GASB Update

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November 18, 2026

TENNESSEE COMPTROLLER OF THE TREASURY

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Disclaimer

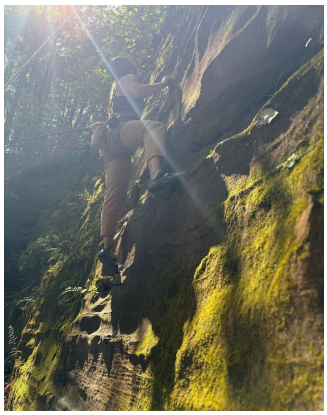
The opinions expressed during this presentation are my own. They do not necessarily represent the views of the Tennessee Comptroller of the Treasury, his representatives, or the Division of Local Government Audit.

TENNESSEE COMPTROLLER OF THE TREASURY

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About me







3

TODAY'S CHALLENGE

8 AM.

100 MINUTES.

GASB.

4

YOU MAY BE THINKING...

“My auditor handles GASB.”

5

WHY THIS STILL MATTERS

The information starts with **YOU.**

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Effective Dates

FYE June 30, 2026 and after:

- **GASBS 103** – Financial Reporting Model Improvements
- **GASBS 104** – Capital Asset Disclosures
- GASB Implementation Guide 2025

FYE June 30, 2027 and after:

- **GASBS 105** – Subsequent Events

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TODAY'S ROADMAP

01 **GASB 103**
Financial Reporting Model Improvements
CURRENT YEAR

02 **GASB 104**
Capital Asset Disclosures
CURRENT YEAR

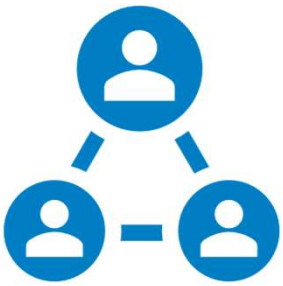
03 **GASB 105**
Subsequent Events
NEXT YEAR

04 **Looking Ahead**
Developing GASB Standards

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GASB is listening!



- New GASB pronouncements have been decreasing recently
- We may have no new GASB standards to implement in FY28!

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GASB

103

Financial Reporting Model Improvements

Effective for fiscal years ended June 30, 2026, and after

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GASB 103: Financial Reporting Model Improvements



WHY?

To enhance effectiveness in providing information that is essential for decision making and assessing a government's accountability

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GASB 103: What Could Have Been

GASB 103 began as a re-examination of GASB 34.

Research indicated the governmental financial reporting model could be improved.

GASB considered changing the measurement focus and basis of accounting for governmental funds.

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GASB 103: Why It Didn't Happen

The proposed model was intended to be simpler.

Exceptions were needed to make the model fully functional, which made it increasingly complex and difficult to apply.

Ultimately, the cost-benefit analysis did not support implementation.

GASB 103: Areas Affected

01	02	03	04	05	06
Management's Discussion & Analysis (MD&A)	Unusual or Infrequent Items	Proprietary Fund Presentation	Major Component Unit Information	Budgetary Comparison Information	Financial Trends Information in the Statistical Section



01

Management's Discussion & Analysis (MD&A)

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MD&A Format Changes

Current MD&A	MD&A Under GASB 103
1. Discussion of the Basic Financial Statements	1. Overview of the financial statements
2. Condensed Financial Information	2. Financial Summary
3. Analysis of the Government's Overall Financial Position and Results of Operations	3. Detailed Analysis
4. Analysis of the balances and transactions of individual funds	
5. Description of capital asset and long-term debt activity	4. Significant Capital Asset and Long-Term Financing Activity
6. Currently known facts, decisions or conditions of future significance	5. Currently Known Facts, Decisions or Conditions
7. Analysis of budgetary variances	Moved to Notes to RSI
8. Discussion of infrastructure accounted for using the modified approach	

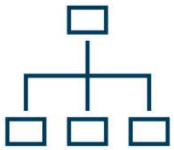
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GASB 103:

Management's Discussion & Analysis (MD&A)

1. Overview of the Financial Statements

- Focus on the primary government
- Include relationships of statements to each other
  - E.g., Government-Wide to Fund statements
- Emphasis on significant differences in types of information the FS provide
  - E.g., all assets vs. current financial resources



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GASB 103:

Management's Discussion & Analysis (MD&A)

2. Financial Summary

- Condensed financial information from government-wide statements
  - Statement of Net Position
  - Statement of Activities
- Compare current year to the prior year



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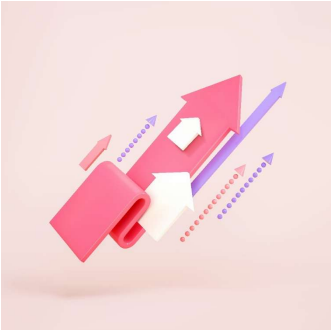
GASB 103:

Management's Discussion & Analysis (MD&A)

3. Detailed Analysis – Gov't-Wide and Major Funds

- Governmental Activities and Business-Type Activities
- Major governmental funds and major enterprise funds
- Summarize significant changes
- Explain WHY the changes occurred
- Indicate the magnitude of the changes

Also discuss any significant policy changes and important economic factors that significantly affected operations for the year.



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IS THIS ANALYSIS?

MD&A

General Fund revenues increased $2.3 million, or 8.4%, from the prior year.

