

A Clear Path Forward: Implementing GASB 103 & 104

Ana Brantley, CPA, CGFM

Division of Local Government Audit

May 6, 2026

TENNESSEE COMPTROLLER OF THE TREASURY



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.





More GASB Statements?



Effective Dates

FYE December 31, 2024 and after:

- GASBS 101 – Compensated Absences



FYE June 30, 2025 and after:

- GASBS 102 – Certain Risk Disclosures



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



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

GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



01

Management's
Discussion &
Analysis (MD&A)

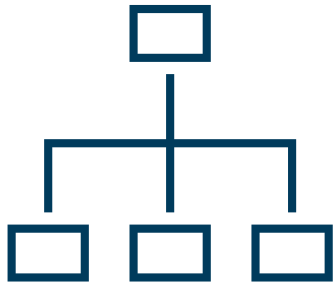


MD&A Format Changes

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	

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



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
- Should present information needed for detailed analysis in section 3

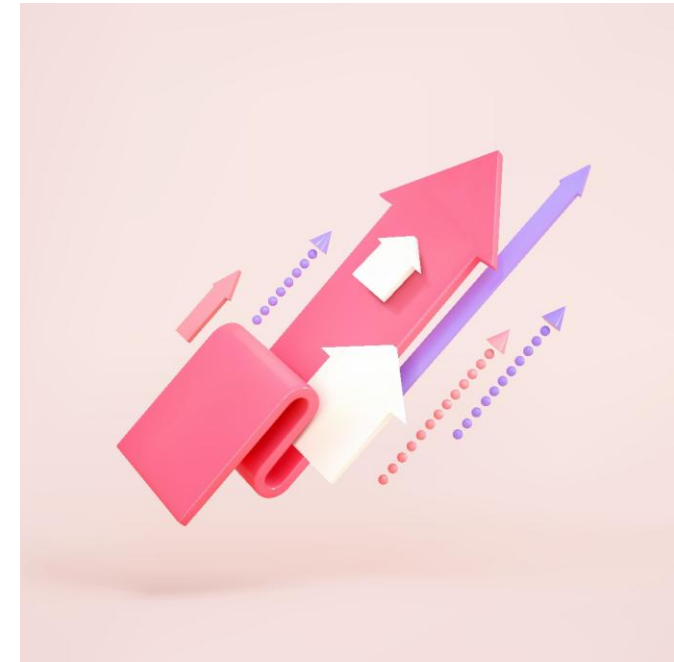
GASB 103:

Management's Discussion & Analysis (MD&A)

3. Detailed Analysis – Gov't-Wide

- Analysis of primary government's financial position and results of operations
- 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.



GASB 103:

Management's Discussion & Analysis (MD&A)

3. Detailed Analysis – Major Funds

- Analysis of fund balance/net position and results of operations
- Summarize significant changes to each major fund
- Explain WHY the changes occurred
- Indicate the magnitude of the changes

Also discuss restrictions, commitments, and assignments that significantly affect available fund resources for future use.

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

Also discuss any significant policy changes and important economic factors during the year.



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

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

GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



02

Unusual or
Infrequent Items





Unusual or Infrequent Items

Previous terms ~~special item~~ and ~~extraordinary item~~ are cancelled

Replaced now with **unusual or infrequent items**

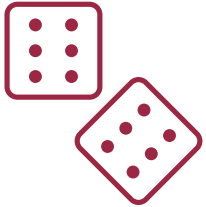
No change to definitions of unusual in nature or infrequent in occurrence in GASBS 62

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

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



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	<u>456,996</u>
Change in net position	117,664
Net position—beginning of period	<u>1,616,147</u>
Net position—end of period	<u>\$ 1,733,811</u>



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

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

GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



03

Proprietary Fund
Presentation



Summary of Changes

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

Operating vs. Nonoperating

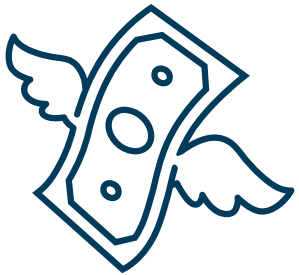
- **Nonoperating:**
 - a. **Subsidies** received and provided
 - b. Contributions to permanent and term endowments
 - c. Revenues and expenses related to financing
 - d. Resources from disposal of capital assets and inventory
 - e. Investment income and expenses
- **Operating:**
 - Revenues and expenses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

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.

