

A photograph of a modern, multi-story building with large glass windows and a prominent entrance. The building is surrounded by palm trees and landscaped greenery. The sky is a vibrant mix of orange, yellow, and blue, suggesting a sunset or sunrise. The text is overlaid on the left side of the image.

# **GASB 103, Financial Reporting Model Improvements**

**What's Changing and How do we Implement?**

**Monday, June 15<sup>th</sup>**

**1:30pm – 2:20pm**

# Today's Speaker



**Danny Martinez**

*Partner, CFO Advisory*



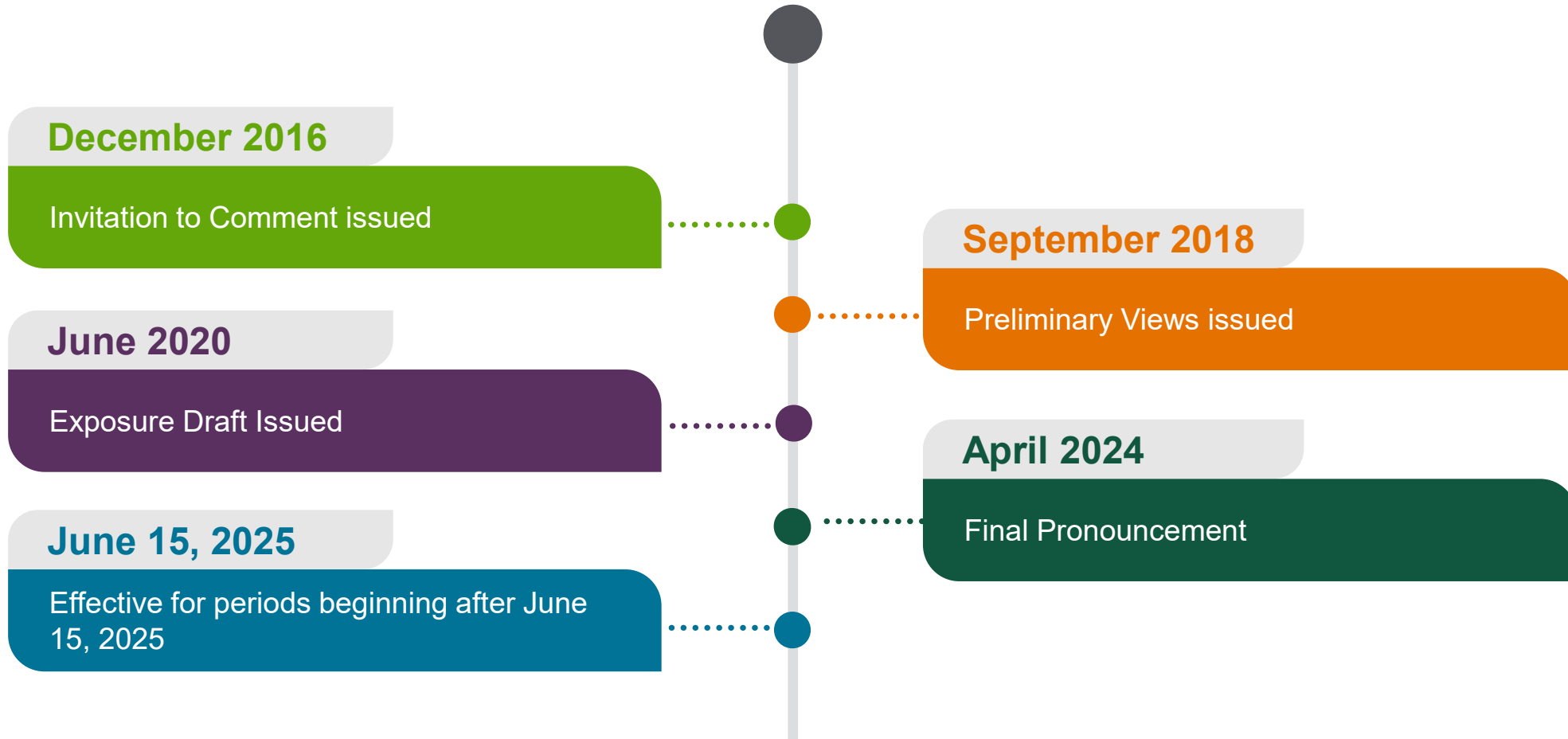


# Agenda

- ▶ GASB 103, Financial Reporting Model Improvements
- ▶ Two Biggest Changes for School Districts Advice
  - Management's Discussion and Analysis
    - AI-Enabled Assessment
  - Budgetary Comparison Information
- ▶ Other Changes
  - Classification Presentation of Proprietary Fund Statement of Revenues, Expenses, and Changes in Fund Net Position
  - Major Component Unit Information
  - Unusual or Infrequent Items
- ▶ Implementation Guidance Throughout
- ▶ GASB 103 Readiness Checklist and MD&A Assessment
- ▶ Questions?



# GASB 103 Timeline



# GASB 103

To improve key components of the financial reporting model and enhance effectiveness:

- ▶ Management's Discussion and Analysis
- ▶ Budgetary Comparison Information
- ▶ Classification and Presentation of Proprietary Fund Statements
- ▶ Major Component Unit Information
- ▶ Unusual or Infrequent Items





# Two Biggest Changes



# MD&A Topics

## GASB 103

- ▶ Overview of the financial statements.
- ▶ Financial summary.
- ▶ Detailed analysis.
- ▶ Significant capital asset and long-term financing activity.
- ▶ Currently known facts, decisions or conditions.



## GASB 34

- ▶ Overview of the financial statements.
- ▶ Condensed financial information.
- ▶ Analysis of overall financial position.
- ▶ Analysis of individual funds.
- ▶ Analysis of budget variations.
- ▶ Significant capital asset and long-term debt activity.
- ▶ Discussion on modified approach if applicable.
- ▶ Description of currently known facts, decisions or conditions.



# Moving from GASB 34 to GASB 103

## What's Changed?

- ▶ Budgetary analysis removed
- ▶ Information related to the modified approach for capital assets removed
- ▶ Required line items and subtotals
- ▶ Must present all long-term financing activity

## What's Emphasized/Encouraged?

- ▶ Avoid boilerplate language
- ▶ Focus on why line item changes are occurring, not just dollar and percentage information
- ▶ Utilize visual elements
- ▶ Be sure to include intangible capital assets
- ▶ Examples are given for currently known facts, decisions, or conditions that should be reported



# Boilerplate Fun



## Bad Example

- ▶ “Expenses went down due to the COVID-19 pandemic”
- ▶ Auditor points out that expenses actually went up
- ▶ “Expenses went up due to the COVID-19 pandemic”



## Good Example

- ▶ “Expenses for food services programs, at 5.6 percent of total expenses, increased 20.1 percent in 20X5.
- ▶ Aside from the contract-related increases in food services programs (approximately half of the food services costs were contract related), the expense increase in this area related primarily to the one-time cost of a feasibility study to assess the physical condition of the kitchen and other food preparation areas and estimate the need for capital investment in those assets.”



# Implementation Guidance

- ▶ Start before year end by evaluating issued fiscal year 2025 MD&A against new criteria
  - Do you have appropriate “whys” or are they vague?
  - Are you using a boilerplate template that your government has outgrown?
  - Mark up areas that you are unsure fall within one of the five required topics in GASB 103
  - Ensure you have information available for all of your long-term financing activity and update templates in that section
  - How visually stimulating is it?



# Implementation Guidance

- ▶ Remember to block off additional time during issuance to update the MD&A
  - You won't be able to treat it as a cut/paste/replace exercise this year (you shouldn't have been anyway)
- ▶ Use Technology!



