

GASB 103 & Beyond

Key Updates for Public Sector Entities

October 5, 2026

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Today’s Presenters



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Agenda

1. GASB 103, *Financial Reporting Model Improvements*
   A. Background, Scope, & Effective Date
   B. Impact to MD&A, Unusual/Infrequent Items, Budgetary Comparisons, & DPCUs
   C. Impact to Proprietary Funds
2. GASB 104, *Disclosure of Certain Capital Assets*
3. GASB 105, *Subsequent Events*
4. The Reporting Solution (TRS) – Annual Financial Report Preparation Software



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01

GASB 103, *Financial Reporting Model Improvements*



01.A

GASB 103

Background, Scope, & Effective Dates

Background

- GASB Statement No. 34, *Basic Financial Statements—& Management's Discussion & Analysis—for State & Local Governments*
  - Issued in 1999
  - Defined the structure and measurement focus of basic financial statements, notes, & required supplementary information (RSI), including the MD&A
  - Introduced government-wide financial statements using accrual accounting, which incorporated reporting of infrastructure, other capital assets, & long-term liabilities—items previously reported only on a modified accrual basis in governmental funds
  - Mandated a narrative MD&A before the financial statements, required presentation of the original budget in the budgetary comparison schedule, introduced major fund reporting for governmental & enterprise funds, & added notes on capital asset & long-term liability activity during the reporting period
- GASB Statement No. 103, *Financial Reporting Model Improvements*
  - Initial research to update the financial reporting model began in 2013
  - Over the last decade, GASB has conducted surveys of preparers, auditors, & users, performed field tests, held multiple user forums & public hearings, & reviewed hundreds of comment letters as part of developing GASB 103



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Scope

- GASB 103 establishes new accounting & financial reporting requirements—or modifies existing requirements—related to the following:

Management's Discussion & Analysis (MD&A)	Proprietary Funds – Revenues, Expenses & Changes in Net Position	Unusual or Infrequent Items
Discretely Presented Component Units (DPCUs)	Budgetary Comparison Information	Financial Trends Information in Statistical Section

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Effective Date

	Implement for Fiscal Years Ending			
Fiscal Years Beginning After	March 31	June 30	September 30	December 31
June 15, 2025	2027	2026	2026	2026

The requirements of GASB 103 are effective for fiscal years beginning after June 15, 2025, & all reporting periods thereafter.
Earlier application is encouraged.

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01.B

GASB 103

Impact to MD&A,
Unusual/Infrequent Items,
Budgetary Comparisons, & DPCUs

Management's Discussion & Analysis (MD&A)

- GASB 103 does not make major changes to the MD&A
- GASB 103 provides detailed explanations of preparers should do:
  - Financial managers are knowledgeable regarding the transactions & events, fiscal policies, & other conditions that may have a significant impact
  - The analysis should assist users in understanding **why** balances changed
  - MD&A should be written in a manner that can be understood by users who may not have a detailed knowledge of governmental accounting and financial reporting
  - Avoid common pitfalls
    - Boilerplate wording with no true analysis
    - Failing to adequately explain the "why"

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Management's Discussion & Analysis (MD&A)

Pre-103 (GASB 34)	Post-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 analyses
4. Analysis of the balances and transactions of individual major funds	
5. Description of capital assets 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 other than MD&A
8. Discussion of infrastructure accounted for using the modified approach	

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Significant Capital Asset and Long-Term Financing Activity

- Description of capital asset and long-term activity
- Significant capital asset and long-term financing activity
  - Intangible assets
  - Intangible right to use assets
  - Public-Private Partnerships & Public-Public Partnerships
  - SBITA

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Currently Known Facts, Decisions, or Conditions

- GASB 103 includes examples of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position (net position) or that are expected to produce significant differences from the current-period results of operations
- Examples include:
  - Trends in relevant economic & demographic data
  - Relevant factors used to develop the subsequent year's budget
  - Expected changes in budgetary net position or fund balance
  - Actions the government has taken related to postemployment benefit liabilities
  - Capital asset improvement plans
  - Lessee liabilities, operator liabilities in PPP arrangements, SBITA liabilities, & other long-term financings that will affect the government in a subsequent period
  - Actions other parties have taken that will affect the government in a subsequent period, such as new legislation or regulations imposed on the government
- Currently known refers to information that management is aware of as of the date the financial statements are issued

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Appendix C: Illustration

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Unusual or Infrequent Items

Replace extraordinary or special items

Unusual in nature

Infrequent in occurrence

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Unusual or Infrequent Items Defined

Unusual nature – The underlying event or transaction should possess a high degree of abnormality & be of a type clearly unrelated to, or only incidentally related to, the ordinary & typical activities of the government, taking into account the environment in which the government operates. Unusual nature is not established by the fact that an event or transaction is beyond the control of management.