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
 - 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
 - ii. That are recoverable through the proprietary fund's current or future pricing policies.
 - c. All other transfers



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

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

GASB 103:

Proprietary Fund Presentation

	<u>Public Utility</u>
OPERATING REVENUES	
Charges for services	\$ 41,003
Miscellaneous	283
Total operating revenues	<u>41,286</u>
OPERATING EXPENSES	
Personnel services	13,991
Contractual services	13,952
Insurance claims and expenses	-
Depreciation	11,767
Other	1,067
Total operating expenses	<u>40,777</u>
Operating income (loss)	<u>509</u>

NONCAPITAL SUBSIDIES	
Intergovernmental revenue	-
Transfers in	-
Transfers out	<u>(1,980)</u>
Total noncapital subsidies	<u>(1,980)</u>
Operating income (loss) and noncapital subsidies	<u>(1,471)</u>

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	<u>1,032</u>
Total other nonoperating revenue (expenses)	<u>3,556</u>
Increase (decrease) in fund net position	2,085

Fund net position—beginning of period	<u>331,657</u>
Fund net position—end of period	<u>\$ 333,742</u>



Things to Consider

- Internal service funds are also proprietary funds
 - New format changes apply
- NOT applicable to fiduciary funds
- Major fund determination is affected
 - Noncapital 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





GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

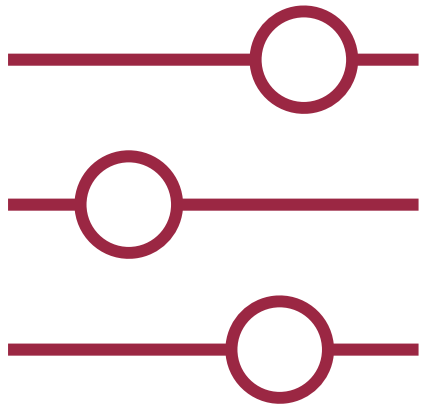
Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



04

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.

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

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

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

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)

<u>Energy Authority</u>	<u>Airport</u>	<u>Nonmajor Component Units</u>	<u>Total (See Exhibit 2)</u>
-----------------------------	----------------	---	----------------------------------

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

GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



05

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

Budgetary Comparison Variances

- New variance columns **required:**
 1. Original to final budget
 2. Final budget to actual results
- New explanation of significant variances presented in Notes to RSI for both:
 1. Original to final budget
 2. Final budget to actual results



Budgetary Comparison Variances

Required Supplementary Information

Sample City

Budgetary Comparison Schedule

General Fund

for the Year Ended June 30, 20X5

(amounts expressed in thousands)

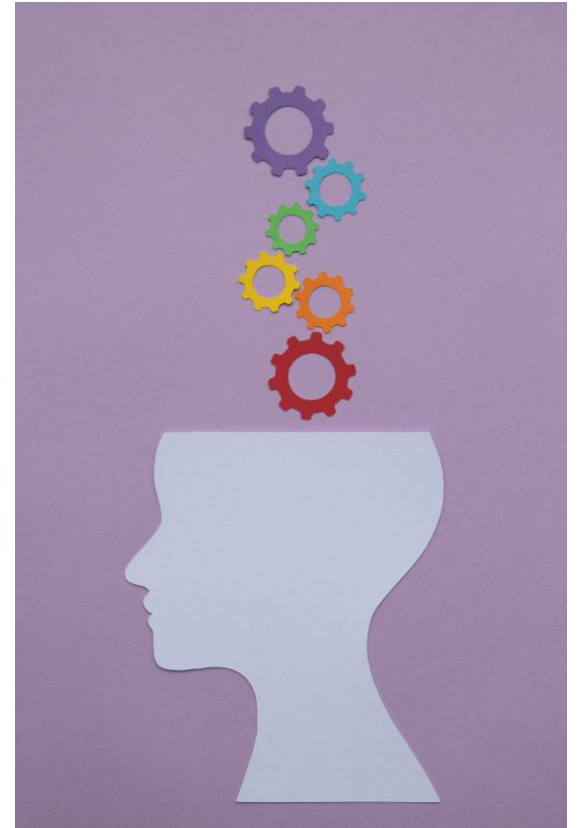


<u>Budgeted Amounts</u>		<u>Variance with Original Budget— over (under) Final Budget</u>	<u>Actual Amounts Budgetary (and GAAP) Basis</u>	<u>Variance with Final Budget— over (under) Actual Amounts</u>
<u>Original</u>	<u>Final</u>			

Both variance columns are **required**

Anything Else to Consider?