**GASB 103 Assistant**



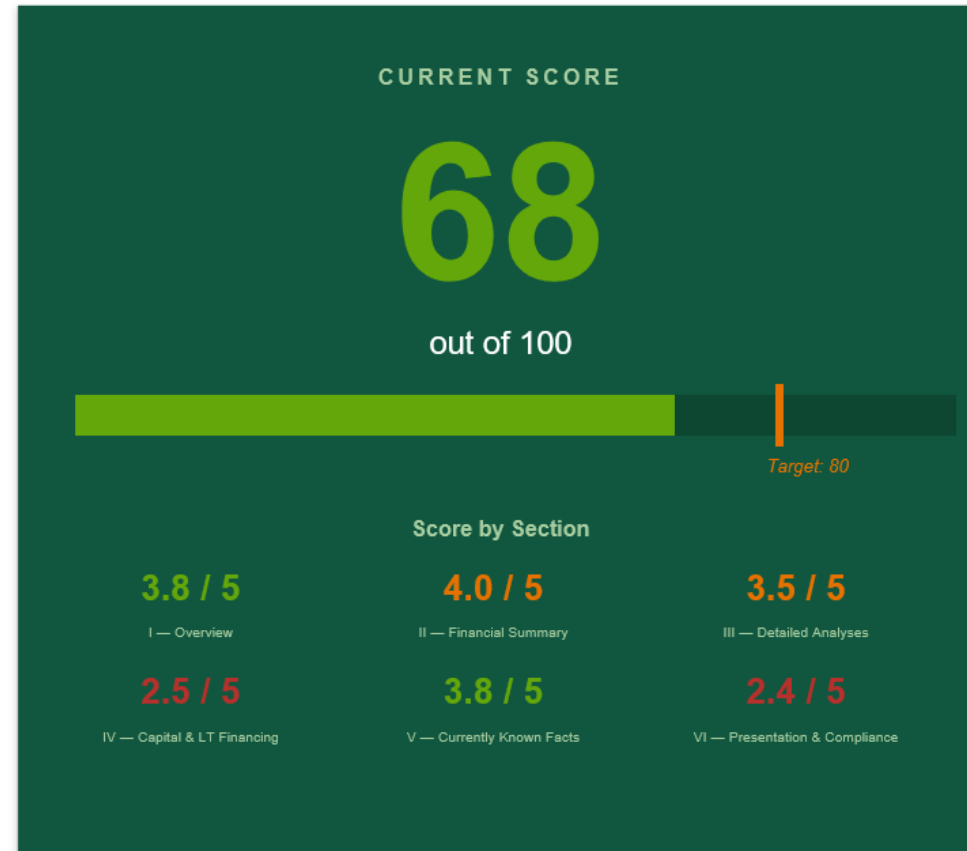
# MD&A AI-Enabled Assessment Results

## ASSESSMENT OVERVIEW

### Current-State Assessment Summary

#### Scoring Scale (1–5)

- 1** **Materially Deficient**  
Key GASB 103 elements missing or incorrect; compliance risk.
- 2** **Present but Insufficient**  
Content exists but is incomplete, generic, or lacks analytical value.
- 3** **Baseline Compliance**  
Meets minimum GASB 103 expectations; lacks depth or tailoring.
- 4** **Strong Practice (Target)**  
High-quality, tailored, analytical, decision-useful; exceeds baseline.
- 5** **Leading Practice**  
Exemplary clarity and insight; best-in-class performance.



# MD&A AI-Enabled Assessment Results

## CURRENT STATE ANALYSIS

### Key Strengths in the Current MD&A

#### ✓ Strong Overview with Entity-Specific Tailoring

3.8 / 5.0 — Section I

The District's MD&A provides a solid overview of fund financial statements, distinguishes entity-wide vs. fund perspectives, and explains reconciliations between governmental funds and government-wide statements. The narrative identifies all major funds and the internal service fund's purpose for insurance and benefits. The overview is tailored to the District's specific operations, including the identification of major governmental funds and their purposes. This content forms a strong foundation for Section 1 (Overview of the Financial Statements) under GASB 103.

#### ✓ Complete Condensed Financial Information Elements

Q3-Q4: 4 / 5 — Section II

The MD&A includes a condensed net position summary distinguishing capital vs. other assets, liabilities, deferred outflows/inflows, and net position components, as well as a condensed changes in net position summary distinguishing program revenues, general revenues, expense by function, total revenues/expenses, and net change. The District operates without business-type activities; the MD&A appropriately focuses on governmental activities and explains internal service funds' presentation. This approach should be maintained as-is, as it fully satisfies the required elements for GASB 103's Financial Summary section.

#### ✓ Solid Major Fund Balance & Results Analysis

Q9: 3 / 5 — Section III

The MD&A analyzes total governmental fund balances and discusses each major fund (General Fund, Federal Programs Fund, and capital project funds) with balances and key drivers. The major fund narrative includes meaningful "why" drivers (e.g., property tax revenue increase offset by instruction expenditure increase) with magnitudes. Some context users may not know is provided (e.g., federal relief funding relating to the Federal Programs Fund; purpose of restricted capital millage for facility improvement projects). Clearer articulation of restrictions/assignments affecting future spending flexibility and linkage to sustainability would improve decision usefulness and push this score toward a 5.

#### ✓ Relevant & Decision-Useful Forward-Looking View

3.8 / 5.0 — Section V

The forward-looking section includes clearly relevant drivers: millage renewal timing, property value trends, ESSER expiration, charter school growth, near-term capital needs, and planned deficit spending. The MD&A explicitly ties the upcoming deficit plan (approx. \$38.5M) to reserve usage and identifies factors such as funding not keeping pace with rising costs and collective bargaining outcomes that could increase the deficit. This is exactly the decision-useful forward-looking explanation GASB 103 emphasizes. Adding quantified financial impact per item and a multi-year sustainability view would push this section to best-in-class.



# MD&A AI-Enabled Assessment Results

## CURRENT STATE ANALYSIS

### Gaps and Opportunities to Improve

HIGHEST PRIORITY

Q16: 2/5

#### Reorganize into the Five Required GASB 103 Sections

The MD&A follows a more traditional GASB 34-era flow (including budgetary highlights and capital assets/long-term debt sections) rather than being explicitly organized into the five GASB 103 sections. Noncompliant structure increases risk of missed required content (notably Section 5) and makes future-year transition harder, especially as GASB 103 becomes effective for fiscal years beginning after June 15, 2025. Re-header and restructure MD&A into GASB 103's five sections (Overview; Financial Summary; Detailed Analyses; Capital/Financing; Currently Known Facts). Move content into the appropriate section and add cross-references to avoid duplication. This single structural change has the highest impact-to-effort ratio of any recommendation in this report.

HIGH PRIORITY

Q18: 2/5

#### Remove General Fund Budgetary Highlights from MD&A

GASB 103 explicitly limits MD&A to its five required topic sections. The MD&A includes 'General Fund Budgetary Highlights,' which GASB 103 removes from MD&A scope. Including budgetary analysis in MD&A will be a clear compliance issue under GASB 103 and may trigger audit scrutiny of RSI conformance. Remove budgetary analysis from MD&A and instead ensure budgetary comparison RSI includes required variances. The MD&A should stand alone and cross-reference other MD&A sections where possible — remove instances of referencing the notes to the financial statements. Place explanations of significant variances in the notes to RSI.

ANALYTICAL ENHANCEMENT

Q5: 2/5

#### Add Consistent \$ and % Change Columns to Condensed Tables

The MD&A includes some strong YOY indicators (e.g., net position change and percent; General Fund results compared to prior year; budget variance percentages). However, the condensed net position table is YOY in dollars but does not include separate dollar and percent change columns, and key drivers are discussed partly in bullets rather than a consistent YOY + % format. In each condensed financial table, add columns for \$ change and % change. In the narrative, reference only the most material lines (top 3–5 drivers).

ANALYTICAL ENRICHMENT

Q10-12: 2.5 avg

#### Expand Capital & Long-Term Financing Section (Section IV)

Capital assets and long-term debt sections exist but lack depth on capital asset additions/disposals, SBITAs, leases, and financing strategy. Policy and economic factors driving capital activity such as cost escalation, procurement strategy, and voter initiatives are not discussed, which GASB 103 emphasizes. Expand the section to include SBITAs (what they are used for, year's additions, remaining obligations), explicitly state whether leases are material, and expand on current COP paragraph explaining the remaining COP balance, planned payoff timeline, and constraints affecting future borrowing.



