
September 2024

Governmental Accounting Standards Series

Statement No. 104 of the
Governmental Accounting
Standards Board

Disclosure of Certain Capital Assets



GOVERNMENTAL ACCOUNTING STANDARDS BOARD

The GASB website can be accessed at www.gasb.org.

Summary

State and local governments are required to provide detailed information about capital assets in notes to financial statements. Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, requires certain information regarding capital assets to be presented by major class. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class.

This Statement also requires additional disclosures for capital assets held for sale. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the capital asset and (b) it is probable that the sale will be finalized within one year of the financial statement date. Governments should consider relevant factors to evaluate the likelihood of the capital asset being sold within the established time frame. This Statement requires that capital assets held for sale be evaluated each reporting period. Governments should disclose (1) the ending balance of capital assets held for sale, with separate disclosure for historical cost and accumulated depreciation by major class of asset, and (2) the carrying amount of debt for which the capital assets held for sale are pledged as collateral for each major class of asset.

Effective Date

The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

How the Changes in This Statement Will Improve Financial Reporting

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments.

How the Board Considered Costs and Benefits in the Development of This Statement

One of the principles guiding the Board’s setting of standards for accounting and financial reporting is the assessment of expected benefits and perceived costs. The Board strives to determine

that its standards address significant user needs and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The Board believes that the expected benefits that will result from the implementation of this Statement—essential information about certain capital assets that is more consistent and comparable—are significant to users of financial statements.

The Board believes that governments generally will have the information required for separate disclosure of certain assets in the capital assets note, and the format currently used by some governments may already meet those requirements. Therefore, the Board believes that the costs associated with the implementation of and ongoing compliance with this Statement will be minimal. Governments may incur some costs to evaluate whether capital assets are capital assets held for sale, particularly in making judgments about the likelihood of a sale happening within the specified time frame and identifying the carrying amount of debt for which capital assets held for sale are pledged as collateral. However, the Board believes that the expected benefits of this Statement justify its perceived costs.

Unless otherwise specified, pronouncements of the GASB apply to financial reports of all state and local governmental entities, including general purpose governments; public benefit corporations and authorities; public employee retirement systems; and public utilities, hospitals and other healthcare providers, and colleges and universities. Paragraph 2 discusses the applicability of this Statement.

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Standards Board

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September 2024



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
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Statement No. 104 of the Governmental Accounting Standards Board

Disclosure of Certain Capital Assets

September 2024

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Statement No. 104 of the Governmental Accounting Standards Board

Disclosure of Certain Capital Assets

September 2024

INTRODUCTION

1. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets.

STANDARDS OF GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING

Scope and Applicability of This Statement

2. This Statement establishes requirements for certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*. It also establishes requirements for capital assets held for sale, including additional disclosures for those capital assets. The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes *Implementation Guide No. 2015-1*, Question Z.51.29, and *Implementation Guide No. 2019-3, Leases*, Question 4.41, and it rescinds the effects of Statements No. 87, *Leases*, and No. 96, *Subscription-Based Information Technology Arrangements*, on Statement 34, paragraphs 116 and 117. This Statement amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 190, 276, and 372; Statement No. 72, *Fair Value Measurement and Application*, paragraph 68; *Implementation Guide 2015-1*, Questions 7.85.2, Z.54.2, and Z.54.5; *Implementation Guide No. 2016-1, Implementation Guidance Update—2016*, Questions 4.40 and 4.71; *Implementation Guide No. 2019-1, Implementation Guidance Update—2019*, Question 4.10; and *Implementation Guide 2019-3*, Question 4.40.

Separate Disclosure of Certain Capital Assets

4. Within the note disclosures about capital assets required by paragraphs 116 and 117 of Statement 34, information about the following capital assets and related amortization should be disclosed separately:

a. Lease assets reported in accordance with Statement 87 by major class of underlying asset

- b. Intangible right-to-use assets recognized by an operator in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, by major class of underlying public-public partnership asset
- c. Subscription assets reported in accordance with Statement 96
- d. Intangible assets other than those in subparagraphs (a), (b), and (c), by major class of asset.