✓ **WHAT CHANGED?**	✓ **HOW MUCH?**	? **WHY?**
Revenues increased	$2.3 million / 8.4%	Not explained

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IS THIS ANALYSIS?

MD&A

General Fund revenues increased $2.3 million, or 8.4%, from the prior year, primarily due to an increase in local sales tax revenue.

✓ WHAT CHANGED?	✓ HOW MUCH?	? WHY?
Revenues increased	$2.3 million / 8.4%	Local sales tax increased

Better — but why did local sales tax revenue increase?

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IS THIS ANALYSIS?

MD&A

General Fund revenues increased $2.3 million, or 8.4%, from the prior year, primarily due to an increase in local sales tax revenue resulting from the opening of a major new retail development during the year.

✓ WHAT CHANGED?	✓ HOW MUCH?	✓ WHY?
Revenues increased	$2.3 million / 8.4%	New retail development

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GASB 103:

Management's Discussion & Analysis (MD&A)

4. Significant Capital Asset and Long-Term Financing Activity

- Significant additions and disposals of capital assets
  - Includes certain intangible assets (e.g. lease ROU assets)
- Changes to commitments made for acquisition of capital assets
- Significant new financing agreements
- Changes in credit ratings and debt limitations

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GASB 103:

Management's Discussion & Analysis (MD&A)

5. Currently Known Facts, Decisions, or Conditions

Examples:

1. Trends in relevant economic and demographic data
2. Relevant factors used to develop next year's budget
   a. Those expected to result in changes in total amounts available for appropriation
   b. Those expected to result in changes in planned spending
3. Expected changes in budgetary Net Position/Fund Balance

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GASB 103:

Management's Discussion & Analysis (MD&A)

5. Currently Known Facts, Decisions, or Conditions

Examples:

4. Actions taken related to long-term financing and postemployment benefit liabilities that will affect government in the future

5. Actions by other parties that affect the government in the future

   a. Such as laws and regulations

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WHEN YOU WRITE YOUR MD&A…

GASB 103
TAKEAWAY

01 What changed?

02 How much?

03 **Why?**

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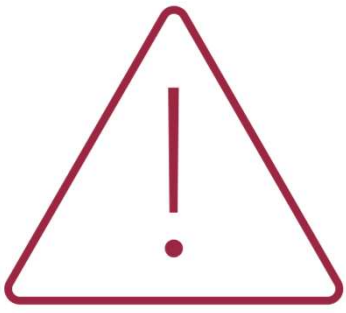
GASB 103: Areas Affected

01	02	03	04	05	06
Management's Discussion & Analysis (MD&A)	Unusual or Infrequent Items	Proprietary Fund Presentation	Major Component Unit Information	Budgetary Comparison Information	Financial Trends Information in the Statistical Section

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TENNESSEE COMPTROLLER OF THE TREASURY

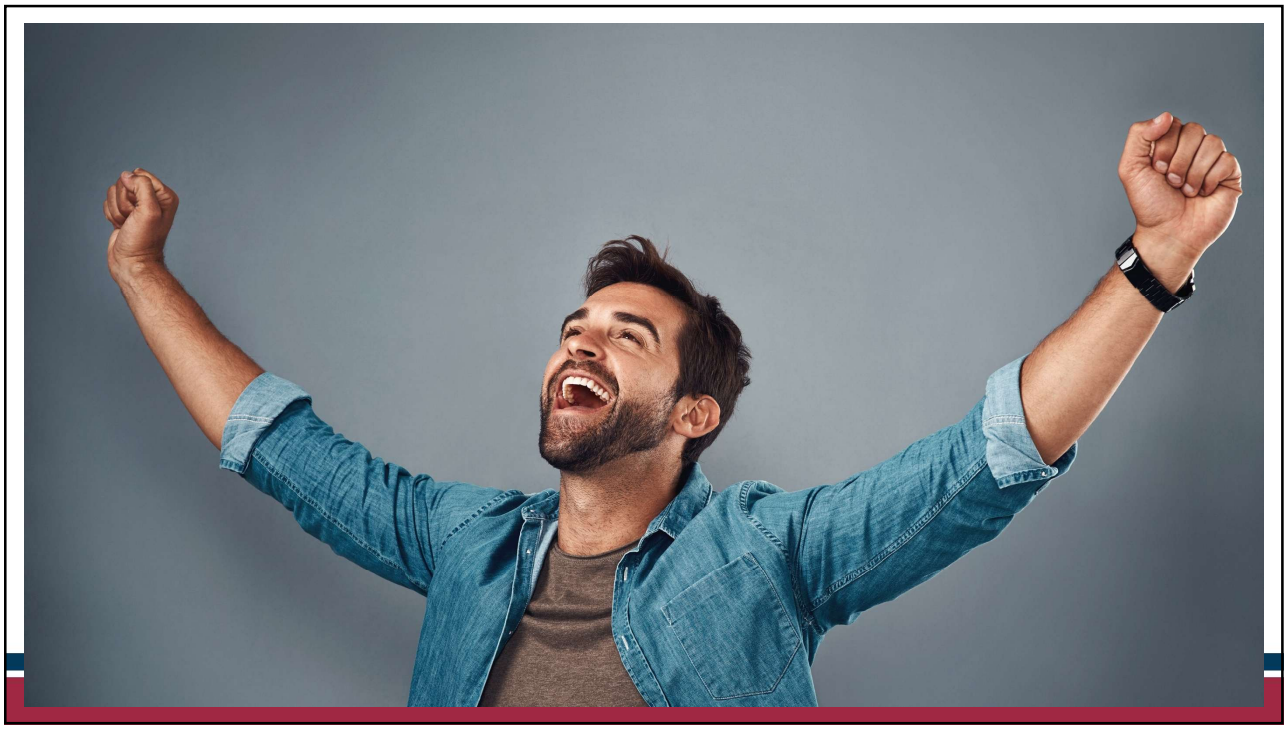
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02