# MD&A AI-Enabled Assessment Results

## RECOMMENDATIONS

### Priority Action Plan

01

Structural Compliance — Highest Impact

#### Restructure MD&A Into GASB 103's Five Required Sections

- Re-header and restructure the MD&A into GASB 103's five sections: Overview of the Financial Statements; Financial Summary (Condensed Financial Information); Detailed Analyses; Capital Asset & Long-Term Financing Activity; Currently Known Facts. Move content into the appropriate section and add cross-references to avoid duplication.
- Remove instances of referencing the notes to the financial statements; the MD&A should stand alone and cross-reference other MD&A sections where possible
- GASB 103 is effective for fiscal years beginning after June 15, 2025; early adoption of this structure creates compliance readiness and reduces audit risk

02

Scope Discipline — Remove Budgetary Analysis

#### Remove 'General Fund Budgetary Highlights' from the MD&A

- Remove budgetary analysis from MD&A; ensure budgetary comparison RSI includes required variances and place explanations of significant variances in the notes to RSI
- If budget context is needed in the MD&A, limit it to a single sentence referencing the adopted budget amount under Section 5 (Currently Known Facts)
- The RSI budgetary comparison schedules already provide the required budget-actual variance information; duplication in the MD&A reduces its clarity and compliance
- Including budgetary analysis in MD&A will be a clear compliance issue under GASB 103 and may trigger audit scrutiny of RSI conformance

03

Capital & Financing Depth — Section IV

#### Expand Capital Asset & Long-Term Financing Disclosures

- Expand Section IV to include capital asset additions/disposals, SBITAs (purpose, year's additions, remaining obligations)
- Add 2–3 bullets on policy/economic factors: major project additions/disposals, planning updates, and key economic drivers (construction inflation, enrollment changes, aging buildings)
- Expand on current COP paragraph explaining the remaining COP balance, planned payoff timeline, and borrowing constraints
- Section IV at 2.5/5 is the second lowest-scoring section; these additions address the largest compliance gap after structural reorganization

04

Analytical Enhancement — % Change & Narrative

#### Add \$ and % Change Columns and Strengthen Government-Wide Analysis

- In each condensed financial table, add columns for \$ change and % change; in the narrative, reference only the most material lines (top 3–5 drivers)
- Add a short government-wide analysis that ties top revenue drivers (property tax, state sources) and top expense drivers (instruction, benefits) to operational factors
- Add a 'What changed in our environment' subsection: 2–4 items connecting external conditions (economic/demographic trends, legislative changes) to [line item](#) changes
- These enhancements strengthen Sections II and III and improve the overall analytical quality from baseline to decision-useful



# MD&A AI-Enabled Assessment Results

Section	Assessment Question	Score	Reason for Score	Gaps Identified	Recommended Improvements
3	Does the MD&A provide meaningful analysis of why revenues and expenditures changed and the magnitude, not just that the amounts and percentages that changed?	3	The major funds discussion includes meaningful “why” with magnitude—for example, General Fund drivers (property tax revenue increase and instruction expenditure increases).	The analysis appears stronger at the major fund level than at the government-wide level in the excerpted sections; GASB 103 pushes for sharper explanation of <i>why</i> overall operating results changed, not simply listing variances.	Add 2–3 concise “drivers of change” paragraphs at the government-wide level (top 3 revenue drivers; top 3 expense drivers), each with (a) magnitude, (b) operational cause, and (c) whether the driver is recurring or one-time (e.g., ESSER expiration).
3	Does the analysis also include facts, decisions, or conditions about which the user may not be aware, with the understanding that not all users may be from the government’s geographical area?	4	The MD&A includes forward-looking and contextual items that a general reader may not know (tax-neutral referendum, ESSER expiration, charter school growth, capital needs).	The facts are listed, but not ranked by financial materiality or tied to a “so what” impact narrative (risk magnitude, timing, and management response).	Convert the “seven circumstances” list into a prioritized set: <b>Top 3 financial drivers</b> with estimated range of impact and mitigation actions, then “other items to monitor.” This keeps transparency while improving decision-usefulness for board/public stakeholders.



# 2026 MD&A Template Update

- ▶ Review assessment and redline results
- ▶ Restructure MD&A to meet new five category presentation
- ▶ Add the “why” to give more substantive explanations where necessary
- ▶ Remove duplicative or repeated information



# 2026 MD&A Template Update

- ▶ Ensure analysis was balanced between revenue and expense items
- ▶ Identify areas to add visual elements
- ▶ Added impact sentences and statements to currently known facts section
- ▶ Rescore once FY 2026 is finalized



# 2026 MD&A Template Update

## Management’s Discussion and Analysis (Unaudited)

As management of XYZ School District (the District), we offer this narrative overview and analysis of the financial activities and financial position of the District for the fiscal year ended September 30, 2025. In the broadest context, the financial well-being of a school district depends on the strength of its local tax base, the adequacy of state and federal support, and the District’s ability to use those resources strategically to sustain instructional quality, student support services, campus operations, and long-term facility needs for current and future students.

Financial reporting is limited in its ability to provide this “big picture,” but instead focuses on financial position and changes in financial position. In other words, are revenues and expenditures higher or lower than the previous year? Has net position (including both short- and long-term assets and liabilities) or fund balance (current spendable resources less current liabilities) been maintained? Key drivers of the District’s year-over-year results and near-term outlook typically include changes in student enrollment property values, state foundation funding, grant activity, compensation and benefit costs, and planned capital improvements. These factors affect both resource availability and expenditure demands and will continue to shape the District’s financial position in future periods.

The information presented in this report reflects conditions as of the end of the fiscal year. This report is intended to provide a comprehensive overview of the District’s financial position and results of operations based on the information contained herein.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to XYZ School District’s basic financial statements. The District’s basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements themselves.

## DETAILED ANALYSIS

Net position and assets by category may serve over time as a useful indicator of the District’s financial position. As of September 30, 2025, XYZ School District reported positive net position, reflecting the District’s investment in school facilities, instructional technology, transportation equipment, and other resources needed to support instructional and operational services.

A significant portion of the District’s net position is typically invested in capital assets, such as land, school buildings, improvements, buses, equipment, and technology infrastructure, net of related debt. These assets are used to provide instructional and support services to students and are therefore not available for general spending. Although the District’s investment in capital assets is reported net of related debt, the resources needed to repay that debt must be provided from other sources, such as property tax revenues, state aid, and other available resources.

### XYZ School District Net Position September 30, 2025 & 2024

	Governmental Activities			Business-type Activities			Total Primary Government		
	2025	2024	% Chg	2025	2024	% Chg	2025	2024	% Chg
Current and other assets	\$1,084,237,304	\$ 976,536,699	11 %	\$ 305,964,319	\$ 247,940,868	23 %	\$1,390,201,623	\$1,224,477,567	14 %
Capital, lease, & subscription assets	2,533,898,750	2,271,083,933	12 %	643,112,918	599,880,152	7 %	3,177,011,668	2,870,964,085	11 %
<b>Total assets</b>	<b>3,618,136,054</b>	<b>3,247,620,632</b>	<b>11 %</b>	<b>949,077,237</b>	<b>847,821,020</b>	<b>12 %</b>	<b>4,567,213,291</b>	<b>4,095,441,652</b>	<b>12 %</b>
Deferred outflows of resources	31,580,634	34,687,138	(9)%	4,339,715	4,787,253	(9)%	35,920,349	39,474,391	(9)%
Other liabilities	100,162,693	79,206,683	26 %	20,873,838	17,441,336	20 %	121,036,531	96,648,019	25 %
Long term liabilities	1,279,087,259	1,099,732,911	16 %	239,765,392	183,623,782	31 %	1,518,852,651	1,283,356,693	18 %



# Budgetary Comparison

## GASB 103

- ▶ Should be presented as RSI.
- ▶ Explanation of significant variations between original and final budgets, and final budget and actual amounts should be explained in notes to RSI.



