GASB 104 – Disclosure of Certain Capital Assets

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There are several new Governmental Accounting Standard Board (GASB) changes that are effective for fiscal year 2026. These include GASB 103, *Financial Reporting Model Improvements* and GASB 104, *Disclosure of Certain Capital Assets*. There is an article on the HeinfeldMeech website that discusses GASB 103 but this article will focus on GASB 104. For those governments that are currently experiencing a decline in requests for services (changes in student enrollment), experiencing an increase in demand for services (new water/sewer hookups) or looking to sell material capital assets, this will be an important Statement to keep in mind.

GASB 104 was issued in September 2024 and is effective for fiscal years beginning after June 15, 2025 (fiscal year 2026). This new accounting statement does not have an actual effect on the amounts reported in the financial statements but instead focuses on disclosures in the notes to the financial statements. The less significant of the two changes is how the government discloses types of capital assets. The more significant change will be the disclosure of capital assets held for sale, especially in light of recent school closures.

The Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures. Leased assets (GASB 87) and intangible-right-to-use assets (GASB 94) should be disclosed by major asset class (equipment, buildings, etc.). In addition, subscription assets (GASB 96) should be separately disclosed. The same separate disclosures are required for depreciation. An example taken from the GASB 104 official Statement is below:

Lease assets:				
Buildings	(7,456)	(596)	-	(8,052)
Equipment	(5,864)	(1,782)	823	(6,823)
Subscription assets	(1,009)	(450)	209	(1,250)

The Statement also includes a new requirement to disclose capital assets that are held for sale. An asset is defined as a capital asset held for sale if it meets both the following criteria:

1. The government has decided to pursue the sale of the capital asset
2. It is probable that the sale will be finalized within one year of the financial statement date

The Statement includes additional assessments to determine if the capital sale will happen within one year of the financial statement date:

1. Whether the asset is available for immediate sale in its present condition – **is the School/Building going to be used for the next year and is not available for immediate sale?**
2. Whether an active program to locate a buyer has been initiated, which may include putting the asset out to bid – **have you engaged a real estate agent?**
3. The market conditions for selling that type of asset – **is there interest or is there a lack of an active market?**
4. Regulatory approvals needed to sell the asset – **does federal or state approval need to be obtained prior to the asset being sold?**

This evaluation to determine if capital assets are held for sale should be done at the end of each fiscal year. In addition, the capital asset held for sale should continue to be reported within the appropriate major class of capital assets (buildings, equipment, land, etc.). A disclosure should be added to the notes to the financial statements that includes the historical cost and accumulated depreciation by major class of capital asset. The government should also disclose, if applicable, the carrying amount of debt for which capital assets held for sale are pledged as collateral. The same disclosure is required for both governmental and business-type activities.

Your auditor will be updating requests to include the appropriate capital asset breakouts for leased assets, intangible right to use assets and subscription assets. Also, your auditor will be inquiring not only about any capital assets that are currently for sale but also any material capital assets that are currently unused. The goal of the Statement is to improve financial reporting by providing more transparency to the users of the financial statements. Don't wait until the auditors are on site to have discussions, review capital assets and update disclosures!