

GASB STATEMENT AT A GLANCE

GASB STATEMENT NO. 103, *FINANCIAL REPORTING MODEL IMPROVEMENTS*

(Statement Issued: April 2024)

SUMMARY

The objective of GASB Statement No. 103, *Financial Reporting Model Improvements*, (the Statement) is to improve the comparability, relevance, and usefulness of financial reporting for governments. This Statement adds and amends accounting and financial reporting requirements related to management's discussion and analysis (MD&A), unusual or infrequent items, presentation of the proprietary fund statement of revenues, expenses, and changes in fund net position, information about major component units in basic financial statements, budgetary comparison information, and financial trends information in the statistical section.



WHY WAS THIS STATEMENT NEEDED?

In 1999, GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, established the present blueprint for state and local government financial reporting—the format and measurement focus of the basic financial statements, certain related notes to the financial statements, and required supplementary information including MD&A. Among its many features, GASB 34 introduced government-wide financial statements containing accrual information—which notably included the reporting of infrastructure, other capital assets, and long-term liabilities—for activities previously reported only on a modified accrual basis in the governmental funds. GASB 34 also required a narrative MD&A to precede the financial statements, added the presentation of the original budget to the budgetary comparison schedule, introduced major fund reporting in the governmental and enterprise funds, and added note disclosures related to capital asset and long-term liability activity during the reporting period.

The financial reporting model has a pervasive influence over the effectiveness of financial reporting by state and local governments and the ability of that reporting to achieve the objectives of financial reporting. As a result, the GASB decided that it was important, as part of its commitment to maintaining the effectiveness of its standards, to reexamine the current financial reporting model now that it has been in place for over 20 years. Pre-agenda

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research showed that most of the components of the financial reporting model are effective; however, several areas were identified for potential improvements.

KEY PROVISIONS

Key provisions of the Statement, and related references, include:

REFERENCE	PROVISION
Paras. 4-8	<p>MD&A Requirements</p> <ul style="list-style-type: none"> ▶ The information presented in MD&A must be limited to the related topics discussed in five sections: <ul style="list-style-type: none"> • Overview of the financial statements • Financial Summary • Detailed Analyses • Significant Capital Asset and Long-Term Financing Activity • Currently Known Facts, Decisions, or Conditions ▶ In addition to reporting the amounts or percentages of significant changes between reporting periods, the analysis must explain why those changes from the prior year occurred and indicate the magnitude of those changes. ▶ Currently known facts, decisions, or conditions must include those items expected to have a significant financial effect in the subsequent period, such as trends in relevant economic and demographic data, relevant factors used to develop the subsequent year's budget, actions taken by the government related to long-term liabilities, and actions other parties have taken that will affect the government in a subsequent period (for example, new legislation or regulations).
Paras. 9-10	<p>Unusual or Infrequent Items</p> <p>Definition: Unusual or infrequent items are transactions and other events that are unusual in nature or infrequent in occurrence. <i>GASB 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements</i>, defines the terms unusual in nature and infrequency of occurrence.</p> <ul style="list-style-type: none"> ▶ Display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources before the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows. ▶ Inflows and outflows related to each unusual or infrequent item must be presented on a gross basis, separately (not net). <p>Disclose in notes to financial statements the program, function, or identifiable activity to which an unusual or infrequent item is related, if applicable, and whether that item is within the control of management.</p>