## GASB 34

- ▶ “Governments are encouraged to present such budgetary comparison information in schedules as part of RSI.”
- ▶ May elect to report in basic financial statements.
- ▶ Only required to be in RSI if there are significant budgetary perspective differences.



# Budgetary Comparison Analysis

XYZ SAMPLE DISTRICT  
 REQUIRED SUPPLEMENTARY INFORMATION  
 General Fund

**Schedule** of Revenues Expenditures and Changes in Fund Balance - Budget and Actual  
 For the Fiscal Year Ended June 30, 2025

	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 Budget	Final Budget			
REVENUES					
Local sources:					
E-rate reimbursements	\$ 535,000	\$ 535,000	\$ -	\$ 503,000	\$ (32,000)
Local government taxes	136,000	136,000	-	120,500	(15,500)
Tuition and summer school fe	185,000	160,000	(25,000)	510,000	350,000
Athletic proceeds	237,000	216,000	(21,000)	230,000	14,000
Rental of facilities	144,000	175,000	31,000	325,000	150,000
Donations and grants	115,000	90,000	(25,000)	537,000	447,000
Other local sources	2,940,000	2,095,000	(845,000)	3,290,000	1,195,000
Investment income	10,950,000	6,580,000	(4,370,000)	11,100,000	4,520,000
Total local sources	15,242,000	9,987,000	(5,255,000)	16,615,500	6,628,500



# Budgetary Comparison Analysis

## Required Supplementary Information Note to Budgetary Comparison Schedules

### Note A – Actual Budget Results

BUDGETARY REVENUES	<b>Variance Positive / (Negative)</b>
	<b>General Fund</b>

Differences - final budget to actual: \$3,569,000

The increase in revenues of \$3,569,000 reflects actual performance exceeding the final budget, primarily driven by higher-than-anticipated investment income (\$4,520,000 over budget), increased tuition and summer school fees (\$350,000 over budget), and stronger rental facility income (\$150,000 over budget). These gains were partially offset by shortfalls in E-rate reimbursements and local government taxes.

Differences - original budget to final budget: \$(5,121,000)

The decrease of \$5,121,000 in revenues from original to final budget is primarily attributed to reduced investment income projections (\$4,370,000 reduction), lower anticipated other local sources (\$845,000 reduction), and adjustments to tuition and athletic proceeds estimates. These reductions were partially offset by increases in rental facility revenue projections.

### BUDGETARY EXPENDITURES

Differences - final budget to actual: \$44,972,000

General Fund expenditures for fiscal year 2025 were \$45.0 million below budget, mainly due to savings in supplies (\$27.3 million under budget), benefits (\$10.7 million under budget), and salaries (\$3.9 million under budget). These variances reflect timing of expenditures, staffing vacancies, and deferred site-funded projects rather than reductions in planned services.

Differences - original budget to final budget: \$6,025,000

The \$6,025,000 increase in expenditures from original to final budget reflects adjustments to instruction costs, including increases in salaries (\$1.2 million), purchased services (\$3.7 million), supplies (\$2.0 million), and property (\$1.5 million). These were partially offset by a \$3.3 million reduction in budgeted benefits.

- ▶ Determine significance threshold for your organization
- ▶ One example could be 10% line item change and 1% total revenue change.



# Implementation Guidance

- ▶ Let budget department know about this change (for General Fund and major special revenue funds with legally adopted annual budget)
- ▶ Establish what a “significant difference” means to your organization
- ▶ Explanations will now be needed in the notes to the RSI for both changes between original and final budget, and final budget and actuals. Start tracking this now!
- ▶ Update your financial reporting template for the new columns
- ▶ Consider the presentation of other budgetary statements not impacted by GASB 103 and if any presentation changes should be made



# Budgetary Comparison Analysis

- ▶ Meet with budget team and discuss the goal of GASB 103
- ▶ Evaluate different thresholds to determine what gives the appropriate answer for what is “significant”
  - *Example – 10% line item change (increase or decrease) and 1% of total revenues or expenses*
- ▶ Update budgetary comparison schedule(s) to include additional variance column
- ▶ Build new Note to the Budgetary Comparison Schedules template for budgetary variance explanation





# Three Other Changes



# Proprietary Fund Classification and Presentation

- ▶ Required sections and subtotals have changed
- ▶ Updates to what is presented in operating and nonoperating revenues
- ▶ Noncapital subsidies should be reported separately
- ▶ Transfers will be broken out between noncapital and capital
  - Implementation Guide 2025-1 – Only report as capital if provider of the subsidy has limited the use of the resources to the acquisition of capital assets



# Definitions

## Operating Revenue and Expenses

Revenue and expenses other than nonoperating revenues and expenses

## Nonoperating Revenue and Expenses

- ▶ Subsidies received and provided
- ▶ Contributions to permanent and term endowments
- ▶ Revenues and expenses related to financing
- ▶ Resources from the disposal of capital assets and inventory
- ▶ Investment income and expenses

**Exception:** Revenues or expenses that would otherwise be presented as nonoperating that constitute the principal ongoing operations should be classified as operating revenues or expenses



# Definitions

## Subsidies

- ▶ Resources received from another party or fund (1) for which the proprietary fund does not provide goods and services to the other party or fund and (2) that directly or indirectly keep the proprietary fund's current or future fees and charges lower than they would be otherwise
- ▶ Resources provided to another party or fund (1) for which the other party or fund does not provide goods and services to the proprietary fund and (2) that are recoverable through the proprietary fund's current or future pricing policies
- ▶ All other transfers

## Examples of Subsidies

- ▶ State appropriations
- ▶ Non-exchange grants
- ▶ Certain contributions
- ▶ Transfers

**Implementation Guide Related to  
Subsidies Coming Soon**



# Updated Presentation

XYZ SAMPLE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<u>Governmental Activities Internal Service Funds</u>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Graphic production sales	\$ 414,000
Insurance premiums	14,500,000
Subrogation claims	209,000
Other revenue	-
<b>TOTAL OPERATING REVENUES</b>	<u>15,123,000</u>
<b>OPERATING EXPENSES</b>	
Salaries	785,000
Benefits	342,000
Purchased services	2,080,000
Food and supplies	178,000
Insurance claims	11,350,000
Depreciation	74,000
Other expenses	460
<b>TOTAL OPERATING EXPENSES</b>	<u>14,809,460</u>
<b>OPERATING INCOME (LOSS)</b>	<u>313,540</u>
<b>NONCAPITAL SUBSIDIES</b>	
Federal subsidies	-
Commodity revenue	-
State matching funds	-
Transfers in	41,000
<b>TOTAL NONCAPITAL SUBSIDIES</b>	<u>41,000</u>
<b>OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES</b>	354,540
<b>OTHER NON-OPERATING REVENUES (EXPENSES)</b>	
Net income (loss) on disposal of assets	-
Investment income	1,370,000
Capital contributions	-
<b>TOTAL OTHER NON-OPERATING REVENUES (EXPENSES)</b>	<u>1,370,000</u>
<b>CHANGE IN NET POSITION</b>	1,724,540
<b>NET POSITION, JULY 1</b>	1,693,500
<b>NET POSITION, JUNE 30</b>	<u>\$ 3,418,040</u>



# A Closer Look...

NONCAPITAL SUBSIDIES	
Federal subsidies	-
Commodity revenue	-
State matching funds	-
Transfers in	41,000
TOTAL NONCAPITAL SUBSIDIES	<u>41,000</u>
OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES	354,540
OTHER NON-OPERATING REVENUES (EXPENSES)	
Net income (loss) on disposal of assets	-
Investment income	1,370,000
Capital contributions	-
TOTAL OTHER NON-OPERATING REVENUES (EXPENSES)	<u>1,370,000</u>
CHANGE IN NET POSITION	1,724,540
NET POSITION, JULY 1	1,693,500
NET POSITION, JUNE 30	<u>\$ 3,418,040</u>





# Implementation Guidance

- Disseminate guidance to interested parties that look to you for guidance
- Put in place a framework or definition for subsidies and review your typical revenue and expense transactions against it
- Update your mapping in the chart of accounts where necessary