Intangible assets that represent the right to use a type of underlying asset should not be disclosed in the same major class as any owned assets of that type.

Capital Assets Held for Sale

- 5. A capital asset is a capital asset held for sale if (a) the government has decided to pursue the sale of the asset and (b) it is probable (likely to occur) that the sale will be finalized within one year of the financial statement date.
- 6. Factors to consider when evaluating whether it is probable that the sale will be finalized within one year of the financial statement date include, but are not limited to, the following:
 - a. Whether the asset is available for immediate sale in its present condition
 - b. Whether an active program to locate a buyer has been initiated, which may include the asset being put out for bid
 - c. Market conditions for selling that type of asset
 - d. Regulatory approvals needed to sell the asset.
- 7. A government should evaluate whether a capital asset is a capital asset held for sale each reporting period.
- 8. A capital asset held for sale should continue to be reported within the appropriate major class of capital asset. Additionally, a government should disclose capital assets held for sale in notes to financial statements, with separate disclosure of historical cost and accumulated depreciation (or amortization), by major class of asset. A government also should disclose the carrying amount of debt for which capital assets held for sale are pledged as collateral, for each major class of asset. The disclosure of capital assets held for sale should be made for both governmental activities and business-type activities.

EFFECTIVE DATE AND TRANSITION

- 9. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.
- 10. The requirements of this Statement should be applied retroactively to all periods presented in the basic financial statements, if practicable. A government should disclose that it implemented this Statement and any financial statement line items (excluding totals and subtotals) affected by its application. If application to prior periods presented is not practicable, the reason for not applying this Statement to prior periods presented should be disclosed.

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

This Statement was issued by unanimous vote of the seven members of the Governmental Accounting Standards Board.

Joel Black, *Chair*
Jeffrey J. Previdi, *Vice Chair*
Brian W. Caputo
Kristopher E. Knight
Dianne E. Ray
Jacqueline L. Reck
Carolyn Smith

APPENDIX A: BACKGROUND

A1. The term *nonfinancial asset* appears throughout the GASB literature. Beginning with the issuance of Statement 34, as amended, many long-lived nonfinancial assets have been classified as capital assets, particularly due to the inclusion of intangible assets in the definition of a capital asset. Certain types of nonfinancial assets, however, can be classified among other types of assets such as investments or receivables. In recent years, the issuance of Statements 87, 94, and 96 has led to the recognition of intangible right-to-use assets, which were classified as capital assets and subject to the guidance in Statement 34. In light of the recognition of those new types of assets, the Board approved a pre-agenda research activity in June 2020 to gather information about nonfinancial assets in order to determine the effectiveness of the existing classifications on financial reporting.

A2. The results of the pre-agenda research were reported to the Board at its June 2021 meeting. The research found that nonfinancial assets are prevalent in government financial statements and that users generally evaluate information about certain types of nonfinancial assets differently.

A3. The members of the Governmental Accounting Standards Advisory Council (GASAC) discussed the results of the classification of nonfinancial assets research at their August 2021 meeting. Those members that expressed a view were supportive of the addition of a project on the topic. In August 2021, the GASB added a project on the classification of nonfinancial assets to the practice-issues portion of its current technical agenda.

A4. In September 2023, the Board approved for issuance an Exposure Draft, *Disclosure and Classification of Certain Capital Assets*, and 27 comment letters were received in response from organizations and individuals. As discussed in Appendix B, comments and suggestions from stakeholders contributed to the Board's deliberations in developing the requirements of this Statement. In addition, members of the GASAC provided feedback on the project at several of their meetings throughout the Board's deliberations. The Board's consideration of the individual feedback from GASAC members is incorporated throughout Appendix B. When project issues are discussed with GASAC members, the GASAC does not take formal positions either in support of or in opposition to those issues.

APPENDIX B: BASIS FOR CONCLUSIONS

Introduction

B1. This appendix discusses factors considered significant by Board members in reaching the conclusions in this Statement. It includes discussion of the alternatives considered and the Board's reasons for accepting some and rejecting others. Individual Board members may have given greater weight to some factors than to others.