Infrequency of occurrence – The underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates. The past occurrence of an event or transaction for a particular government provides evidence to assess the probability of recurrence of that type of event or transaction in the foreseeable future.

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Unusual or Infrequent Items

- Display inflows & outflows for each unusual or infrequent item separately
- Displayed as last items before net change in resource flows
- Should not be netted
- Notes should disclose:
  - The program, function, or identifiable activity to which each is related
  - If the event was within the control of management

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Sample City
Statement of Activities
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

This is an alternative presentation using a combining statement (Exhibit 13) in order not to reduce the readability of this statement.

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental activities:								
General government	$ 46,059	$ 22,500	$ -	$ -	$ (23,559)		$ (23,559)	
Public safety	205,416	8,688	31,395	-	(165,333)		(165,333)	
Public works	71,308	2,948	-	8,564	(59,796)		(59,796)	
Culture and recreation	25,631	2,868	-	-	(22,763)		(22,763)	
Social and economic development	79,701	8,297	6,768	22,321	(42,315)		(42,315)	
Interest on long-term debt	25,566	-	-	-	(25,566)		(25,566)	
Total governmental activities	453,681	45,301	38,163	30,885	(339,332)		(339,332)	
Business-type activities:								
Public utility	42,687	41,003	-	2,938		$ 1,254	1,254	
Transit authority	25,826	18,636	-	-		(7,190)	(7,190)	
Golf courses	8,396	2,561	-	-		(5,835)	(5,835)	
Total business-type activities	76,909	62,200	-	2,938		(11,771)	(11,771)	
Total primary government	$ 530,590	$ 107,501	$ 38,163	$ 33,823	(339,332)	(11,771)	(351,103)	
Total component units	$ 111,018	$ 72,991	$ 16,503	$ 12,902				$ (8,622)
General revenues:								
Taxes:								
Sales taxes					279,567	-	279,567	6,340
Property taxes					78,930	-	78,930	3,153
Franchise taxes					23,122	-	23,122	-
Use taxes					41,068	-	41,068	-
Hotel/motel taxes					7,870	-	7,870	-
Special assessment tax					2,880	-	2,880	-
Payments in lieu of taxes					16,869	-	16,869	-
Intergovernmental revenue					9,324	-	9,324	-
Investment earnings					20,667	1,674	22,341	3,034
Miscellaneous					3,195	420	3,615	-
Transfers					(18,996)	18,996	-	-
Unusual or infrequent item—flood damage:								
Grant revenues					2,500	-	2,500	-
Cleanup					(10,000)	-	(10,000)	-
Total general revenues, transfers, and unusual or infrequent item					456,996	21,090	478,086	12,527
Change in net position					117,664	9,319	126,983	3,905
Net position—beginning of period					1,616,147	539,077	2,155,224	395,568
Net position—end of period					$ 1,733,811	$ 548,396	$ 2,282,207	$ 399,473

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Budgetary Comparison Information

GASB 103 requires governments to present budgetary comparison information exclusively as RSI, removing the option to include as a basic financial statement.

Governments also are required to present (1) variances between original & final budget amounts & (2) variances between final budget & actual amounts.

Explanation of significant variances is required to be presented in notes to RSI.

If no changes between original and final budget – one column with both headings, no variance column

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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			
BUDGETARY REVENUES					
Taxes	$ 157,715	$ 157,715	$ -	$ 161,885	$ 4,170
Payments in lieu of taxes	16,218	15,853	(365)	15,737	(116)
Intergovernmental	1,560	2,002	442	1,597	(405)
Charges for services	13,299	13,299	-	13,905	606
Licenses, permits, and fees	2,712	3,220	508	3,532	312
Fines and forfeitures	8,262	8,262	-	7,853	(409)
Investment earnings	5,100	5,100	-	6,792	1,692
Miscellaneous	3,313	3,313	-	2,075	(1,238)
Total budgetary revenues	208,179	208,764	585	213,376	4,612
BUDGETARY EXPENDITURES					
Current:					
General government	29,786	29,138	(648)	29,097	(41)
Public safety	132,479	129,953	(2,526)	129,770	(183)
Public works	3,297	3,263	(34)	1,882	(1,381)
Culture and recreation	22,086	22,075	(11)	21,354	(721)
Social and economic development	12,095	12,038	(57)	11,614	(424)
Debt Service:					-
Principal	1,275	1,275	-	1,262	(13)
Interest and other charges	41	41	-	54	13
Capital outlay	1,105	1,105	-	1,103	(2)
Total budgetary expenditures	202,164	198,888	(3,276)	196,136	(2,752)
Budgetary excess of revenues over expenditures	6,015	9,876	3,861	17,240	7,364
BUDGETARY OTHER FINANCING SOURCES (USES)					
Proceeds from sale of capital assets	-	-	-	275	275
Transfers in	2,630	2,630	-	2,630	-
Transfers out	(1,871)	(2,713)	(842)	(662)	2,051
Total budgetary other financing sources (uses)	759	(83)	(842)	2,243	2,326
UNUSUAL OR INFREQUENT ITEM—FLOOD DAMAGE					
Grant revenues	-	2,500	2,500	2,500	-
Cleanup	-	(10,000)	(10,000)	(10,000)	-
Total	-	(7,500)	(7,500)	(7,500)	-
Net change in fund balances	6,774	2,293	(4,481)	11,983	9,690
Budgetary fund balance—beginning of period	55,009	55,009	-	55,009	-
Budgetary fund balance—end of period	$ 61,783	$ 57,302	$ (4,481)	66,992	$ 9,690
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				$ 66,992	