Unusual or Infrequent Items

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Unusual or Infrequent Items

Previous terms special item and extraordinary item are cancelled

Replaced now with **unusual or infrequent items**

No change to definitions of unusual in nature or infrequent in occurrence in GASBS 62

No need to distinguish between unusual in nature and infrequent in occurrence, or whether in control of management

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GASB 103:

Unusual or Infrequent Items

Unusual or Infrequent Definitions

Per GASB 62:

- Unusual in nature – the event or transaction has a high degree of abnormality for the environment of the government
- Infrequency of occurrence - the event or transaction is not reasonably expected to recur in the foreseeable future



TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 103:

Unusual or Infrequent Items

Presentation

- Report last flow(s) of resources prior to net change in net position or fund balance
- Inflows and outflows presented separately, **not netted**

General revenues:	
Taxes:	
Sales taxes	279,567
Property taxes	78,930
Franchise taxes	23,122
Use taxes	41,068
Hotel/motel taxes	7,870
Special assessment tax	2,880
Payments in lieu of taxes	16,869
Intergovernmental revenue	9,324
Investment earnings	20,667
Miscellaneous	3,195
Transfers	(18,996)
Unusual or infrequent item—flood damage:	
Grant revenues	2,500
Cleanup	(10,000)
Total general revenues, transfers, and unusual or infrequent item	456,996
Change in net position	117,664
Net position—beginning of period	1,616,147
Net position—end of period	$ 1,733,811

TENNESSEE COMPTROLLER OF THE TREASURY

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Sales taxes	279,567
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GASB 103:

Unusual or Infrequent Items

Note Disclosure

Disclose the program, function, or identifiable activity to which an unusual or infrequent item is related

Disclose whether the item is within the control of management

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GASB 103: Areas Affected

01	02	03	04	05	06
Management's Discussion & Analysis (MD&A)	Unusual or Infrequent Items	Proprietary Fund Presentation	Major Component Unit Information	Budgetary Comparison Information	Financial Trends Information in the Statistical Section

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03

Proprietary Fund Presentation

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GASB 103:

Proprietary Fund Presentation

Summary of Changes

1. New definition of operating and nonoperating revenues and expenses
2. GASB defines **subsidies**
3. Format changes to the Proprietary Fund Statement of Revenues, Expenses, and Changes in Net Position

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GASB 103:

Proprietary Fund Presentation

Operating vs. Nonoperating

- **Nonoperating:**
  a. **Subsidies** received and provided
  b. Contributions to permanent and term endowments
  c. Revenues and expenses related to financing
  d. Resources from disposal of capital assets and inventory
  e. Investment income and expenses
- **Operating:**
  - Revenues and expenses other than nonoperating

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GASB 103:

Proprietary Fund Presentation

Operating vs. Nonoperating

- Revenues and expenses that would otherwise be classified as nonoperating in most proprietary funds should be classified as **operating** revenues or expenses if those transactions constitute the proprietary fund's **principal ongoing operations.**
- **Example:** Interest revenues of a proprietary fund established to provide loans to first-time homeowners should be reported as operating revenues.

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GASB 103:

Proprietary Fund Presentation

Subsidies

- **Subsidies** are defined as:

a. Resources **received from** another party or fund:
   i. For which the proprietary fund does not provide goods and services to the other party or fund, **and**
   ii. That directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise



b. Resources **provided to** another party or fund:
   i. For which the other party or fund does not provide goods and services to the proprietary fund, **and**
   ii. That are recoverable through the proprietary fund's current or future pricing policies.

c. All other transfers

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GASB 103:

Proprietary Fund Presentation

Format Updates – Statement of Revenues, Expenses, and Changes in Net Position

- Noncapital subsidy section immediately following operating income subtotal
- Noncapital subsidies should be presented as a separate category from other nonoperating revenues and expenses
  - Separate subtotal required

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GASB 103:

Proprietary Fund Presentation

Operating revenues (detailed)
Total operating revenues
Operating expenses (detailed)
Total operating expenses
Operating income (loss)
Noncapital subsidies (detailed)
Total noncapital subsidies
Operating income (loss) and noncapital subsidies
Other nonoperating revenues and expenses (detailed)
Total other nonoperating revenues and expenses
Income (loss) before unusual or infrequent items
Unusual or infrequent items (detailed)
Increase (decrease) in fund net position
Fund net position—beginning of period
Fund net position—end of period

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 103:

Proprietary Fund Presentation

	Public Utility
OPERATING REVENUES	
Charges for services	$ 41,003
Miscellaneous	283
Total operating revenues	41,286
OPERATING EXPENSES	
Personnel services	13,991
Contractual services	13,952
Insurance claims and expenses	-
Depreciation	11,767
Other	1,067
Total operating expenses	40,777
Operating income (loss)	509
NONCAPITAL SUBSIDIES	
Intergovernmental revenue	-
Transfers in	-
Transfers out	(1,980)
Total noncapital subsidies	(1,980)
Operating income (loss) and noncapital subsidies	(1,471)
OTHER NONOPERATING REVENUES (EXPENSES)	
Investment earnings	1,496
Gain from the sale of capital assets	-
Interest expense	(1,910)
Capital contributions	2,938
Transfers in—restricted for capital assets	1,032
Total other nonoperating revenue (expenses)	3,556
Increase (decrease) in fund net position	2,085
Fund net position—beginning of period	331,657
Fund net position—end of period	$ 333,742

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GASB 103:

Proprietary Fund Presentation

Operating income (loss)	509
NONCAPITAL SUBSIDIES	
Intergovernmental revenue	-
Transfers in	-
Transfers out	(1,980)
Total noncapital subsidies	(1,980)
Operating income (loss) and noncapital subsidies	(1,471)
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Fund net position—end of period	$ 333,742

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 103:

Proprietary Fund Presentation

Things to Consider



- Internal service funds are also proprietary funds
  - New format changes apply
- NOT applicable to fiduciary funds
- Major fund determination is affected
  - All transfers are considered subsidies, which are considered nonoperating revenue and expenses
  - Therefore, all transfers are now **included** in the threshold for major funds
- Update note disclosure in your summary of significant accounting policies about defining operating and nonoperating revenues and expenses

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GASB 103: Areas Affected

01	02	03	04	05	06
Management's Discussion & Analysis (MD&A)	Unusual or Infrequent Items	Proprietary Fund Presentation	Major Component Unit Information	Budgetary Comparison Information	Financial Trends Information in the Statistical Section

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04

Major Component Unit Information

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GASB 103:

Major Component Unit Information

Major Component Unit Reporting

- Each major component unit should be presented **separately** in the basic financial statements
- **Unless** it reduces the readability of the statements
  - Combining statements can be used instead
  - Include in the basic financial statements after the fund statements

This applies to major **discretely presented** component units (DCU). No change to blended component unit information.

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GASB 103:

Major Component Unit Information

What Actually Changed?



- Not much (!!)
- Condensed major component unit information can **no longer be presented in the notes**
- GASB prefers each shown separate on basic financial statements
  - With readability exception to present combining statements as part of basic financial statements

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GASB 103:

Major Component Unit Information

Preferred Presentation Style

NAME OF GOVERNMENT
Statement of Net Position
June 30, 2027

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Urban Renewal Agency	Cable Television
	$ 20,274,543	$ 3,700,527	$ 23,975,070	$ 195,647	$ 462,992

Major DCUs separately presented

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GASB 103:

Major Component Unit Information

Alternate Presentation Style

Sample City
Statement of Net Position
June 30, 20X5
(amounts expressed in thousands)

Primary Government			
Governmental Activities	Business-Type Activities	Total	Component Units

Major DCUs presented combined

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GASB 103:

Major Component Unit Information

Alternate Presentation Style – Combining Statement

Sample City
Combining Statement of Net Position
Discretely Presented Component Units
June 30, 20X5
(amounts expressed in thousands)

Energy Authority	Airport	Nonmajor Component Units	Total (See Exhibit 2)

Presented as part of the basic financial statements after the fund statements

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GASB 103: Areas Affected

01	02	03	04	05	06
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TENNESSEE COMPTROLLER OF THE TREASURY

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05

Budgetary Comparison Information

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GASB 103:

Budgetary Comparison Information

Budgetary Comparison Presentation



- Required budgetary comparisons **must be** presented as Required Supplementary Information (RSI)
  - Required for general fund and each major special revenue fund with a legally adopted budget
- *The TN Audit Manual previously required budgetary comparison information to be presented as a basic financial statement

This **will** affect all cities and counties in Tennessee

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GASB 103:

Budgetary Comparison Information

Budgetary Comparison Variances

- New variance columns **required for both:**
  1. Original to final budget
  2. Final budget to actual results



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GASB 103:

Budgetary Comparison Information

Budgetary Comparison Variances

Required Supplementary Information
Sample City
Budgetary Comparison Schedule
General Fund
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

Budgeted Amounts		Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
Original	Final			

Both variance columns are **required**

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GASB 103:

Budgetary Comparison Information

Budgetary Comparison Variances - Explanations

- New explanation of <u>significant</u> variances presented in <u>Notes to RSI</u> for both:
  1. Original to final budget
  2. Final budget to actual results

Explain the **why** behind the variances!

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BUDGETARY VARIANCES: TWO DIFFERENT EXPLANATIONS

ORIGINAL → FINAL

Why did the budget change?

Explain significant amendments made during the year.

FINAL → ACTUAL

Why did actual results differ?

Explain significant differences between the final budget and actual results.