Scope and Applicability of This Statement

B2. This Statement provides disclosure requirements for certain types of capital assets. This Statement also establishes criteria for governments to evaluate whether capital assets are capital assets held for sale. The provisions in this Statement are limited to the disclosure of certain types of capital assets and do not include any changes to current recognition or measurement requirements. Governments should refer to current GASB literature for appropriate recognition and measurement guidance. Some respondents to the Exposure Draft requested clarification as to whether this Statement applies to investments. However, the Board believes that there is sufficient existing guidance that indicates that assets classified as investments are not capital assets.

Separate Disclosure of Certain Capital Assets

B3. The Board considered whether certain types of capital assets should be disclosed separately in notes to financial statements. One such consideration was whether financial statement users would evaluate information about lease assets (which are intangible capital assets) differently than information about tangible owned capital assets. Based on the results of the pre-agenda research, the Board determined that such information is essential (as described in Concepts Statement No. 7, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements*) because users indicated that they would use information about intangible lease assets separately from information about tangible owned assets because of differences in valuation, maintenance needs, and ownership interests. Additionally, the Board believes that the characteristics that intangible lease assets share with tangible owned assets—being used in operations and having a useful life of greater than one year, which are part of the definition of capital assets—are more important than the characteristic that they do not share: having ownership. Therefore, the Board concluded that intangible lease assets should continue to be reported as capital assets. Although Statement 87 requires disclosure of lease assets by major class of underlying asset, this Statement extends the requirement to report lease assets by major class of underlying asset to the capital asset disclosures required by Statement 34 (including beginning balances, acquisitions, dispositions, and ending balances).

B4. The Board next considered assets that represent the right to use intangible underlying assets compared with assets that represent the right to use tangible underlying assets (primarily lease assets). The Board evaluated those assets in two parts: those that are subscription assets reported in accordance with Statement 96 and those that are not. (See paragraph B8.) Because

some subscription assets have both tangible and intangible underlying assets, and Statement 96 does not require disaggregation by type of underlying asset, the Board decided to consider subscription assets as a whole. Statement 96 requires subscription assets to be disclosed separately from other types of capital assets. The Board believes that the separate disclosure of subscription assets within the capital assets disclosures required by Statement 34 is essential information based on the pre-agenda research.

B5. Some respondents to the Exposure Draft did not believe that lease assets and subscription assets needed to be separately disclosed because users would not materially benefit from those items being separately disclosed. However, based on user outreach, the Board believes that the separate disclosure of lease assets and subscription assets is essential to users and noted that the existing guidance in Statements 87 and 96 requires that separate disclosure. In addition, the Board believes that information about intangible right-to-use assets recognized by governmental operators in accordance with Statement 94 is essential to users and that separate disclosure of those assets in the disclosures about capital assets required by Statement 34 will increase consistency with the disclosure requirements for lease assets and subscription assets. All of those Statements were developed based on the same model, and if a government has a right-to-use asset that arose from a public-private or public-public partnership arrangement, it is likely to be significant.

B6. The Board considered whether intangible capital assets (other than right-to-use assets) should be classified separately from tangible capital assets and whether such information would be essential to users of financial statements. Respondents to the user survey in the pre-agenda research indicated that their use of information about intangible capital assets differed (or would differ) from their use of information about tangible capital assets. Respondents also noted that tangible capital assets have different life expectancies, conditions, and service capacities from intangible capital assets. Similar to the conclusion discussed in paragraph B3, the Board concluded that the characteristics that intangible assets share with tangible assets—being used in operations and having a useful life of greater than one year—are more important than the characteristic that they do not share: having physical substance. Therefore, the Board believes that intangible capital assets should continue to be classified as capital assets, and they should be disclosed separately by major class (separate from tangible capital assets and right-to-use assets) because of the variety of types of intangible assets.

B7. Some respondents to the Exposure Draft disagreed with the proposed requirement to separately disclose intangible assets by major class because, in their view, there are not enough significant intangible assets other than lease assets and subscription assets to justify needing disaggregation. However, the Board continues to believe that there is sufficient variety in the types of intangible assets. Disaggregation of intangible assets by major class was already required by existing implementation guidance.