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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)	$ -
UNUSUAL OR INFREQUENT ITEM		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	$ 2,500	$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-

Note: This explanation of significant differences is shown in a tabular format. Governments can show this information in other styles such as paragraph form if they choose.

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Major Component Units

GASB 103 requires governments to present each major component unit separately in the reporting entity's statement of net position & statement of activities, unless doing so would reduce the readability of the financial statements.

If the readability of those statements would be reduced, combining statements of major component units should be included after the fund financial statements.

GASB 103 eliminates the option to present major component unit information solely in the reporting entity's notes to financial statements.

The criteria for determining a major component unit remains unchanged from GASB 14 & continues to be based on the nature & significance of its relationship to the primary government.

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Financial Trends Information in the Statistical Section

- In the statistical section of separately issued financial reports, governments engaged solely in business-type activities, or in business-type and fiduciary activities, should present revenues by major source and distinguish among operating, noncapital subsidy, and other nonoperating revenues and expenses.

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GASB 103

Impact to Proprietary Funds

Proprietary Fund Statement of Revenues, Expenses, & Changes in Fund Net Position

Nonoperating

- Revenues & expenses are defined as:
  - Subsidies received & provided
  - Contributions to permanent & term endowments
  - Revenues & expenses related to financing
    - *i.e.*, interest income & expense
  - Resources from the disposal of capital assets & inventory, &
  - Investment income & expenses.

Operating

- Revenues & expenses other than nonoperating revenues & expenses.
  - These classifications should generally align with how transactions are reported in the statement of cash flows.

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Proprietary Fund Statement of Revenues, Expenses, & Changes in Fund Net Position

Subsidies

Resources received from another party or fund

- For which the proprietary fund does not provide goods & services to the other party or fund &
- That directly or indirectly keep the proprietary fund's current or future fees & 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 & services to the proprietary fund &
- That are recoverable through the proprietary fund's current or future pricing policies

All other transfers

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Subsidies

Capital subsidies

- Limited by providers – including other funds – to be used for:
  - Capital asset acquisition (including constructing, developing, or improving),
  - Capital debt service payment, or
- Which are donations of capital assets; or
- Capital subsidies received are reported within other nonoperating revenues and expenses

Noncapital subsidies

- Subsidies that don’t meet the criteria to be capital subsidies
- Noncapital subsidies received and provided are
  - Reported in their own new section of a proprietary fund’s activity statement, immediately following net operating income (loss)
  - Included, together with net operating income (loss), in new subtotal “Operating income (loss) and noncapital subsidies”

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Sample City

Statement of Revenues, Expenses, and Changes in Fund Net Position

Proprietary Funds

for the Year Ended June 30, 20X5

(amounts expressed in thousands)

See Exhibit 21 for an illustration of an optional combining statement of internal service funds.

