local government financial statements, the citizenry, policy influencers, and policymakers (the stakeholders of the GASB). ESG reporting includes a broad spectrum of quantitative and qualitative information. The GASB's stakeholders seek to understand the effects of relevant ESG matters on a government's cash flows, financial position, and fiscal accountability. As a result, in response to interest from stakeholders, the GASB staff issued a paper entitled, *Intersection of Environmental, Social, and Governance Matters with Governmental Accounting Standards*, in May 2022 that documents ways in which ESG issues intersect with existing standards. The paper can be found on the GASB website at <https://gasb.org/page/pagecontent?pageId=/reference-library/gasb-infocus.html>.

The purpose of that paper is to provide an overview of the intersection of ESG matters with the GASB's authoritative guidance. ESG matters encompass a much broader range of topics than those covered by governmental accounting and financial reporting standards. As was discussed in that paper, GASB's Conceptual Framework grounds its authoritative guidance in accountability (as the objective from which all other financial reporting objectives are derived), due in no small part to the nature of governments. The development of GASB standards is inherently conscious of governments' activities, as well as the legal, operational, and regulatory framework in which they function. The GASB has not issued standards with the specific intention of informing what are now known as ESG matters. Some ESG-type issues have always been, and remain, inherent in accountability and as a result, some GASB standards intersect with matters that may now be considered as falling under the general rubric of ESG.

Staff began to monitor state and local governments' ESG reporting as well as relevant regulatory and standard-setting activities for consideration of whether further standards are potentially needed related to issues which may be considered ESG topics to the extent that they impact the government's cash flows, financial position, and fiscal accountability.

This monitoring activity was ranked as one of the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2023 and 2024 and in the middle of those activities in April 2025.

Monitoring History:

- Monitoring activity approved: December 2022

GAAP Utilization

Description of Monitoring Activities: The objective of this activity is to continue to update the research completed in early 2025 related to the state requirements associated with financial reporting frameworks for states, counties, municipalities, and special districts and the modeling of GAAP choice based on specified determinants.

Background: The staff completed a working paper in 2024 that examined state requirements for the financial reporting framework used by states, counties, municipalities, and special districts. With the exception of the requirements for special districts in 20 states, requirements were found for all entity types in all 50 states. Staff categorized the requirements within five mutually exclusive categories based on a review of the relevant statutes. Using the catalog of statutes and categorizations, the monitoring effort will include periodic assessments of whether statute language has changed, allowing for inferences about the direction of the GAAP utilization rates in the descriptive statistics within the working paper (i.e., has GAAP utilization likely increased or decreased?). In addition, monitoring activities will also include identifying the requirements for special districts in the 20 states for which requirements were not previously found, as well as requirements for school districts in all 50 states. The working paper included a statistical analysis of the determinants of GAAP utilization when governments have choice, i.e., in states that permit some discretion in the selection of a financial reporting framework. The monitoring effort will also periodically evaluate the variables included as determinants in that model and update as needed.

Monitoring History:

- Monitoring activity approved: April 2025

Use of Technology in Governments

Description of Monitoring Activities: The objective of this activity is to monitor the use of technology in governmental financial reporting.

Background: During the development of the Board's initial strategic plan in 1997, and in succeeding plans, the Board recognized the importance of staying abreast of the rapidly increasing use of electronic media in financial reporting applications. In the strategic plan, the Board acknowledges that it has the responsibility to ensure that its standards provide current and potential users with relevant information. It is that responsibility that led the Board to initiate long-range monitoring of practice to determine how electronic media will be used by governments to provide alternatives to traditional reports.

GASB staff members have been monitoring developments in the reporting of governmental financial statement information via electronic media. The staff members have concentrated on two specific issues:

- The application of Extensible Business Reporting Language (XBRL) for local government reporting based on recently passed legislation in one state.
- The growth in governments' use of electronic media to report their financial results in the absence of a standard format like XBRL.

This monitoring activity was ranked as one of the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2021-2024.

Voluntary digital financial reporting, a technology project which addresses the issues identified above, was added to the technical plan in December 2024.

The Board believes that technology will continue to have an evolving and potentially significant impact on the accounting and financial reporting with state and local governments. Accordingly, the Board believes that continuing this long-range monitoring activity is consistent with its responsibility to ensure that its standards provide current and potential users with relevant information as previously noted. This activity will focus on gaining an understanding of the use of technology in governments as it relates to financial reporting or the financial statement close process. The approach is to conduct outreach to different stakeholder groups who can provide insights about what technologies governments rely upon in their operations and preparation of financial statements.

Monitoring History:

- Monitoring activity approved: July 2000 and revised in December 2024

Post-Implementation Review Activities

Fiduciary Activities—Statement 84

PIR Topic: Statement No. 84, *Fiduciary Activities*

Background: Statement 84 was issued in January 2017. Subsequent to Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, it was effective for reporting periods beginning after December 15, 2019.

History:

- PIR initiated: May 2019
- Administration of cost and effort surveys commenced: July 2021
- Archival data collection commenced: October 2021
- Administration of cost and effort surveys concluded: December 2023
- Completed collection of financial reports for analysis: October 2024

Leases—Statement 87

PIR Topic: Statement No. 87, *Leases*

Background: Statement 87 was issued in June 2017. Subsequent to Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, it is effective for fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

History:

- PIR initiated: May 2019
- Administration of cost and effort surveys commenced: January 2021
- Archival data collection commenced: January 2025
- Administration of cost and effort surveys concluded: December 2024

Other Postemployment Benefits—Statement 75

PIR Topic: Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

Background: Statement 75 was issued in June 2015. It was effective for reporting fiscal years beginning after June 15, 2017.

History:

- PIR initiated: May 2019
- Initial archival analysis and preparer cost and effort surveys concluded: December 2021
- Stakeholder roundtables concluded: December 2023
- Additional archival data collection and analysis concluded: July 2024