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February 15, 2025

Governmental Accounting Standards Board
801 Main Avenue
Norwalk, CT 06856

RE: Comments on GASB Project No. 32-2, Exposure Draft – *Subsequent Events*

The Financial Management Standards Board (FMSB) of the AGA appreciates the opportunity to provide comments on the Governmental Accounting Standards Board's proposed standards. Our responses to the Board's questions are as follows:

1. *Which of the proposals in the Exposure Draft do you agree with?*

In general, we are supportive of this proposed standard.

2. *Which of the proposals in the Exposure Draft do you disagree with?*

We did not fully disagree with any proposal. However, we had several questions and concerns as detailed in our answers to the questions below.

3. *Do you believe that the information resulting from the proposed provisions is valuable to users in their analyses for decision making or assessing accountability?*

Yes. The value of recognized and non-recognized subsequent events to users is well established in practice and reflected in audit standards.

4. *Do you believe proposed provisions would be operable and auditable?*

Yes. Listing specific expected examples as requirements means that the standard can be more easily and consistently applied by preparers, verified by auditors, and relied upon by users. This is appropriately paired with the principle-based requirement in paragraph 7.e to retain the inclusiveness of the disclosure based on judgment.

5. *Do you agree with the scope and applicability of Exposure Draft proposals (paragraphs 2 and 3)?*

We agree with scope and applicability proposals. In particular, we appreciate that the standard updates all instances of "date the financial statements are issued" to "date financial statements are available to be issued" throughout GASB literature. When terminology or requirements are updated

by a standard, it is important to make corresponding changes throughout literature to also update all sections that are intended to be the same or parallel. This is also important to do immediately, rather than deferring such updates to future standard setting projects, in order to ensure that decisions are appropriately considered for effect across all of GASB literature, and to preserve the consistency and coherence of standards.

6. *Do you agree with the proposed definition of subsequent events, including the proposed subsequent events time frame (paragraph 4)?*

We agree with the proposed subsequent events time frame. We also generally agree with the definition. In particular, we appreciate that the definition aligns with the terminology of Statement 100 in regards to inputs to accounting estimates.

However, some members suggested an additional criterion that the information or input must have a “significant effect” on the accounting estimate. This may be appropriate, since the cost of re-work to incorporate transactions or events occurring subsequent to the financial statement date will be in addition to the original cost of the estimate and thus changes the cost-benefit consideration for this requirement.

In addition, our group mostly agreed that recognized events are expected to relate to inputs to accounting estimates. However, a few members preferred that the definition not be expressly limited to inputs to accounting estimates, similar to the FASB definition.

Finally, as a technical matter, we noticed that the headers and narrative use the term “recognized events” and “nonrecognized events” and defined these terms as types of subsequent events. However, this is not technically accurate, as there are many types of events that are recognized and nonrecognized. We think the terms should be “recognized subsequent events” and “nonrecognized subsequent events.”

7. *Do you agree with proposals related to recognized events (paragraphs 5 and 6)?*

We agree with the recognized event proposals. We especially appreciate the provision of examples, which serve to emphasize and explain the key nuances inherent in the requirement.

8. *Do you agree with proposals related to nonrecognized events (paragraphs 7 and 8)?*

In general, we agree with the nonrecognized event proposals.

As stated in our response to question 4, it is helpful for all parties to have a list of specific items that the Board considers to be of interest to users. We also agree that “significant effect (favorable or

unfavorable)” is the right threshold for disclosure of the specific expected examples and “essential to a user’s understanding” is the appropriate description of the principle-based requirement.

A few members expressed some concerns about the requirement in paragraph 7.d regarding application of different tax rates. These members point out that a general government may have many tax rates, which change frequently. Also, local governments may not be clear whether “enacted tax rates” encompasses only changes enacted by the local government, or changes enacted by other governments, such as at the state or county level. While the impact on the government is irrespective of the source of the change, local governments may not be immediately aware of such changes and therefore face challenges similar to those currently faced for tax abatement disclosures.

Finally, we were somewhat concerned that the language of paragraph 8 might be confusing and thought this paragraph could be improved by stating that nonrecognized events should instead be disclosed in accordance with paragraph 9.

9. Do you agree with proposed disclosure requirements (paragraphs 9 and 10)?

In general, we agree with the proposed disclosure requirements.

However, a few members expressed some concern about paragraph 9.b requirements to estimate the effect of nonrecognized events. Some members assumed that this would simply entail disclosing, for example, the amount of a debt issuance or estimated change in tax revenue by reporting unit. In contrast, other members speculated that disclosures might be expected to include a greater extent of more burdensome information. For this reason, we encourage the Board to include illustrative disclosures of the four listed nonrecognized events in order to promote consistency and support the Board’s cost-benefit determination on this point.

Finally, a few members expressed some concern about paragraph 10 requirements related to whether situations may arise where the total effect could be reasonably estimated, but disaggregating the effect by reporting unit could not be reasonably estimated. We think it would be helpful to apply the same conditions of paragraph 9.b to the requirement to estimate the effect by reporting unit. We would further encourage the Board to consider including an illustrative disclosure of multiple subsequent events that affect multiple reporting units in order to demonstrate an example of the disaggregation required by paragraph 10.

10. Do you agree with the proposed effective date (paragraph 11)?

We agree with the effective date and transition requirements. In particular, we always appreciate the allowance for early implementation, which provides flexibility for governments to go forward with implementation when they are ready. However, we question whether it might be clearer to state the



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effective date more conventionally as “fiscal years beginning...” rather than “subsequent events associated with...” as we were unsure what difference this was intended to convey.

Sincerely,

Scott DeViney, CPA
Chair, Financial Management Standards Board

AGA
Financial Management Standards Board

The FMSB comprises the following 22 members with accounting and auditing backgrounds in federal, state, and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The purpose of the FMSB is to advocate for the improvement of accounting and financial reporting standards at all levels of government and thus advance government accountability. The views of the FMSB do not necessarily represent those of AGA. Local AGA chapters and individual members are also encouraged to comment separately.

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