	Enterprise Funds				
	Public Utility	Transit Authority	Golf Courses	Total	Internal Service Funds
OPERATING REVENUES					
Charges for services	$ 41,003	$ 18,636	$ 2,561	$ 62,200	$ 42,523
Miscellaneous	283	33	104	420	78
Total operating revenues	41,286	18,669	2,665	62,620	42,601
OPERATING EXPENSES					
Personnel services	13,991	-	-	13,991	5,786
Contractual services	13,952	16,406	4,893	35,251	4,117
Insurance claims and expenses	-	-	-	-	26,388
Depreciation	11,767	8,972	2,375	23,114	415
Other	1,067	-	165	1,232	7,834
Total operating expenses	40,777	25,378	7,433	73,588	44,540
Operating income (loss)	509	(6,709)	(4,768)	(10,968)	(1,939)
NONCAPITAL SUBSIDIES					
Intergovernmental revenue	-	-	-	-	881
Transfers in	-	2,090	110	2,200	300
Transfers out	(1,980)	-	-	(1,980)	-
Total noncapital subsidies	(1,980)	2,090	110	220	1,181
Operating income (loss) and noncapital subsidies	(1,471)	(4,619)	(4,658)	(10,748)	(758)
OTHER NONOPERATING REVENUES (EXPENSES)					
Investment earnings	1,496	75	103	1,674	446
Gain from the sale of capital assets	-	-	-	-	3
Interest expense	(1,910)	(448)	(963)	(3,321)	-
Capital contributions	2,938	-	-	2,938	-
Transfers in—restricted for capital assets	1,032	15,360	2,384	18,776	1,215
Total other nonoperating revenue (expenses)	3,556	14,987	1,524	20,067	1,664
Increase (decrease) in fund net position	2,085	10,368	(3,134)	9,319	906
Fund net position—beginning of period	331,657	177,997	29,423	539,077	12,387
Fund net position—end of period	$ 333,742	$ 188,365	$ 26,289	$ 548,396	$ 13,293

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Major Fund Determination Impacted by GASB 103

Pre-GASB 103

Operating revenues	
Water revenues	$ 73,881
Wastewater revenues	36,608
Recycled water revenues	1,888
Total operating revenues	112,377
Operating expenses	
Water purchases	28,501
Water operations	27,074
Wastewater operations	16,311
Recycled water operations	2,144
General and administrative	15,963
Depreciation/amortization	27,541
Total operating expenses	117,534
Operating income (loss)	(5,157)
Nonoperating revenues (expenses)	
Property taxes	16,519
Intergovernmental revenue	1,677
Lease revenue	3,477
Investment income, net	14,382
Interest expense	(3,343)
Total nonoperating revenues (expenses)	32,712
Income before contributions, transfers and extraordinary item	27,555
Capital contributions	59,766
Transfers in	2,570
Transfers out	(1,415)
Extraordinary item - earthquake (see note X)	(316)
Change in net position	88,160
Net position - beginning of year	781,633
Net position - end of year	$ 869,793

Total revenues ≈ 148,400

Total expenses ≈ 120,900

Non-operating revenues & expenses

GASB 103

Operating revenues	
Water revenues	$ 73,881
Wastewater revenues	36,608
Recycled water revenues	1,888
Lease revenue	3,477
Total operating revenues	115,854
Operating expenses	
Water purchases	28,501
Water operations	27,074
Wastewater operations	16,311
Recycled water operations	2,144
General and administrative	15,963
Depreciation/amortization	27,541
Total operating expenses	117,534
Operating income (loss)	(1,680)
Noncapital subsidies	
Property taxes	16,519
Intergovernmental revenue	1,677
Transfers in	570
Transfers out	(1,415)
Total noncapital subsidies	17,351
Operating income (loss) and noncapital subsidies	15,671
Other nonoperating revenues (expenses)	
Investment income, net	14,382
Capital contributions	59,766
Transfers in	2,000
Interest expense	(3,343)
Total other nonoperating revenues (expenses)	72,805
Income (loss) before infrequent item	88,476
Infrequent item - earthquake (see note X)	
Grant revenues	2,172
Emergency response and clean up	(2,488)
Total infrequent item	(316)
Change in net position	88,160
Net position - beginning of year	781,633
Net position - end of year	$ 869,793

Total revenues ≈ 210,800

Total expenses ≈ 122,300

Non-operating revenues & expenses

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Implementation Guide 2025-1 Q&A

Interest Revenues & Expenses

- **Q** – Paragraph 13 of Statement No. 103, Financial Reporting Model Improvements, indicates that interest revenues of a proprietary fund established to provide loans to first-time homeowners should be reported as operating revenues because those transactions constitute the proprietary fund's principal ongoing operations. If this proprietary fund reports interest expenses associated with borrowings that finance operations, would the interest expenses be reported as operating expenses?
- **A** – No. Interest expenses related to financing are always reported as nonoperating expenses. The interest revenues are related to the operations of the program, whereas the interest expenses are related to how the fund obtained resources (financing) to operate its lending program.

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Implementation Guide 2025-1 Q&A

Interest Revenues – BTA

- **Q** – If the principal ongoing operation of a business-type activity (BTA) or an enterprise fund is leasing property to other entities, should interest revenue related to leases be reported as operating revenue?
- **A** – No. Interest revenue is a revenue related to financing, which, in accordance with paragraph 13 of Statement 103, is a nonoperating revenue **unless** financing transactions constitute the proprietary fund's **principal ongoing operations**. If the principal ongoing operation of a BTA or an enterprise fund is leasing property to other entities, the principal ongoing operation is conveying control of the right to use an underlying asset. Because interest revenue related to a lease is recognized from financing the operation of conveying control of the right to use an underlying asset, rather than from the operation itself, interest revenue from a lease should not be reported as operating revenue.