B8. The Board determined that the evidence gathered in the pre-agenda research did not support separate disclosure of other assets that represent the right to use intangible underlying assets (that is, other than subscription assets with intangible underlying assets) from all other types of capital assets because those other assets are not prevalent. Those assets could be reported together with other types of capital assets. However, the Board believes that users see a difference between right-to-use assets and owned assets in general (as discussed in

paragraph B3) and, therefore, decided to specify in the Exposure Draft that assets representing the right to use intangible underlying assets should not be reported with owned intangible assets.

B9. Some respondents to the Exposure Draft requested clarification regarding the disclosure requirements for assets representing the right to use intangible underlying assets (other than subscription assets). The Board considered that provision and decided to clarify it by expanding the guidance to address all right-to-use assets, regardless of whether the underlying asset is tangible or intangible. The Board believes that users analyze and use information about right-to-use assets and owned assets differently and, therefore, decided to clarify that assets that represent the right to use an underlying asset should not be reported in the same major class as owned assets. Some respondents to the Exposure Draft suggested that the Board incorporate examples of assets representing the right to use intangible underlying assets in the guidance. The Board believes that the changes made to the language in the guidance provide sufficient clarification without the need for examples.

Separate Disclosure of Certain Other Assets

B10. During pre-agenda research, financial statement users were asked about their use of information about nonfinancial investments and how it differs from their use of information about financial investments. Based on the results of that research, the Board concluded that information about nonfinancial investments is essential. However, guidance already exists in other Statements, such as Statement No. 40, *Deposit and Investment Risk Disclosures*, as amended, and Statement 72, that requires disaggregation of investments by type. Although such guidance does not specifically require a distinction between financial and nonfinancial investments, the Board concluded that the disaggregation already required is at a level sufficient for financial statement users to obtain the information they need. Therefore, this Statement does not require additional disaggregation of investments.

B11. The Board also considered whether financial statement users would find information about receivables for nonfinancial assets separate from information about receivables for financial assets to be essential. That topic was not covered in the pre-agenda research, but feedback was obtained from GASAC members, and they did not indicate that such information would be essential. The Board believes that the existing requirements in Statement No. 38, *Certain Financial Statement Note Disclosures*, to provide disaggregation of receivables are sufficient; therefore, this Statement does not require additional disaggregation of receivables.

Capital Assets Held for Sale

B12. The Board considered whether capital assets held for sale should be disclosed separately. The Board determined that information about capital assets held for sale is essential because feedback from users received as part of the pre-agenda research indicated that many of them would evaluate information about a tangible capital asset differently if that asset was held for sale. Those users reported using the information to make decisions or assess accountability, such as liquidity evaluations, future cash flows, and management's operating effectiveness. The Board believes that users' assessments also would differ in the same way if an intangible asset was held for sale and chose not to limit capital assets held for sale to tangible capital assets.

Additionally, GASAC members provided feedback that some stakeholders may find it essential to know what types of assets are within the classification of held for sale to make a better evaluation. The Board believes that users' evaluations about liquidity and management effectiveness would be enhanced if users knew what major classes of capital assets were included in capital assets held for sale.

B13. The Board considered reporting capital assets held for sale outside of capital assets. However, because recognition and measurement issues were scoped out of this project, that reporting would mean they would not have direct recognition and measurement guidance. The Board believes that such assets meet the definition of a capital asset in Statement 34 and should continue to be reported as such, including all note disclosures.

B14. The results of the pre-agenda research indicated that some governments already report capital assets held for sale. To improve comparability, the Board decided to provide criteria for reporting capital assets as capital assets held for sale. In developing the guidance for capital assets held for sale, the Board decided to consider the Financial Accounting Standards Board (FASB) criteria because those criteria established a high level of certainty that an asset would be sold. The Board believes that the primary use of information about capital assets held for sale is in evaluating liquidity, and a higher level of certainty will benefit that evaluation. However, the Board also decided to consider the FASB criteria individually to determine whether each criterion would be appropriate in the government environment.