# Implementation Guidance

- Ensure you can identify which transfers are capital versus noncapital
- Consider budgetary reporting impact

**Note:** Be sure to consider the impact on major fund determinations!



# Pre-GASB 103

XYZ SAMPLE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

	<b>Governmental Activities Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Graphic production sales	\$ 410,000
Insurance premiums	12,800,000
Subrogation claims	470,000
Other revenue	-
<b>TOTAL OPERATING REVENUES</b>	<u>13,680,000</u>
<b>OPERATING EXPENSES</b>	
Salaries	680,000
Benefits	340,000
Purchased services	1,890,000
Food and supplies	102,000
Insurance claims	11,600,000
Depreciation	79,000
Other expenses	4,700
<b>TOTAL OPERATING EXPENSES</b>	<u>14,695,700</u>
<b>OPERATING LOSS</b>	<u>(1,015,700)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>	
Federal subsidies	-
Commodity revenue	-
State matching funds	-
Net loss on disposal of assets	-
OPEB expense	(10,800)
Pension expense	(48,000)
Investment income	1,190,000
<b>TOTAL NON-OPERATING REVENUES</b>	<u>1,131,200</u>
<b>CHANGE IN NET POSITION BEFORE CONTRIBUTIONS</b>	<u>115,500</u>
Capital contributions	11,500
<b>OTHER FINANCING SOURCES:</b>	
Transfers in	125,000
<b>CHANGE IN NET POSITION</b>	<u>252,000</u>
<b>NET POSITION, JULY 1 (AS ORIGINALLY STATED)</b>	1,500,000
Adjustments and restatements	(58,500)
<b>NET POSITION, JULY 1 (AS RESTATED)</b>	<u>1,441,500</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 1,693,500</u>

# Post-GASB 103

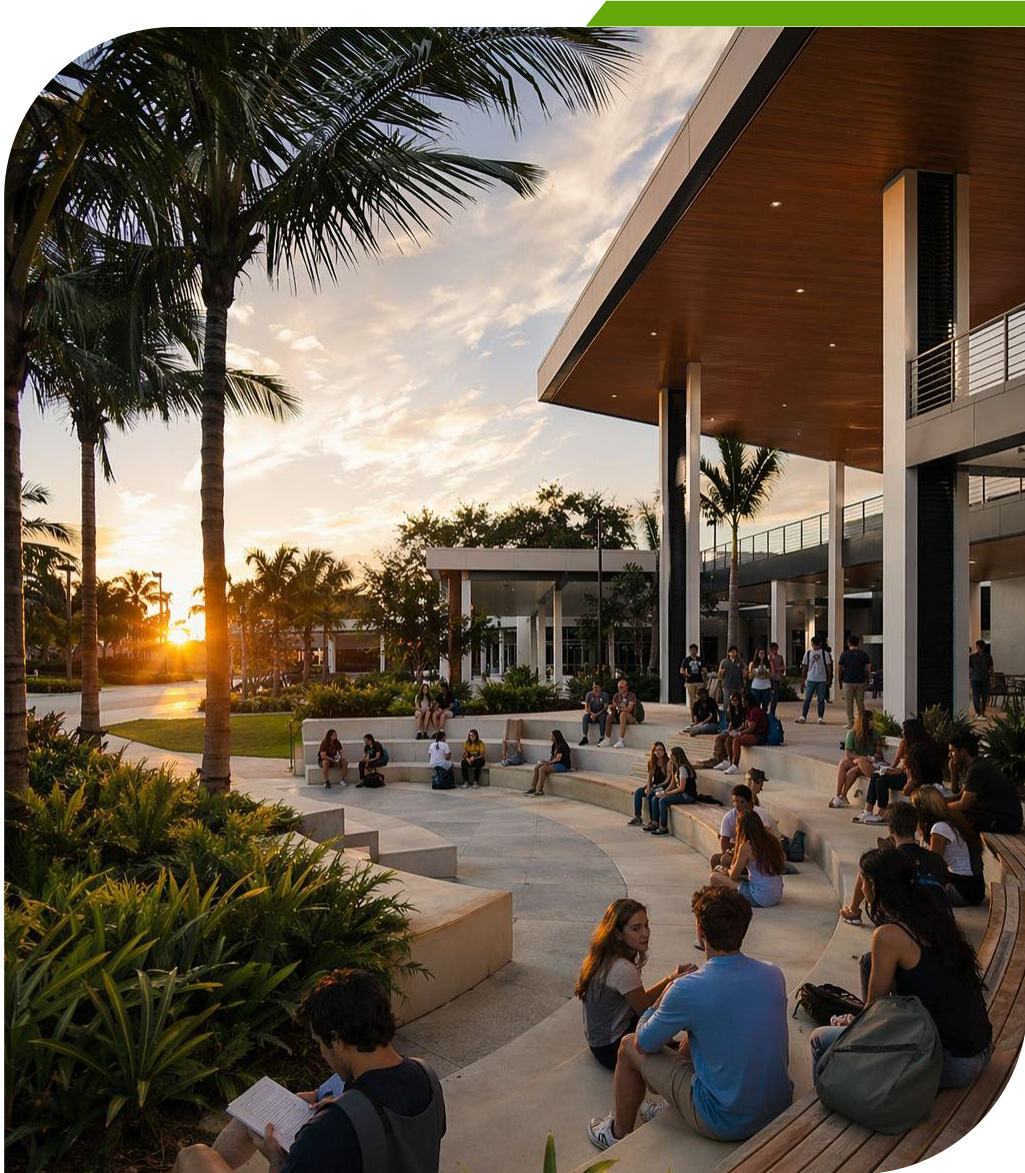
XYZ SAMPLE DISTRICT  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION  
PROPRIETARY FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2025

	<b>Governmental Activities Internal Service Funds</b>
<b>OPERATING REVENUES</b>	
Charges for sales and services:	
Graphic production sales	\$ 414,000
Insurance premiums	14,500,000
Subrogation claims	209,000
Other revenue	-
<b>TOTAL OPERATING REVENUES</b>	<u>15,123,000</u>
<b>OPERATING EXPENSES</b>	
Salaries	785,000
Benefits	342,000
Purchased services	2,080,000
Food and supplies	178,000
Insurance claims	11,350,000
Depreciation	74,000
Other expenses	460
<b>TOTAL OPERATING EXPENSES</b>	<u>14,809,460</u>
<b>OPERATING INCOME (LOSS)</b>	<u>313,540</u>
<b>NONCAPITAL SUBSIDIES</b>	
Federal subsidies	-
Commodity revenue	-
State matching funds	-
Transfers in	41,000
<b>TOTAL NONCAPITAL SUBSIDIES</b>	<u>41,000</u>
<b>OPERATING INCOME (LOSS) AND NONCAPITAL SUBSIDIES</b>	<u>354,540</u>
<b>OTHER NON-OPERATING REVENUES (EXPENSES)</b>	
Net income (loss) on disposal of assets	-
Investment income	1,370,000
Capital contributions	-
<b>TOTAL OTHER NON-OPERATING REVENUES (EXPENSES)</b>	<u>1,370,000</u>
<b>CHANGE IN NET POSITION</b>	1,724,540
<b>NET POSITION, JULY 1</b>	<u>1,693,500</u>
<b>NET POSITION, JUNE 30</b>	<u>\$ 3,418,040</u>



# Major Component Unit Information

- ▶ Optionality removed
- ▶ Must report separately on the statement of net position and activities
- ▶ If this reduces readability, present combining statements of major component units in basic financial statements