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Implementation Guide 2025-1 Q&A

Subsidies

- **Q** – Some BTAs that are component units of a state or local government receive annual operating subsidies or capital-related appropriations from their primary government. Should those payments from the primary government be reported as operating revenues, noncapital subsidies, or nonoperating revenues?
- **A** – Appropriations meet the definition of a subsidy. Appropriations for noncapital-related purposes should be reported as noncapital subsidies. Appropriations for capital-related purposes should be reported as other nonoperating revenues and expenses.

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Implementation Guide 2025-1 Q&A

PILOTS as Subsidies

- **Q** – Do payments in lieu of taxes (PILOTs) made by a BTA or a proprietary fund meet the definition of subsidies?
- **A** – It depends on the substance of the transaction. In many circumstances, a PILOT is an arrangement in which (a) a payment from a BTA or proprietary fund is made either to the general fund of the primary government or to another government to compensate for tax revenue lost due to tax exemptions for the purpose of supporting general governmental activities & (b) the BTA or proprietary fund establishes a rate or fee that produces operating income greater than or equal to the amount of the PILOT. In these circumstances, the PILOT would meet the definition of subsidies. However, in other circumstances, a PILOT is a payment from a BTA or proprietary fund to another government or fund for goods or services provided to the BTA or proprietary fund. In those circumstances, the PILOT would not meet the definition of subsidies. The name of the arrangement is not relevant to the determination of whether it is a subsidy for accounting & financial reporting purposes.

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Implementation Guide 2025-1 Q&A
Healthcare Subsidies

- **Q** – An insured individual receives covered healthcare services from a governmental healthcare provider, resulting in recognition of a revenue & receivable by the governmental healthcare provider. The third-party insurer is responsible for making payments to the governmental healthcare provider in accordance with the terms of the insurance contract. Does this circumstance meet the criterion established in paragraph 14a of Statement 103 for purposes of the definition of subsidies?
- **A** – No. Even though the third-party insurer did not directly receive goods or services from the governmental healthcare provider, those payments do not meet the criterion in paragraph 14a. The insured individual received goods or services from the governmental healthcare provider that resulted in the healthcare provider receiving resources in the form of a receivable. The third-party insurer is paying the governmental healthcare provider in place of the insured individual because of the contractual relationship between the insured individual & the third-party insurer.

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Implementation Guide 2026-1 Q&A
Donations for Scholarships

- **Q** – A higher education institution that reports as a BTA or an enterprise fund receives donations that it will use to award scholarships to its students. The donations are from parties who do not receive goods or services in return. Do those donations meet the definition of subsidies in paragraph 14a of Statement 103?
- **A** – Yes. Those donations received by the higher education institution are (a) received from parties who have not received goods or services from the higher education institution as a result of the donations and (b) used to award scholarships, which directly lower the resources received from students for tuition, and, therefore, the donations keep the higher education institution's current or future tuition or other charges lower than they would be otherwise. As a result, those donations meet the definition of subsidies because both criteria in paragraph 14a are met.
- **Q** – Would the answer to Question above be different if published tuition rates do not change based on the donations received by the higher education institution that it will use to award scholarships to its students?
- **A** – No. Regardless of whether published tuition rates change, donations that the higher education institution will use to award scholarships to its students directly lower the resources it receives from students for tuition, and, therefore, those donations keep current or future tuition or other charges lower than they would be otherwise. As a result, even if published tuition rates do not change, those donations meet the definition of subsidies in paragraph 14a of Statement 103.

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Implementation Guide 2026-1 Q&A
Research Grants

- **Q** – Do research grants received by a higher education institution that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?
- **A** – It depends on the facts and circumstances of the transaction. In many cases, research grants would not meet the definition of subsidies because the grantor is receiving a good or service from the higher education institution as a result of the research grant, and, therefore, the criterion in paragraph 14a(1) would not be met. However, if goods or services are not provided to the grantor as a result of the research grant, the grant may meet the definition of subsidies if the grant proceeds received would allow the higher education institution to directly or indirectly keep the tuition or other charges lower than they would be otherwise. Professional judgment should be applied to determine whether the grant proceeds directly or indirectly keep current or future tuition or other charges lower than they would be otherwise.

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Implementation Guide 2026-1 Q&A
Taxes Imposed by BTA

- **Q** – Do taxes reported by a BTA that are derived tax revenues or imposed nonexchange revenues in accordance with paragraphs 7a and 7b of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, meet the definition of subsidies in paragraph 14a of Statement 103?
- **A** – Yes. Those taxes meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the BTA as a result of the tax and (b) directly or indirectly keep the BTA's current or future fees and charges lower than they would be otherwise.