B15. Instead of requiring management to commit to a plan to sell the asset, as required by the FASB, the Board proposed in the Exposure Draft that the government decide to sell the asset. Governments often require a higher level of authority than management, such as a city council or school board, to make such decisions. The language of *decided to sell* with respect to a capital asset already exists in Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, and using that language linked the concept of held for sale with that guidance. Because the Board decided not to require a plan to sell the asset, the Board also decided not to adopt the FASB criterion that requires that significant changes to the plan be unlikely in order for a capital asset to be held for sale.

B16. Some respondents to the Exposure Draft requested more guidance about the level of authority required for a government to have decided to sell a capital asset. Because of varying policies and procedures that governments may have with respect to the sale of a capital asset, the Board believes that the guidance in this Statement needs to be flexible, allowing governments to exercise judgment based on their specific circumstances. In addition, the Board decided to clarify that the requirement is a decision to pursue the sale of an asset rather than the approval needed to finalize the sale. Although that clarification means the guidance is no longer linked with Statement 42, the Board believes that the additional clarity outweighs the need for consistency with that guidance. The Board decided that additional guidance on the timing of the decision to pursue the sale was not necessary because it is inherent in GASB standards that the criteria have to be met as of the financial statement date unless otherwise specified.

B17. The other criterion the Board decided to require, which is based on an FASB criterion, is that it be probable that the sale will be finalized within one year of the financial statement date. The Board considered several likelihood thresholds, including *more likely than not* and *reasonably*

certain. The Board believes that *probable* is a threshold that communicates a level of certainty that is high enough to be useful for liquidity evaluations but not so high that few capital assets will ever meet the threshold. In response to feedback on the Exposure Draft, the Board decided to define *probable* in this Statement the same way it has been defined in previous GASB standards.

B18. The time frame in which it is probable that the sale of a capital asset will be finalized starts at the financial statement date because it is about reporting the capital asset as of that date. The Board considered several alternatives for the time frame. Because it often takes governments longer than private-sector entities to complete the sale of an asset, the Board considered longer time frames of two or three years. However, because of the focus on liquidity, the Board believes that information about capital assets held for sale would be most useful when the sale is closer to completion. In addition, the Board considered an unspecified time frame, such as *within a reasonable period*, which would avoid creating a bright line that might exclude some capital assets whose sale might be completed just past that time frame. However, the Board was concerned about differing interpretations leading to a lack of comparability between governments. Therefore, the Board chose a time frame of one year.

B19. The Board also considered whether the one-year time frame should be a requirement for a capital asset to be a capital asset held for sale or a delineation between two components of capital assets held for sale: those probable of being finalized within one year of the financial statement date and those not probable of being finalized within one year. The Board believes that information about those probable of being finalized within one year is essential to financial statement users, but information about those not probable of being finalized within one year is not essential. Therefore, the Board decided that the one-year time frame should be a requirement, and any capital assets that do not meet that time frame are not capital assets held for sale.

B20. Some respondents to the Exposure Draft expressed concerns about the ability of governments to make a judgment about timing when the sales process can be lengthy. However, because a government does not need to be certain about precisely when the sale will be finalized, the Board believes that governments will be able to make the judgment about whether it is probable that the sale will be finalized within one year of the financial statement date.

B21. The Board considered potential exceptions to the time frame for circumstances beyond a government's control—specifically, conditions imposed by buyers, conditions imposed by others, and previously unlikely circumstances occurring. However, the Board believes that those events or circumstances are part of the evaluation of whether it is probable that the sale of the capital asset will be finalized within one year of the financial statement date.

B22. The Board decided to provide a list of factors to consider in determining whether it is probable that the sale of a capital asset will be finalized within one year of the financial statement date. The Board did not want to prevent a capital asset from being a capital asset held for sale by having additional requirements if the government believes it is probable that the sale will be finalized within one year. The Board believes that a list of factors to consider will assist stakeholders in making their determinations and will allow flexibility in applying professional judgment as appropriate in the circumstances. Because of that flexibility, the Board also chose not to provide any exceptions to the two requirements—the government having decided to pursue the sale of the asset and it being probable that the sale will be finalized within one year.