# Example of Presented Separately

FINANCIAL SECTION

34

## A-1 Mecklenburg County, North Carolina Statement of Net Position (Deficit) June 30, 2025

	Primary Government			Component Units		
	Governmental Activities	Business-type Activities	Total	Public Library of Charlotte and Mecklenburg County	Mecklenburg Emergency Medical Services Agency	Mecklenburg County Alcoholic Beverage Control Board
<b>ASSETS</b>						
Cash and investments	\$ 1,588,324,233	\$ 57,869,112	\$ 1,646,193,345	\$ 28,857,714	\$ 26,503,008	\$ 43,226,307
Receivables, net	313,549,374	9,262,061	322,811,435	5,870,360	14,144,384	10,404
Due from other governmental agencies	-	-	-	-	971,392	-
Advances to other governmental agencies	4,184,228	-	4,184,228	-	-	-
Internal balances	(514,256)	514,256	-	-	-	-
Prepaid expenses	-	-	-	206,297	1,245	1,243,871
Inventories	-	-	-	-	-	22,697,398
Restricted assets - cash and investments	385,031,113	37,110,298	422,141,411	11,211,266	-	-
Pledges receivable, noncurrent	-	-	-	2,416,608	-	-
Net pension asset - ROD	693,551	-	693,551	-	-	-
Capital assets						
Non-Depreciable	991,675,980	155,376,959	1,147,052,939	103,448,079	-	14,725,721
Depreciable and amortizable, net	606,184,203	59,967,622	666,151,825	145,928,302	15,093,383	37,086,893
Total capital assets	1,597,860,183	215,344,581	1,813,204,764	249,376,381	15,093,383	51,812,614
<b>TOTAL ASSETS</b>	<b>3,889,128,426</b>	<b>320,100,308</b>	<b>4,209,228,734</b>	<b>297,938,626</b>	<b>56,713,412</b>	<b>118,990,594</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<b>150,834,169</b>	<b>4,468,651</b>	<b>155,302,820</b>	<b>10,801,825</b>	<b>23,498,601</b>	<b>8,688,487</b>
<b>LIABILITIES</b>						
Accounts payable and other accrued liabilities	202,091,648	7,102,809	209,194,257	5,666,859	12,248,272	25,742,615
Accrued interest payable	25,562,785	786,119	26,348,904	-	-	-
Unearned revenue	29,335,022	-	29,335,022	-	-	-
Liabilities payable from restricted assets	29,074,988	1,114,209	30,189,197	-	-	-
Long-term liabilities						
Due within one year	237,724,861	4,891,875	242,616,736	4,095,518	7,721,680	-
Due in more than one year	2,606,641,168	73,224,598	2,679,865,766	97,063,248	96,575,721	12,799,205
<b>TOTAL LIABILITIES</b>	<b>3,130,430,472</b>	<b>87,119,410</b>	<b>3,217,549,882</b>	<b>106,825,625</b>	<b>116,545,673</b>	<b>38,541,820</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<b>93,414,050</b>	<b>181,277</b>	<b>93,595,327</b>	<b>6,134,450</b>	<b>14,821,934</b>	<b>-</b>
<b>NET POSITION</b>						
Net investment in capital assets	1,362,800,888	205,163,650	1,567,964,538	232,951,408	15,093,383	51,812,614
Restricted						
Stabilization by State Statute	189,203,036	-	189,203,036	2,175,551	7,282,058	-
Land Use and Environmental Services	1,100,329	-	1,100,329	-	-	-
Detention and Court Support Services	1,879,824	-	1,879,824	-	-	-
Capital Projects	-	-	-	-	-	7,500,000
Debt Service	23,782,860	199,038	23,981,898	-	-	-
Health and Human Services	85,411,100	-	85,411,100	-	-	-
Grants	-	-	-	101,085	-	-
Programming	-	-	-	275,453	-	-
Register of Deeds' Pension Plan	693,551	-	693,551	-	-	-
Facility Enhancements	-	-	-	1,093,244	-	-
By Law for Specific Purposes	-	-	-	28,615,681	-	8,182,274
Unrestricted (deficit)	(848,753,515)	31,905,584	(816,847,931)	(69,432,046)	(73,531,035)	21,642,373
<b>TOTAL NET POSITION (DEFICIT)</b>	<b>\$ 816,118,073</b>	<b>\$ 237,268,272</b>	<b>\$ 1,053,386,345</b>	<b>\$ 195,780,376</b>	<b>\$ (51,155,594)</b>	<b>\$ 89,137,261</b>

The accompanying notes are an integral part of this statement

Mecklenburg County | North Carolina

Annual Comprehensive Financial Report | Year Ended June 30, 2025



# Example of Presented Separately

Mecklenburg County | North Carolina

## A-2 Mecklenburg County, North Carolina Statement of Activities for the Year Ended June 30, 2025

Functions / Programs	Expenses	Program Revenues				Net (Expense) / Revenue and Changes in Net Position						
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units				
					Governmental Activities	Business-type Activities	Total	Public Library of Charlotte and Mecklenburg County	Mecklenburg Emergency Medical Services Agency	Mecklenburg County Alcoholic Beverage Control Board		
<b>PRIMARY GOVERNMENT</b>												
Governmental Activities												
Customer Satisfaction and Management Services	\$ 41,712,412	\$ -	\$ 500,000	\$ -	\$ (41,212,412)	\$ -	\$ (41,212,412)	\$ -	\$ -	\$ -	\$ -	\$ -
Administrative Services	265,445,680	151,952,418	10,774,021	-	(102,719,241)	-	(102,719,241)	-	-	-	-	-
Financial Services	30,612,864	3,418,950	-	-	(27,193,914)	-	(27,193,914)	-	-	-	-	-
Land Use and Environmental Services	101,788,204	94,720,232	3,875,985	-	(3,191,987)	-	(3,191,987)	-	-	-	-	-
Community Services	259,637,712	18,556,330	5,470,825	41,829,543	(193,781,014)	-	(193,781,014)	-	-	-	-	-
Detention and Court Support Services	186,474,205	4,735,687	5,778,827	-	(177,959,691)	-	(177,959,691)	-	-	-	-	-
Health and Human Services	483,339,992	15,805,373	192,154,669	-	(275,379,950)	-	(275,379,950)	-	-	-	-	-
Business Partners	1,014,822,440	3,068,220	12,273,764	-	(999,480,456)	-	(999,480,456)	-	-	-	-	-
Interest on long-term debt												
General purpose	5,512,361	-	-	-	(5,512,361)	-	(5,512,361)	-	-	-	-	-
Public schools	25,937,761	-	-	-	(25,937,761)	-	(25,937,761)	-	-	-	-	-
Total Governmental Activities	2,417,283,631	292,257,210	230,828,091	41,829,543	(1,852,368,787)	-	(1,852,368,787)	-	-	-	-	-
Business-type Activities												
Solid Waste	45,696,499	49,098,996	170,883	-	-	3,573,380	3,573,380	-	-	-	-	-
Storm Water	21,029,245	28,428,003	501,117	1,800	-	7,901,675	7,901,675	-	-	-	-	-
Total Business-type Activities	66,725,744	77,526,999	672,000	1,800	-	11,475,055	11,475,055	-	-	-	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 2,484,009,375</b>	<b>\$ 369,784,209</b>	<b>\$ 231,500,091</b>	<b>\$ 41,831,343</b>	<b>(1,852,368,787)</b>	<b>11,475,055</b>	<b>(1,840,893,732)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>COMPONENT UNITS</b>												
Public Library of Charlotte and Mecklenburg County	\$ 91,945,711	\$ 627,156	\$ 2,432,451	\$ 87,215,371	-	-	-	(1,670,733)	-	-	-	-
Mecklenburg Emergency Medical Services Agency	89,097,808	69,725,932	617,640	3,379,207	-	-	-	-	(15,375,029)	-	-	-
Mecklenburg County Alcoholic Beverage Control Board	212,810,612	212,988,775	-	-	-	-	-	-	-	-	178,163	-
<b>TOTAL COMPONENT UNITS</b>	<b>\$ 393,854,131</b>	<b>\$ 283,341,863</b>	<b>\$ 3,050,091</b>	<b>\$ 90,594,578</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,670,733)</b>	<b>(15,375,029)</b>	<b>-</b>	<b>178,163</b>	<b>-</b>
General Revenues												
Property taxes, levied for general purposes					1,439,249,297	-	1,439,249,297	-	-	-	-	-
Property taxes, levied for Law Enforcement Service District					22,276,063	-	22,276,063	-	-	-	-	-
Property taxes, levied for Fire Service Districts					16,236,299	-	16,236,299	-	-	-	-	-
Sales taxes					502,908,848	-	502,908,848	-	-	-	-	-
Other taxes					20,476,087	-	20,476,087	-	-	-	-	-
Investment earnings					85,156,845	4,127,484	89,284,329	2,538,193	397,905	871,443	-	-
Gain on sale of capital assets					106,134	14,860	120,994	-	-	60,537	-	-
Miscellaneous					-	-	-	6,296,939	2,239,487	10,211	-	-
Payment from primary government												
Library					-	-	-	52,129,800	-	-	-	-
Emergency Medical Services					-	-	-	-	22,450,687	-	-	-
Total General Revenues, Transfers and Payment from primary government					2,086,409,573	4,142,344	2,090,551,917	60,964,932	25,088,079	942,191	-	-
Change in Net Position					234,040,786	15,617,399	249,658,185	59,294,199	9,713,050	1,120,354	-	-
Net Position (Deficit), beginning of year, as previously reported					562,445,138	223,544,816	785,989,954	140,030,832	(57,797,856)	88,016,907	-	-
Restatement (See note 20)					19,632,149	(1,893,943)	17,738,206	(3,544,655)	(3,070,788)	-	-	-
Net Position (Deficit), beginning, as restated					582,077,287	221,650,873	803,728,160	136,486,177	(60,868,644)	88,016,907	-	-
Net Position (Deficit), end of year					\$ 816,118,073	\$ 237,268,272	\$ 1,053,386,345	\$ 195,780,376	\$ (61,155,594)	\$ 89,137,261	-	-