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Implementation Guide 2026-1 Q&A
Passenger Facility Charges

- **Q** – Passenger Facility Charges regulated by the Federal Aviation Administration (FAA) fund airport projects approved by the FAA. Do Passenger Facility Charges received by an airport that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?
- **A** – Yes. Similar to Question above, Passenger Facility Charges are imposed on passengers. They meet the definition of subsidies because they (a) are received from passengers (through their airline ticket) who do not directly receive goods or services from the airport as a result of the Passenger Facility Charges and (b) allow the airport to directly or indirectly keep current or future fees and charges to airlines lower than they would be otherwise.

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Implementation Guide 2026-1 Q&A
Subsidies Received

- **Q** – How should a proprietary fund or BTA classify subsidies it receives if the provider of the resources limits the use to debt service for capital-related debt?
- **A** – In this circumstance, subsidies should be classified by the recipient as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt.

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Other Considerations

Footnote Changes

1. Summary of significant accounting policies in footnote 1 should be updated from prior year
2. Update definitions of operating and non-operating revenues and expenses

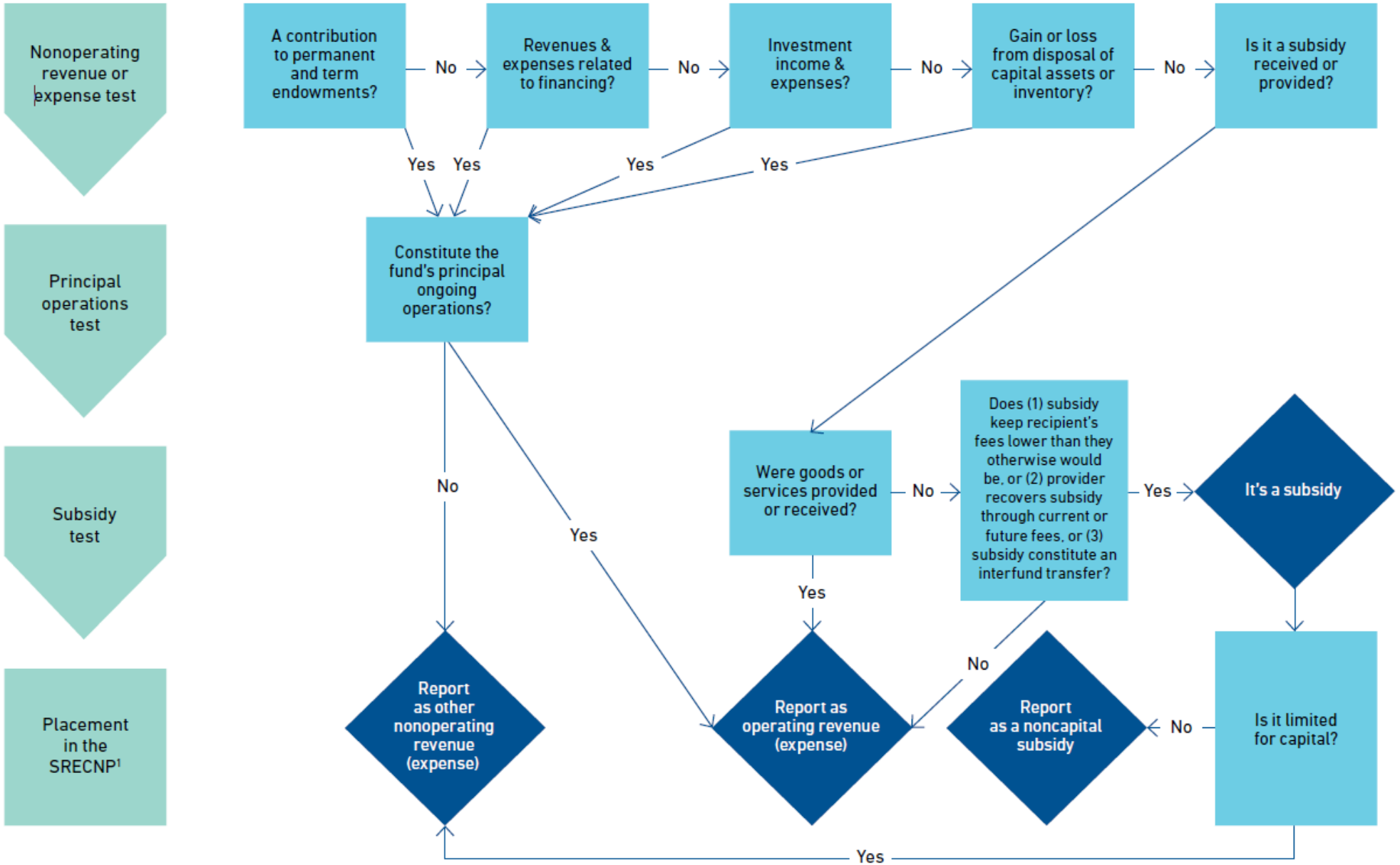
Statement of Cash Flows

1. Potential differences in classification between operating statement and statement of cash flows
2. If item is included in operating income on the statement of revenues, expenses, and changes in net position, it should be presented as a reconciling item on statement of cash flows