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GASB 103:

Budgetary Comparison Information

Budgetary Variance Explanations

Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	General Fund over (under)	Public Safety and Transportation Fund over (under)
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	$ 4,170	$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	$ (2,526)	$ -

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	General Fund over (under)	Public Safety and Transportation Fund over (under)
BUDGETARY REVENUES		
Differences—final budget to actual:		
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Final budget compared to actual results. The most significant differences between estimated revenues and actual revenues were as follows:

Revenue source	Estimated revenues	Actual revenues	Difference
Sales taxes	$ 45,400,000	$ 44,368,865	$ (1,031,135)
Licenses and permits	4,166,256	2,649,889	(1,516,367)
Intergovernmental	11,414,391	9,705,931	(1,708,460)
Charges for services	17,738,732	19,207,441	1,468,709
Fines and forfeitures	7,762,650	6,670,562	(1,092,088)
Investment earnings	1,258,200	3,352,747	2,094,547

The shortfalls in the above revenue sources were caused by the recession experienced during the current year. Sales tax revenue was less than anticipated due to the decrease in retail sales at the shopping malls. Licenses and permits were less than estimated because there were less of these items purchased, particularly in the case of business licenses and building permits. Intergovernmental is the classification used to report grant revenues. The recession impacted the state and most other general and special-purpose governments. Accordingly, the grants that these other governments were able to provide were less than expected. Actual grants from the state were approximately $1,250,000 less than estimated while grants from other governments were approximately $500,000 less. Fines and forfeitures revenue was less than anticipated due to the decline in red-light camera violations during the current year. As travelers are more aware of the cameras, fewer violations are occurring. Investment income was more than anticipated due to the increase in interest rates in government securities and increase in the stock market at the end of the current fiscal year which included approximately a $1 million unrealized gain.

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GASB 103:

Budgetary Comparison Information

Reminder: Budgetary Comparison Header Update

Budgetary Comparison **Statement**

↓

Budgetary Comparison **Schedule**

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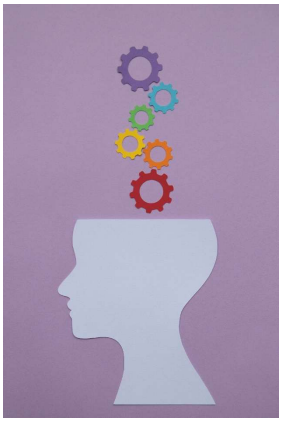
GASB 103:

Budgetary Comparison Information

Anything Else to Consider?

Budgetary disclosures move from footnotes to the Notes to RSI section:

- Budgetary basis of accounting notes
- Disclosure of major special revenue funds without a legally adopted budget
- Excess expenditures over appropropriations



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GASB 103:

Budgetary Comparison Information

Excess Expenditures over Appropriations Disclosures



- Disclose any budget overage in Notes to RSI
  - For RSI budget comparisons
- Disclose any **significant** violations of legal provisions in the Notes to the FS
  - For all budget comparisons

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 103:

Budgetary Comparison Information

A Moment of Relief

- GASB 103 has no effect on the other budgetary schedules that are presented as supplementary information (SI)



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GASB 103: Areas Affected

01	02	03	04	05	06
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TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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06

Financial Trends Information in the Statistical Section

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GASB 103:

Financial Trends Information in the Statistical Section

Statistical Section Changes

- In separately issued financial statements of **only** business-type activities (BTA) or **only** BTA and fiduciary activities:
  - In the **statistical section,** present revenues by major source – distinguishing between
    - Operating revenues/expenses
    - Noncapital subsidies
    - Nonoperating revenues/expenses