REFERENCE	PROVISION
Paras. 11-12	<p>Presentation of the Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position</p> <ul style="list-style-type: none"> ▶ Subtotals for operating income (loss) and noncapital subsidies must be presented before reporting other nonoperating revenues and expenses, in addition to the subtotals currently required on this statement.
Para. 13	<p>Operating Revenues and Expenses</p> <p>Definition: Operating revenues and expenses are revenues and expenses other than nonoperating revenues and expenses.</p> <p>Nonoperating Revenues and Expenses</p> <p>Definition: Nonoperating revenues and expenses are defined as (1) subsidies received and provided, (2) contributions to permanent and term endowments, (3) revenues and expenses related to financing, (4) resources from the disposal of capital assets and inventory, and (5) investment income and expenses.</p> <ul style="list-style-type: none"> ▶ Revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements must be classified as operating revenues or operating expenses if those transactions are the proprietary fund's principal ongoing operations.
Para. 14	<p>Subsidies</p> <p>Definition: Subsidies include:</p> <ul style="list-style-type: none"> ▶ Resources received from another party or fund for which the proprietary fund does not provide goods and services to the other party or fund and that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise. ▶ Resources provided to another party or fund for which the other party or fund does not provide goods and services to the proprietary fund and that are recoverable through the proprietary fund's current or future pricing policies. ▶ All other transfers.
Para. 15	<p>Information about Major Component Units in Basic Financial Statements</p> <ul style="list-style-type: none"> ▶ Governments must separately present each major component unit separately in the government's statements of net position and activities if it does not reduce the readability of the statements. If readability is reduced, governments may include combining statements of major component units in the government's basic financial statements, presented after the fund financial statements.
Para. 16	<p>Budgetary Comparison Information Requirements</p> <ul style="list-style-type: none"> ▶ Budgetary comparison information must be presented as Required Supplementary Information (RSI); there is no longer the option to include these schedules in the basic financial statements. ▶ Separate columns for the variances between (a) original and final budget amounts and (b) final budget amounts and actual results must be presented. ▶ Explanations of significant variations between original and final budget amounts and final budget amounts and actual results must be presented in notes to RSI.

REFERENCE	PROVISION
Para. 17	Financial Trends Information in the Statistical Section <ul style="list-style-type: none"> ▶ In the statistical section of separately issued financial reports, governments engaged only in business-type activities or only in business-type and fiduciary activities present revenues by major source for their business-type activities, distinguishing between operating, noncapital subsidy, and other nonoperating revenues and expenses.
Appendix C	Illustration <p>The Statement includes 22 exhibits:</p> <ul style="list-style-type: none"> ▶ MD&A (Exhibit 1) ▶ Governmentwide and fund financial statements (Exhibits 2 through 11) ▶ Combining financial statements (Exhibits 12, 13, and 19 through 22) ▶ Notes to the financial statements (Exhibit 14) ▶ Budgetary comparison schedules (Exhibits 15 through 17)



HOW THE CHANGES WILL IMPROVE FINANCIAL REPORTING

- ▶ MD&A requirements will improve the quality of the analysis of changes from the prior year, enhance the relevance of that information, and provide clarity regarding what information should be presented in MD&A.
- ▶ Separate presentation of unusual or infrequent items will provide clarity regarding which items should be reported separately from other inflows and outflows of resources.
- ▶ Definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that vary from government to government, thereby improving comparability.
- ▶ The addition of a subtotal for operating income (loss) and noncapital subsidies will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.
- ▶ The requirement for presentation of major component unit information will improve comparability.
- ▶ The requirement that budgetary comparison information be presented as RSI will improve comparability, and the inclusion of the specified variances and the explanations of significant variances will provide more useful information for making decisions and assessing accountability.

TRANSITION

The following table summarizes transition for the Statement:

STATE AND LOCAL GOVERNMENTS	
EFFECTIVE DATE	The requirements of the Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter.
EARLY ADOPTION	Earlier application is encouraged. If a primary government chooses earlier application, all component units should implement the Statement in the same year.
TRANSITION	Retroactive
SPECIAL INSTRUCTIONS	Changes to adopt GASB 103 are reported as a change in accounting principle in accordance with GASB 100, <i>Accounting Changes and Error Corrections</i> .

BDO INSIGHTS - IMPLEMENTATION CONSIDERATIONS

MD&A

- ▶ Review and update narrative in the MD&A to include explanations for why amounts have changed.
- ▶ Remove boilerplate and duplicative language or content that does not relate to the five required sections from the MD&A.

Proprietary Fund Financial Statements

- ▶ Update proprietary fund financial statement presentation based on the definitions of operating vs. non-operating revenues in the Statement.
- ▶ Format the Statement of Revenues, Expenses, and Changes in Fund Net Position to conform with the requirements in the Statement.

Unusual or Infrequent Items

- ▶ If applicable, review presentation requirements for these items in the financial statements, and make updates as needed to conform to the requirements of the Statement.

Major Component Unit Information

- ▶ If major component units were shown in a condensed form in the notes to the financial statements, update the financial statements to show major component units individually on the face or by adding combining financial statements after the fund financial statements.

Budgetary Comparison Schedules

- ▶ Governments that previously presented the budgetary comparison schedules as part of the basic financial statements must move these schedules to RSI.
- ▶ Add columns in the budgetary comparison schedules for variances between original to final budget and final budget to actual results.

For a full copy of the Statement on the GASB website, click [here](#).

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