The accompanying notes are an integral part of this statement

Annual Comprehensive Financial Report | Year Ended June 30, 2025



# Example of Combining Component Unit Presentation

City of Frisco  
Combining Statement of Net Position  
Component Units  
September 30, 2025

	Major		Nonmajor	Totals
	Community Development Corporation	Economic Development Corporation	Charitable Foundation	
<b>ASSETS</b>				
Current:				
Cash and cash equivalents	\$ 239,443,814	\$ 48,241,547	\$ 61,756	\$ 287,747,117
Investments	29,940,208	34,978,811	—	64,919,019
Receivables:				
Sales tax	5,967,979	5,967,979	—	11,935,958
Leases receivables	15,817	7,974	—	23,791
PPP receivables	129,663	—	—	129,663
Other	198,453	236,301	—	434,754
Prepaid expenses	—	182,383	—	182,383
Noncurrent:				
Land held for resale	20,461,590	36,051,721	—	56,513,311
Capital and lease assets:				
Nondepreciable	62,931,135	16,764,051	—	79,695,186
Depreciable (net)	1,993,402	10,287,126	—	12,280,528
Restricted assets:				
Cash and cash equivalents	45,040,087	2,605,821	—	47,645,908
Investments	—	1,800,000	—	1,800,000
Total assets	406,122,148	157,123,714	61,756	563,307,618
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension items	—	594,176	—	594,176
OPEB items	—	22,801	—	22,801
Deferred charge on bond refunding	16,026	15,130	—	31,156
Total deferred outflows of resources	16,026	632,107	—	648,133
<b>LIABILITIES</b>				
Accounts payable	1,983,758	1,937,080	1,940	3,922,778
Accrued liabilities	2,967	62,618	—	65,585
Accrued interest payable	1,490,933	114,058	—	1,604,991
Deposits payable	—	25,000	—	25,000
Noncurrent liabilities:				
Due within one year:	3,455,665	3,476,077	—	6,931,742
Due in more than one year	278,490,490	29,262,530	—	307,753,020
Total liabilities	285,423,813	34,877,363	1,940	320,303,116
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension items	—	137,330	—	137,330
OPEB items	—	58,343	—	58,343
Lease related	15,470	7,999	—	23,469
PPP related	123,568	—	—	123,568
Total deferred inflows of resources	139,038	203,672	—	342,710
<b>NET POSITION</b>				
Net investment in capital assets	28,097,183	149,322	—	28,246,505
Restricted for community development	92,478,140	—	59,816	92,537,956
Restricted for economic development	—	122,525,464	—	122,525,464
Total net position	\$ 120,575,323	\$ 122,674,786	\$ 59,816	\$ 243,309,925

- ▶ This example shows their component units as a combining schedule in the basic financial statements, which is still allowed
- ▶ One update to make is to identify which component units are major and nonmajor



# Example of Combining Component Unit Presentation

## City of Frisco

Combining Statement of Activities

Component Units

For the Year Ended September 30, 2025

Functions/Programs:	Expenses	Program Revenues		
		Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions
<b>Component units:</b>				
Community Development Corporation	\$ 81,410,020	\$ 283,876	\$ 90,000	\$ —
Economic Development Corporation	34,347,071	73,325	44,434	—
Charitable Foundation	85,601	—	70,105	—
<b>Total component units</b>	<b>115,842,692</b>	<b>357,201</b>	<b>204,539</b>	<b>—</b>

### General revenues:

Sales taxes  
Intergovernmental  
Gain on sale of capital assets  
Investment income