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

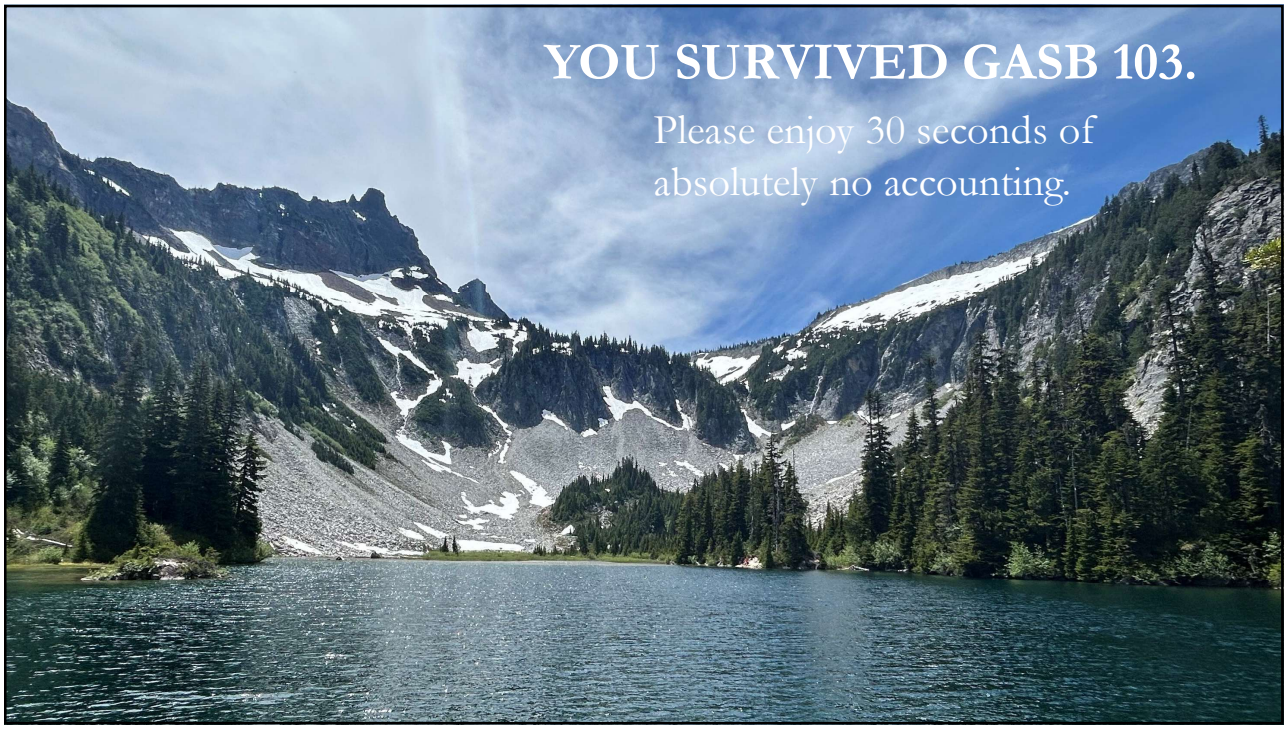
69

GASB 103 Implementation

- Effective for fiscal years beginning after June 15, 2025
  - i.e., effective for fiscal years ended **June 30, 2026** and after
- **Important:** If primary government implements 103, all component units should implement in the same year
- Changes should be reported as a change in accounting principle – GASB 100
  - Includes display and disclosure requirements

The provisions of this Statement need not be applied to immaterial items.

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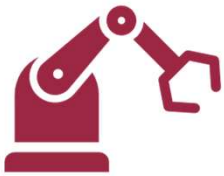
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GASB 104: Disclosure of Certain Capital Assets

Effective for fiscal years ended
June 30, 2026, and after

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GASB 104: Disclosure of Certain Capital Assets





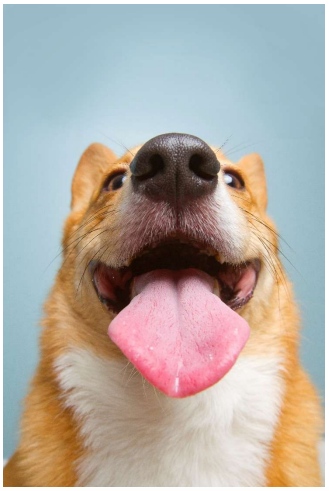
- Requires certain types of capital assets to be disclosed separately within the capital assets note disclosure
- Establishes requirements for capital assets held for sale

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 104: Disclosure of Certain Capital Assets

- Requirements limited to disclosures
- No impact on current recognition or measurement requirements!



TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 104: Disclosure of Certain Capital Assets

WHY?

- Users need clearer information about certain capital assets
- Leases, SBITAs, P3s

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Capital Assets vs. Financial Assets

Capital Assets:

- Assets used in operations to provide services over time

Financial Assets:

- Assets that primarily represent claims to cash or investment value

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Capital Assets vs. Financial Assets




- **Capital asset** reporting helps user understand:
  - Long-lived resources the government is using to provide services
  - Changes in those resources
  - Depreciation/amortization costs
  - Service capacity
  - Whether the assets are owned or leased, subscription-based, or intangible

TENNESSEE COMPTROLLER OF THE TREASURY

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Capital Assets vs. Financial Assets





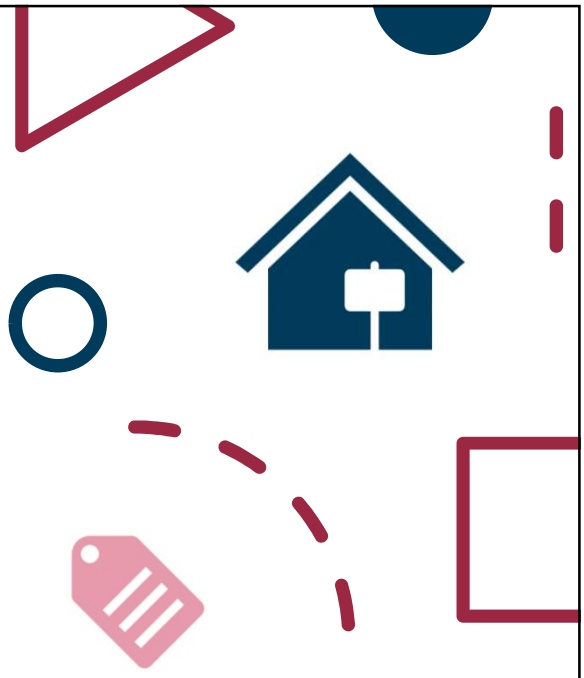
- **Financial asset** disclosures help users understand:
  - Liquidity
  - Investment risk
  - Credit risk
  - Interest rate risk
  - Fair value
  - Collectability
  - Near-term cash conversion

TENNESSEE COMPTROLLER OF THE TREASURY

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Capital Assets vs. Financial Assets

- What about capital assets that an entity is looking to sell?
  - Financial or capital asset?
- GASB 104: still a capital asset for measurement and recognition
- Separate additional disclosure to provide liquidity information



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GASB 104 Requirements

Effective for fiscal years ended June 30, 2026, and after



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GASB 104

Separate Disclosure of Certain Capital Assets

- Separate disclosure of the following **within the capital asset footnote**
  1. Lease assets (GASB 87)
  2. P3 and APA assets (GASB 94)
  3. Subscription (SBITA) assets (GASB 96)
  4. Other intangible assets (Right-of-use **or** owned)

By major class of underlying asset

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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Capital asset activity for the year ended June 30, 20X2, was as follows (in thousands):