Tip - Document your decisions for where to record revenue

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GFOA GASB 103: Proprietary Fund Transactions Reporting



Where Does it Go?

1. Investment income
2. Charges for services
3. “Franchise Fee” – received by general fund from water fund. Determined each year by multiplying the estimated assessed valuation of the water and sewer plant by the city's property tax rate.
4. Interfund reimbursements – repayments from the funds responsible for particular expenditures or expenses to the funds that initially paid for them
5. Grant from DOT that did not specify a required project but the City intends to use the majority of the grant for capital improvements.
6. Airport has a long-term lease for use of hangars and storage. The monthly rent is $1,300, consisting of $1,000 for use of the facility and $300 for interest.

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02

GASB 104, *Disclosure of Certain Capital Assets*



Effective Date

	Implement for Fiscal Years Ending			
Fiscal Years Beginning After	March 31	June 30	September 30	December 31
June 15, 2025	2027	2026	2026	2026

The requirements of GASB 104 are effective for fiscal years beginning after June 15, 2025, & all reporting periods thereafter.

Earlier application is encouraged.

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GASB 104, Disclosure of Certain Capital Assets

	Balance Beginning of Year	Additions	Deletions	Balance End of Year
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 50,067,172	$ -	$ -	$ 50,067,172
Development in progress	-	53,114	53,114	-
Construction in progress	22,974,097	12,357,720	25,461,699	9,870,118
Total capital assets, not being depreciated	73,041,269	12,410,834	25,514,813	59,937,290
Capital assets, being depreciated				
Buildings	191,856,915	24,608,316	-	216,465,231
Machinery, equipment and vehicles	33,208,145	3,377,142	935,135	35,650,152
Infrastructure	206,411,089	1,415,056	-	207,826,145
Intangible assets				
Subscription assets	-	95,219	-	95,219
Lease assets - equipment	938,657	60,017	938,657	60,017
Total capital assets, being depreciated	432,414,806	29,555,750	1,873,792	460,096,764
Less accumulated depreciation for:				
Buildings	(78,425,803)	(4,767,749)	-	(83,193,552)
Machinery, equipment and vehicles	(21,468,057)	(2,138,804)	(925,961)	(22,680,900)
Infrastructure	(120,858,864)	(5,353,077)	-	(126,211,941)
Intangible assets				
Subscription assets	-	(23,805)	-	(23,805)
Lease assets - equipment	(375,464)	(57,165)	(426,203)	(6,426)
Total accumulated depreciation	(221,128,188)	(12,340,600)	(1,352,164)	(232,116,624)
Total capital assets, being depreciated, net	211,286,618	17,215,150	521,628	227,980,140
Total governmental activities capital assets	$ 284,327,887	$ 29,625,984	$ 26,036,441	$ 287,917,430

Disclose:

- Amount of lease assets by major classes of underlying assets
- Estimated useful lives used for each major class of depreciable capital assets
- Don't forget about subscription assets and PPP-related assets

Capital asset classes	Estimated useful lives (years)
Infrastructure	75 – 100
Buildings	10 – 75
Improvements	10 – 50
Machinery, equipment, and vehicles	5 – 20
Water distribution system	50 – 75

Right-to-use lease equipment and subscription assets are amortized over the life of the associated contract.

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Capital assets are *held for sale* if:

- The government has decided to pursue the sale of the asset, and
- It is ***probable*** (i.e., likely to occur) that the sale will be finalized within one year of the financial statement date

Evaluate each reporting period

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GASB 104

Disclosures – Capital Assets Held for Sale

- Disclose the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset
- Disclose the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset
- A capital asset held for sale should continue to be reported within the appropriate major class of capital asset within the footnote
- Example 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.

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Capital Assets Held for Sale Implementation

Retroactive application to all periods presented, if practicable

- Need note disclosures of capital assets held for sale as of the end of each year presented
- Look back as of end of prior year to determine if would have been “held for sale” as of issuance dates
  - Had decision to pursue sale been made?
  - Was sale probable of being finalized within one year of financial statement date?