Total general revenues

Change in net position

Net position, beginning

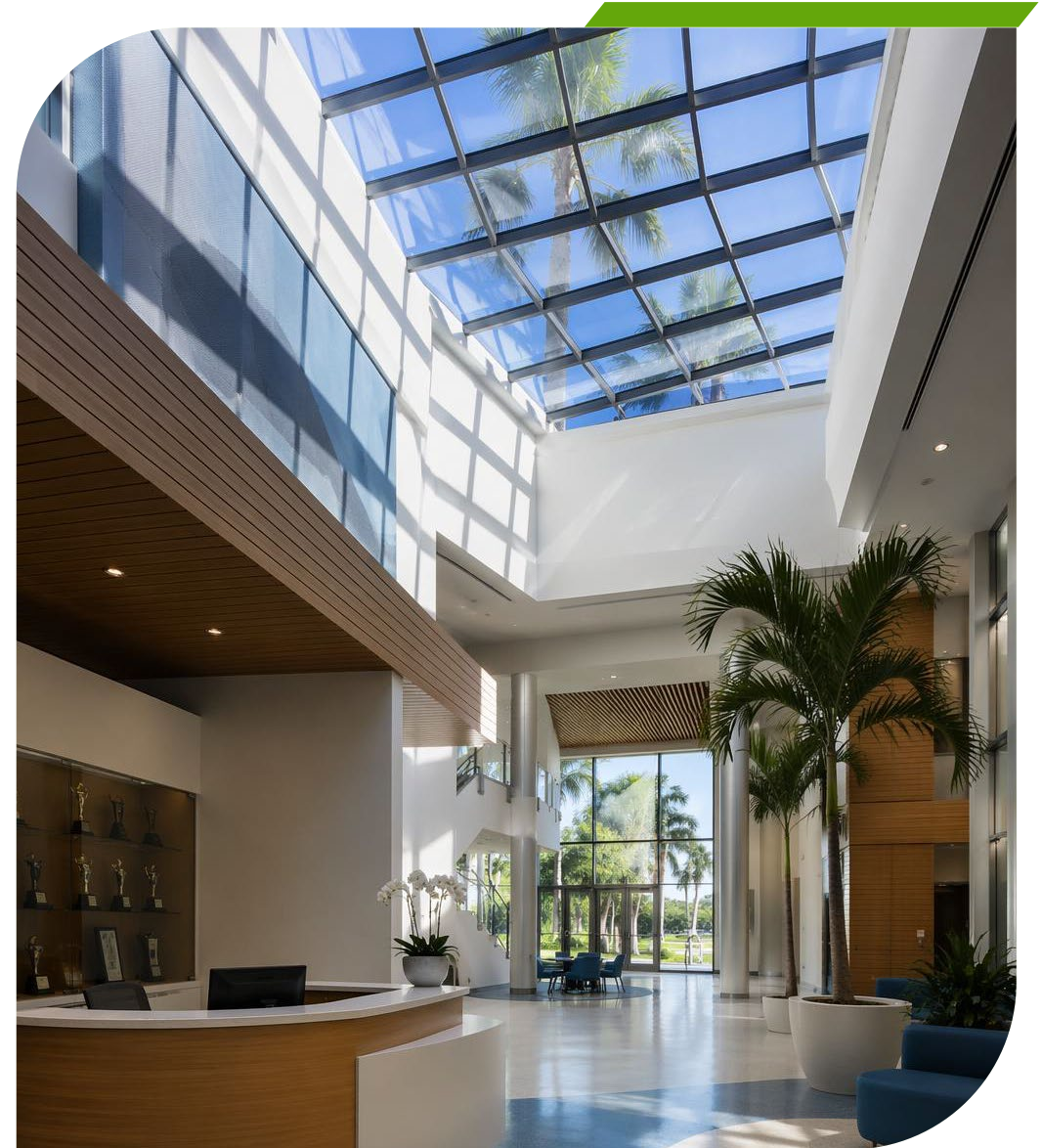
Net position, ending

Net (Expense) Revenue and Changes in Net Position			
Component Units			
Major		Nonmajor	
Community Development Corporation	Economic Development Corporation	Charitable Foundation	Totals
\$ (81,036,144)	\$ —	\$ —	\$ (81,036,144)
—	(34,229,312)	—	(34,229,312)
—	—	(15,496)	(15,496)
(81,036,144)	(34,229,312)	(15,496)	(115,280,952)
35,643,847	35,643,847	—	71,287,694
7,559,425	1,483,449	25,000	9,067,874
7,917,341	—	—	7,917,341
12,617,923	4,055,978	3,014	16,676,915
63,738,536	41,183,274	28,014	104,949,824
(17,297,608)	6,953,962	12,518	(10,331,128)
137,872,931	115,720,824	47,298	253,641,053
<b>\$ 120,575,323</b>	<b>\$ 122,674,786</b>	<b>\$ 59,816</b>	<b>\$ 243,309,925</b>



# Unusual or Infrequent Items

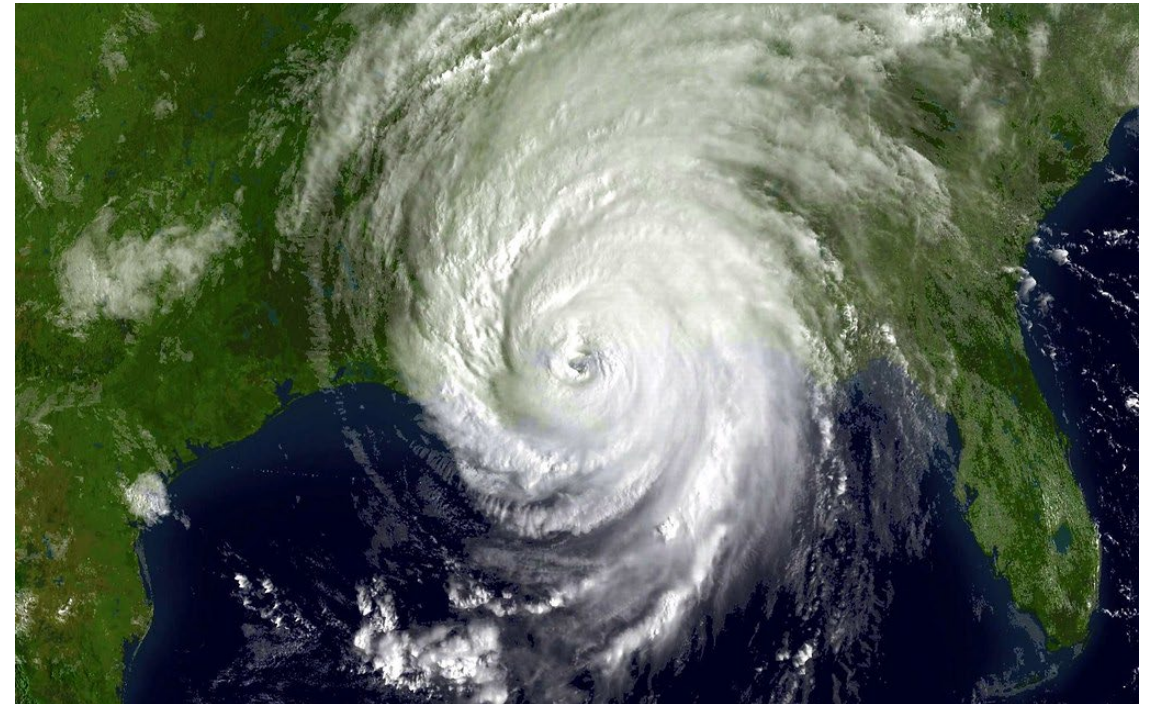
- ▶ Items that are unusual in nature or infrequent in occurrence
- ▶ Each item should be presented separately
- ▶ Replaces “special and extraordinary items” and provides more specific guidelines
- ▶ No longer need to meet BOTH unusual and infrequent (extraordinary)
- ▶ No longer need to be ‘within the control’ of management (special)



# Unusual or Infrequent Items

## Example: Are Hurricanes in Florida considered infrequent?

- ▶ What is the historical experience?
- ▶ If in a region where hurricanes occur regularly they may not qualify as infrequent
- ▶ Use entity-specific judgment based on history, not statewide or national norms.
- ▶ The unusual determination should also be entity specific.



# GASB 103 Readiness Assessment Worksheet and MD&A QR Code

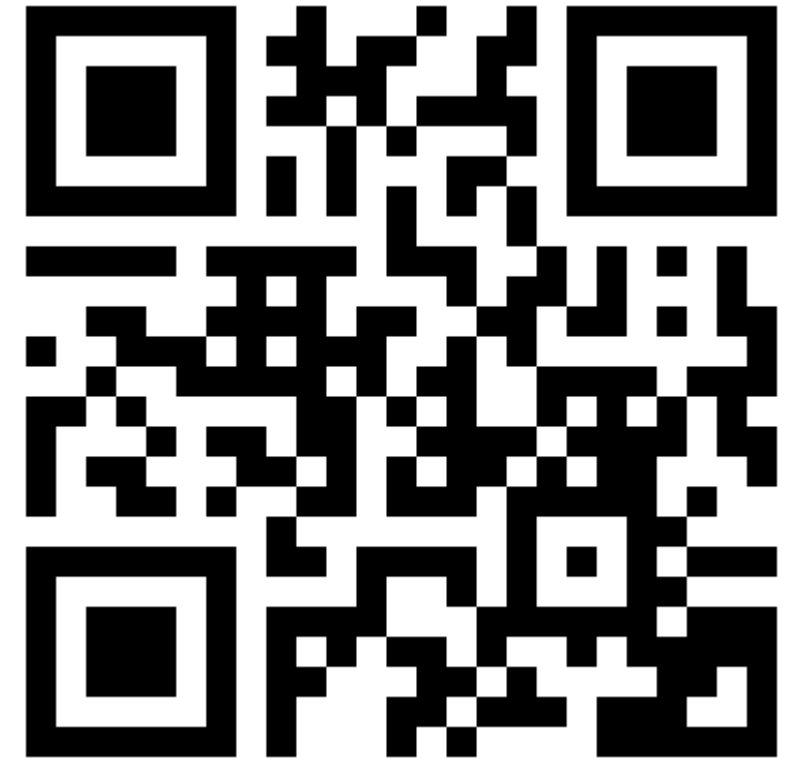
CHECKLIST:

## Are You Ready for GASB 103?



Readiness Assessment Worksheet

Requirement	Yes	No
1. The government has established a process for identifying and measuring the government's net position.		
2. The government has established a process for identifying and measuring the government's liabilities.		
3. The government has established a process for identifying and measuring the government's assets.		
4. The government has established a process for identifying and measuring the government's deferred inflows.		
5. The government has established a process for identifying and measuring the government's deferred outflows.		



# Thank You!

## Contact



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