	Primary Government			
	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets not being depreciated:				
Land and improvements	$ 29,484	$ 2,020	$ (4,358)	$ 27,146
Construction in progress	2,915	13,220	(14,846)	1,289
Total capital assets not being depreciated	32,399	15,240	(19,204)	28,435
Capital assets being depreciated:				
Buildings and improvements	40,861	334	-	41,195
Equipment	32,110	1,544	(1,514)	32,140
Road network	72,885	10,219	-	83,104
Bridge network	18,775	4,627	-	23,402
Software	2,100	548	(650)	1,998
Lease assets:				
Buildings	25,821	209	-	26,030
Equipment	20,389	2,312	(2,456)	20,245
Subscription assets	5,490	687	(743)	5,434
Total capital assets being depreciated	218,431	20,480	(5,363)	233,548
Less accumulated depreciation for:				
Buildings and improvements	(10,358)	(691)	-	(11,049)
Equipment	(9,247)	(2,676)	1,040	(10,883)
Road network	(12,405)	(823)	-	(13,228)
Bridge network	(2,896)	(197)	-	(3,093)
Software	(543)	(110)	25	(628)
Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)
Total accumulated depreciation	(49,778)	(7,325)	2,097	(55,006)
Governmental activities capital assets, net	$ 201,052	$ 28,395	$ (22,470)	$ 206,977

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GASB 104

Capital assets being depreciated:
- Buildings and improvements
- Equipment
- Road network
- Bridge network
- Software
- Lease assets:
  - Buildings
  - Equipment
- Subscription assets

Total capital assets being depreciated

Lease assets by major class

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GASB 104

Capital Assets Held for Sale



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GASB 104

Capital Assets Held for Sale



- Capital assets **held for sale** should be disclosed in notes
- This is in addition to the capital asset footnote
- No impact on the face of the financial statements

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 104

Capital Assets Held for Sale

- A capital asset is **held for sale** if:
  a. The gov't has decided to pursue sale, **and**
  b. It is **probable** (likely to occur) that the sale will be finalized within one year of the financial statement date

Government should evaluate each year whether a capital asset is considered held for sale

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CAPITAL ASSETS HELD FOR SALE

Would you tell your auditor/preparer?

In January 2026, the county commission voted to sell an unused government building during the year.

At June 30, 2026, the building is actively listed for sale, and management expects the sale to close by December.

YES **NO** **NOT SURE**

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CAPITAL ASSETS HELD FOR SALE

YES.

You know the government decided to sell the asset.

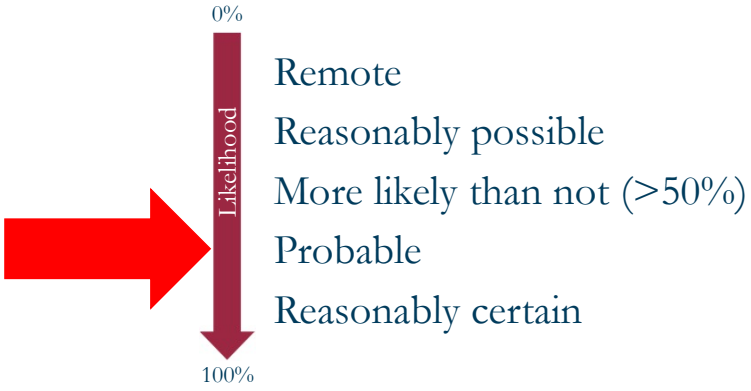
Your auditor or preparer may not.

You don't have to make the GASB determination before you tell them.

The information starts with you.

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What does "probable" actually mean?



TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 104

Capital Assets Held for Sale

- Factors to consider to determine if sale is probable to be finalized within one year:
  - Is the asset available for immediate sale in its present condition?
  - Has an active program/bid to locate a buyer been initiated?
  - What are current market conditions for this type of asset?
  - What regulatory approvals are needed to sell this asset?

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GASB 104

Disclosure Requirements

- Capital assets **held for sale** should be disclosed in notes

Disclose historical cost, accumulated depreciation by major class of asset

Disclose debt that capital assets held for sale are pledged as collateral

GASB 104

Example – Held For Sale Disclosure

Illustration 2—Capital Assets Held for Sale Disclosure

Included in capital assets are buildings that are capital assets held for sale. Those buildings are reported in governmental activities. They have a total historical cost of $8.0 million and an accumulated depreciation of $5.0 million, and they are pledged as collateral for debt with a balance of $1.5 million.

GASB 104

Example 2 - GFOA

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Business-type Activities				
Capital assets, not being depreciated				
Land	$ 1,911,400	$ -	$ -	$ 1,911,400
Construction-in-progress	6,726,334	787,698	2,150,249	5,363,783
Total capital assets, not being depreciated	8,637,734	787,698	2,150,249	7,275,183
Capital assets, being depreciated				
Buildings	10,763,192	2,150,249	-	12,913,441
Machinery, equipment and vehicles	10,873,602	1,218,982	762,877	11,329,707
Water distribution system	35,422,287	-	-	35,422,287
Total capital assets, being depreciated	57,059,081	3,369,231	762,877	59,665,435
Less accumulated depreciation for:				
Buildings	(4,911,910)	(467,517)	-	(5,379,427)
Machinery, equipment and vehicles	(7,679,744)	(512,037)	(629,424)	(7,562,357)
Water distribution system	(13,286,582)	(733,977)	-	(14,020,559)
Total accumulated depreciation	(25,878,236)	(1,713,531)	(629,424)	(26,962,343)
Total capital assets, being depreciated, net	31,180,845	1,655,700	133,453	32,703,092
Total business-type activities capital assets	$ 39,818,579	$ 2,443,398	$ 2,283,702	$ 39,978,275

Depreciation/amortization expense was charged to the functions/activities of the business-type activities of the primary government as follows:

Water	$ 886,242
Transit	827,289
Total depreciation/amortization expense - business-type activities	$ 1,713,531

As of June 30, 2027, the NAME OF GOVERNMENT has capital assets included in business-type activities machinery, equipment and vehicles with a historical cost of $855,887 and accumulated depreciation of $457,174 that is being held for sale. The NAME OF GOVERNMENT intends to sell these capital assets within the next fiscal year.