B23. The first two factors, which are FASB criteria, are whether the capital asset is available for immediate sale in its present condition and whether there is an active program to locate a buyer. The Board believes that, in many cases, if the asset is available for immediate sale and there is an active program to locate a buyer, there is a greater likelihood that the sale will be finalized within one year of the financial statement date.

B24. In addition to the two factors that came from the FASB criteria for held for sale, this Statement includes market conditions and regulatory approvals as factors to consider in determining whether it is probable that the sale of a capital asset will be finalized within one year of the financial statement date. The Board believes that the favorability (or lack thereof) of the market and processes for obtaining regulatory approval often play an important role in the likelihood and timing of the sale of a capital asset, in addition to the two factors already identified.

B25. The Board decided that a capital asset being marketed at a reasonable price, as required by the FASB, should not be either a requirement or a factor to consider in determining whether a capital asset is a capital asset held for sale. Although the price at which a capital asset is marketed may impact the timing of a sale, governments often make decisions (for example, the selling price of an asset) for reasons other than economics. In addition, governments may not always market capital assets at a certain price but, instead, request bids from potential buyers. Therefore, the Board decided that marketing a capital asset at a reasonable price often is not relevant in the government environment.

B26. The Board discussed whether a capital asset can be a capital asset held for sale if it is still used in operations. The Board believes that users who are evaluating a government's liquidity are not concerned with whether a capital asset is still used in operations. The Board believes that those users are concerned with the likelihood of the asset being sold regardless of whether it is in use or idle. Therefore, this Statement does not require capital assets to be idle in order for them to be capital assets held for sale.

B27. The Board also discussed whether a capital asset that has been a capital asset held for sale should no longer be a capital asset held for sale if the asset no longer meets the criteria (for example, if the government decides not to sell the asset or the expected time frame changes to beyond one year). The Board believes that evaluating capital assets held for sale each reporting period, and adjusting the reporting as needed, will provide better information about liquidity to financial statement users and best represents the status of a government's assets.

B28. The Board recognizes that adjusting the reporting may be viewed as inconsistent with Statement 72, which prohibits governments from changing the classification of an investment even if the usage of the asset changes over time. However, that requirement was based on easing the burden of evaluating and remeasuring assets when it is likely that an investment's usage would change infrequently. The Board believes that the ability of governments to adjust the reporting of capital assets held for sale has minimal cost because it does not require remeasurement. Additionally, the Statement 72 requirement only applies to classification of an investment and was not intended to prohibit other types of assets from being reclassified.

B29. The Board considered feedback to the Exposure Draft that requested that reporting a capital asset held for sale be evaluated on an annual basis rather than each reporting period. Although

the Board understands that evaluation each reporting period might place additional burden on governments that issue interim financial statements, the Board believes that the benefit of more timely reporting outweighs the burden of evaluation each reporting period instead of annually. The Board also considered whether to include guidance on how to report capital assets previously reported as capital assets held for sale but still being held by the government. The Board believes that it is inherent in the guidance for evaluation each reporting period that a capital asset that no longer meets the criteria would no longer be a capital asset held for sale.

B30. The Exposure Draft proposed that capital assets held for sale be disclosed separately within the note disclosures required by paragraphs 116 and 117 of Statement 34. Some respondents to the Exposure Draft suggested alternatives for how to disclose capital assets held for sale in the notes, such as disclosing the information in the notes separately from the note disclosures required by Statement 34, or in management's discussion and analysis. The Board considered those alternatives and believes that notes to financial statements is the appropriate place to disclose amounts related to capital assets held for sale in accordance with the guidance established in Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, and Concepts Statement 7. However, the Board decided that information about capital assets held for sale would provide better clarity if only the ending balances of the historical cost and accumulated depreciation of those assets were presented in a separate disclosure. The Board believes that the assessment of liquidity is the primary use of information about capital assets held for sale and that information presenting capital assets held for sale separately in the capital assets disclosure required by Statement 34, which presents the activity of those assets (beginning balance, acquisitions, dispositions, and ending balance), may add complexities that are not necessary for users. In making that change from the Exposure Draft, the Board did not intend for a capital asset held for sale to be excluded from the capital assets disclosure required by Statement 34 and added clarification that it should continue to be reported within the appropriate major class of capital asset.