- Since budgetary comparisons are now RSI:
 - any budgetary disclosures move from footnotes to the Notes to RSI section
- More explanations are required for budget variances than before – so be prepared at year-end for your auditor



A Moment of Relief

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



GASB 103: Areas Affected

01

Management's
Discussion &
Analysis
(MD&A)

02

Unusual or
Infrequent
Items

03

Proprietary
Fund
Presentation

04

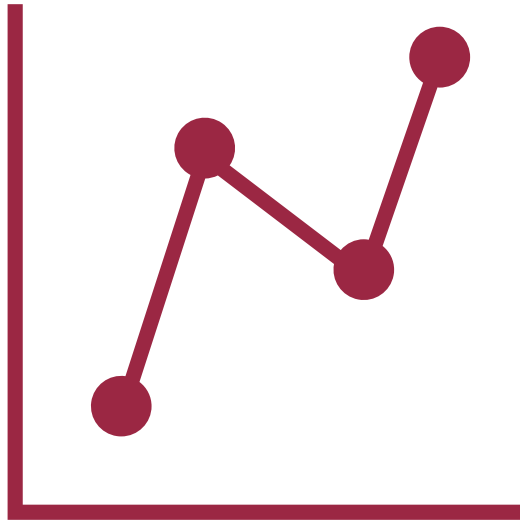
Major
Component
Unit
Information

05

Budgetary
Comparison
Information

06

Financial Trends
Information in
the Statistical
Section



06

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



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.



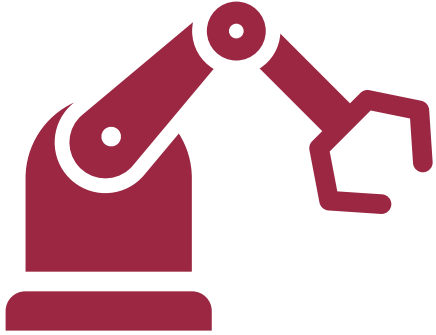
GASB 2025 Implementation Guide



- Issued June 2025
- Effective for fiscal year ending June 30, 2026 and after
 - Except question 4.16 effective upon issuance
- 16 new Q&As
- Related to GASB 100, 101, and 103

GASB 104: Disclosure of Certain Capital Assets

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

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

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

	Primary Government			Ending Balance
	Beginning Balance	Increases	Decreases	
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	<u>32,399</u>	<u>15,240</u>	<u>(19,204)</u>	<u>28,435</u>
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	<u>218,431</u>	<u>20,480</u>	<u>(5,363)</u>	<u>233,548</u>
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	<u>(49,778)</u>	<u>(7,325)</u>	<u>2,097</u>	<u>(55,006)</u>
Governmental activities capital assets, net	<u>\$ 201,052</u>	<u>\$ 28,395</u>	<u>\$ (22,470)</u>	<u>\$ 206,977</u>

Capital assets being depreciated:

Buildings and improvements

Equipment

Road network

Bridge network

→ Software

→ Lease assets:

Buildings

Equipment

Lease assets by
major class

→ Subscription assets

Total capital assets being depreciated

Capital Assets Held for Sale



- 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

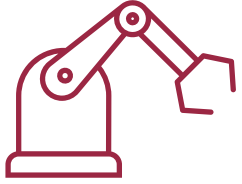
Capital Assets Held for Sale

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

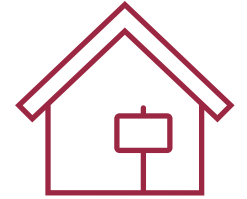
Government should evaluate each year whether a capital asset is considered held for sale

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?



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.

Looking Ahead

GASB 105 – Subsequent events

- Issued December 2025
- Effective for FYE 6/30/27

Various projects related to:

- Subsidy implementation guide
- Infrastructure Assets
- Going concern / financial stress
- Revenue and expense recognition

Contact Information

Ana Brantley, CPA, CGFM

Senior Standards Research and Compliance Specialist

Division of Local Government Audit

615-747-5242

ana.brantley@cot.tn.gov