Disclosures in year of transition

- Standard was implemented
- Any financial statement line items affected (except totals)
- If restatement was not practicable, explain why not

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03

GASB 105, *Subsequent Events*



Effective Date

	Implement for Fiscal Years Ending			
Fiscal Years Beginning After	March 31	June 30	September 30	December 31
June 15, 2026	2028	2027	2027	2027

The requirements of GASB 105 are effective for fiscal years beginning after June 15, 2026, & all reporting periods thereafter.
Earlier application is encouraged.

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GASB 105, Subsequent Events

- Recognized Events
  - Indicative of conditions existing at the financial statement date and that inform the inputs used in an accounting estimate measured as of that date
- Nonrecognized Events
  - Have a significant effect (favorable or unfavorable) on the basic financial statements in the period in which the event occurs. Either are:
    - One of the following specific events: debt-related transaction, combination/disposal, change to legally separate entities, or
    - Of such a nature to be essential to a user's analysis for making decisions or assessing accountability
- Subsequent Event Timeframe:
  - Date the financial statements are available to be issued

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Note Disclosures

All governments – Disclose the date through which subsequent events have been evaluated (i.e. the date on which the financial statements are available to be issued)

- Even if **no subsequent events occurred**

Governments with *nonrecognized* subsequent events – Disclose, *by financial reporting unit*

- Description of the nonrecognized event and its effects
- Estimate of the amount of the effect or the reason why an estimate of the amount cannot be made

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04

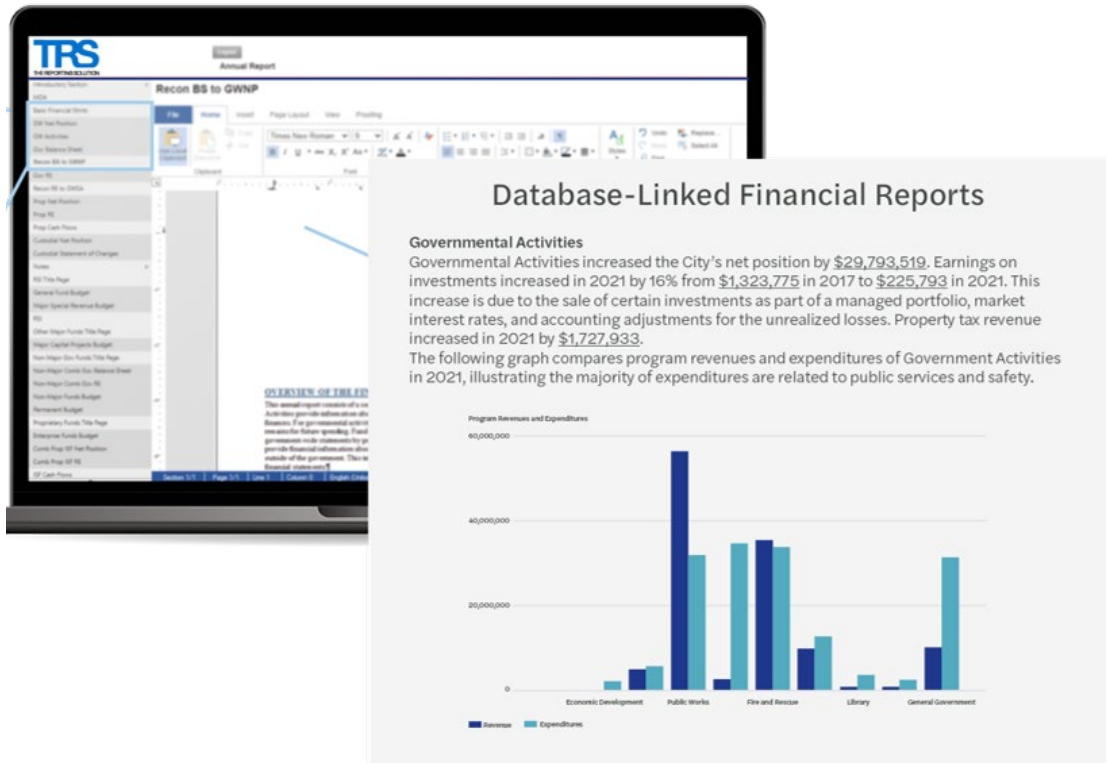
The Reporting Solution (TRS) – Annual Financial Report Preparation Software



The Reporting Solution (TRS)

Annual Financial Report Preparation Software

- Web-based software used to prepare the annual financial report, which updates in real time
- Dynamic financial statements that can be linked in the narrative
- During implementation, our team replicates the prior year within TRS to streamline training and provide proof of concept
- Access to TRS support staff in subsequent years
- Software is updated to support implementation of new GASB pronouncements



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Live Demo of TRS



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