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GASB 104

As of June 30, 2027, the NAME OF GOVERNMENT has capital assets included in business-type activities machinery, equipment and vehicles with a historical cost of $855,887 and accumulated depreciation of $457,174 that is being held for sale. The NAME OF GOVERNMENT intends to sell these capital assets within the next fiscal year.

TENNESSEE COMPTROLLER OF THE TREASURY

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 104 Implementation

- Applied **retroactively**, effective for fiscal years beginning after June 15, 2025
  - i.e., effective for fiscal years ended **June 30, 2026** and after
- Consider **retroactive** impact if you present comparative statements

The provisions of this Statement need not be applied to immaterial items.

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QUICK RESET

30 seconds.

Stretch. Roll your shoulders. Take a drink.

96

GASB 105 – Subsequent Events

Effective for fiscal years ended June 30, 2027, and after

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GASB 105

Subsequent Events

- This statement provides clarification on subsequent event disclosure requirements from prior guidance (GASB 56)
- GASB 56 language was based on old AICPA auditing standards (1972)

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GASB 105

Subsequent Events

GASB 105 states:

Subsequent events are transactions or other events that occur after the date of the financial statements but before the date the financial statements are **available to be issued**.

TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 105

"Available to be issued"

- The date of financial statements are **available to be issued** is the date at which:
  a) The financial statements are complete, in a form and format that comply with GAAP, **and**
  b) Approvals necessary for issuance have been obtained

The date through which subsequent events have been evaluated should be disclosed in the notes to the financial statements

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GASB 105

Recognized vs Nonrecognized Events

- Determining how to handle a subsequent event depends on if it is **recognized** or **nonrecognized**
- This is not a new subsequent events concept
- GASB 105 further clarifies how to identify nonrecognized events

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TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 105

Recognized vs Nonrecognized Events

Recognized Events:

- Show evidence of conditions that existed at the financial statement date that inform accounting estimates that were made at the financial statement date

Nonrecognized Events:

- Result in a significant effect (favorable or unfavorable) that is recognized in the financial statements when it occurs

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GASB 105

Recognized Events

- Did this subsequent event provide evidence of conditions that existed at year-end?
  - Yes = a recognized event
  - No = not a recognized event, may be a nonrecognized event
- Requires professional judgement and knowledge of the facts and circumstances to determine if it related to conditions that existed **before or at year-end.**

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GASB 105

Recognized Events



Example:



A water utility's major customer declares bankruptcy shortly after year-end.

Recognized event?

- Bankruptcy may indicate deteriorating financial conditions that existed at year-end



Recognized event

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TENNESSEE COMPTROLLER OF THE TREASURY

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GASB 105

Recognized Events

Example:

A water utility's major customer experienced a major fire after year-end (during the subsequent events timeframe)

Recognized event?

- Not indicative of a condition that was present at or before year-end

Not a recognized event

TENNESSEE COMPTROLLER OF THE TREASURY

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WHAT DO I NEED TO DO?

GASB 105

Something significant happened after year-end?

Tell your auditor/preparer.

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GASB 105

Nonrecognized Events

Recognized in the period the event actually occurred **and** is one of the following:

a. A debt-related transaction
b. A government combination or disposal of government operations
c. A change to legally separate entities within the financial reporting entity
d. A transaction or other event that is essential to a user to know to make decisions or assess accountability of the government

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GASB 105

Nonrecognized Events – Disclosures

Only a note disclosure required for nonrecognized events

Disclosure should include:

a. description of the event and its effect

b. Estimate of the amount of the effect of the event (or a reason why an estimate cannot be made).

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GASB 105: Subsequent Events

- Effective for June 30, 2027 and later
- Prospectively applied
- Earlier application encouraged

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GASB

Developing
GASB Standards

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Developing GASB Standards

01 Infrastructure Assets

02 Going Concern Uncertainties and Financial Stress

03 Revenue and Expense Recognition

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TENNESSEE COMPTROLLER OF THE TREASURY

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Developing GASB Standards

Infrastructure Assets

- Proposed to require additional reporting details for infrastructure assets
  - E.g., bridges, roads, water treatment plants, etc.
- Final standard expected to be issued in 2nd Quarter of 2027
- Expected effective date in FY 2029

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Developing GASB Standards

Going Concern Uncertainties and Financial Stress

- Proposed updates to disclosures regarding going concern uncertainties and several financial stress
- New proposed terminology
  - "severe financial stress"
  - "probable dissolution"

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Developing GASB Standards

Revenue and Expense Recognition

- Proposed plan to develop much more specific guidance for recognizing revenues and expenses in governmental accounting
- Proposed plan would more closely align with revenue recognition under FASB guidance
- Project has been in the works for about 10 years already

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