

# Implementation GASB 102: Certain Risk Disclosures

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## Introduction

The implementation of Governmental Accounting Standards Board (GASB) Statement No. 102, *Certain Risk Disclosures* (GASB 102), is effective for fiscal year end 2025 for the State of Colorado (State). The Office of the State Controller (OSC) assessment in implementing GASB 102 involved research and discussions within OSC.

## Key Definitions

GASB 102 defines the following terms:

- **Concentration:** A lack of diversity related to an aspect of a significant inflow of resources or outflow of resources. Examples include reliance on a few major employers, specific industries, or funding sources.
- **Constraint:** A limitation imposed on a government by an external party or by formal action of the government's highest level of decision-making authority. Examples include voter-approved tax caps, state-imposed debt limits, or mandated spending requirements.

## Disclosure Requirements

A governmental entity must disclose information about a concentration or constraint if **all** of the following criteria are met:

1. The concentration or constraint is **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**.
3. An event or events associated with the concentration or constraint that could cause a substantial impact **has occurred, have begun to occur, or more likely than not to occur within 12 months** of the date the financial statements are issued.

If all the above criteria are met, the government should disclose in the notes to the financial statements sufficient information to enable users to understand:

- A description of the concentration or constraint.
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements.

- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk.

Disclosure is not required if, before the financial statements are issued, the government takes actions that cause any of the three criteria not to be met.

## Research and Discussions

The OSC engaged in training and reviewed materials from various agencies to understand the implications of GASB 102. The OSC also engaged in conversations within the financial analysis and reporting team to brainstorm potential concentrations and constraints at the statewide level. The following constraint was identified:

Taxpayer's Bill of Rights (TABOR): District revenues collected above the TABOR Excess State Revenues Cap must be returned to the citizens unless a vote at the annual election in November allows the State to retain the surplus. TABOR also limits the General Assembly's ability to raise taxes, to borrow money, and to increase spending limits. With the exception of a declared emergency, taxes can only be raised by a vote of the people at the annual election. Multiple year borrowings can only be undertaken after approval by a similar vote.

## Conclusion

The OSC has determined additional possible disclosures surrounding TABOR constraints will not be included in the notes to the financial statements (Note 2B) because the TABOR constraint does not meet the second disclosure requirement criteria that the reporting unit is vulnerable to a risk of substantial impact. Paragraph B21 of GASB 102 indicates that the Board concluded that the term *impact* broadly conveys a financially disruptive effect on the normal functioning of a government. The OSC has concluded that the TABOR constraint, while significant, does not have the potential to disrupt the normal functioning of the government. In addition, the third disclosure requirement that an event or events associated with the concentration or constraint that could cause a substantial impact has occurred, have begun to occur, or more likely than not to occur within 12 months of the date the financial statements are issued, has not been met.

To assist agencies in understanding the definitions and disclosure requirements, the OSC has provided GASB 102 guidance in the Fiscal Procedures Manual, as well as presented on the standard as part of the open/close training in 2024 and 2025. The OSC also has modified the Exhibit U2 to and related exhibit instructions for agencies to address GASB 102 requirements and make disclosures if they have a concentration or constraint that requires disclosure. In addition, Appendix C of GASB Statement No. 102 provides illustrations and examples of potential concentrations and constraints for possible disclosure. Departmental controllers are expected to evaluate the impact of GASB 102 for their agency and populate the Exhibit U2 if appropriate. There is no materiality threshold for the statewide level, and entities preparing separately issued financial statements should apply materiality at the individual financial statement level.