B31. Some respondents to the Exposure Draft requested that the Board consider requiring disclosure of information about idle capital assets or the proceeds from actual sales of capital assets that have occurred over a period of time. The Board believes that the primary use of information about capital assets held for sale is in evaluating liquidity and that the disclosure of idle capital assets would not provide information about liquidity. (See paragraph B26.) In addition, the Board believes that information about historical sales proceeds may not be representative of future sales proceeds.

B32. Some respondents to the Exposure Draft believe that the perceived costs of evaluating whether equipment should be reported as a capital asset held for sale exceed the expected benefits because some state and local governments may have greater quantities of equipment that are typically sold in less structured ways. The Board considered the perceived costs and expected benefits of reporting equipment as a capital asset held for sale and believes that users would find information about equipment that is a capital asset held for sale essential. The Board understands that it sometimes may be difficult for governments to identify equipment that meets the criteria to be a capital asset held for sale; however, the Board believes that in those circumstances, the materiality threshold often will be sufficiently high such that the government would not need to go through the process of identifying them. Based on feedback from stakeholders, the Board considered excluding assets acquired for the purposes of resale or

disposal from being reported as capital assets held for sale, but the Board does not believe that the purpose for which a capital asset is acquired is relevant for users who are assessing liquidity.

B33. Some respondents to the Exposure Draft suggested additional disclosure requirements related to capital assets held for sale. One of those suggestions was the disclosure of liens or mortgages related to capital assets held for sale. The Board believes that users concerned about liquidity would want to know whether there are claims on the future proceeds from the sale of the capital asset and, if so, the amount of such claims. Therefore, the Board concluded that disclosure of the amount of debt for which the capital asset held for sale is pledged as collateral should be required. The Board believes governments already have that information because disclosure of assets pledged as collateral is required by Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*. The Board also considered requiring disclosure of claims on proceeds from assets funded through grants because capital assets bought with grant funds often are subject to a requirement to return a portion of sales proceeds to the grantor if the assets are sold. However, the Board believes that the requirement to return a portion of sales proceeds is often waived and an actual return seldom occurs. Therefore, the Board did not choose to require disclosure of a claim on proceeds from a grantor.

B34. Two additional disclosure requirements considered related to capital assets held for sale were the fair value of the assets and the government's depreciation policy for them. The Board believes that the fair value of a capital asset held for sale may not always represent the future cash flow from the sale because Statement 72 requires the fair value of a nonfinancial asset to take into account the highest and best use of that asset, even if the government intends a different use. The Board does not believe that the benefit of the disclosure of fair value justifies the burden on governments to estimate that fair value. Because this Statement does not require changes to recognition and measurement requirements, including depreciation, there is no depreciation policy for capital assets held for sale other than the general depreciation policy that is already required to be disclosed by paragraph 115 of Statement 34, as amended.

Definition of Nonfinancial Asset

B35. Because this project focused on the classification and presentation of different types of nonfinancial assets, the Board considered whether and, if so, how to define the term *nonfinancial asset*. That term has been used in several Statements but was defined only in Statement 87. In paragraph 7 of that Statement, the term was defined as "an asset that is not a financial asset as that term is defined in Statement 72. . . ." The Board considered whether to provide a definition of *nonfinancial asset* in this project that would clarify the use of that term in the other Statements in which it is used. However, the Board did not believe that there was a compelling need to clarify those other Statements through this project.

B36. Another reason that the Board considered defining the term *nonfinancial asset* was the potential for some types of assets to no longer be reported as capital assets. If that were the case, there could have been a *nonfinancial assets* category in which those assets could be classified in the financial statements. However, because the Board decided to keep all of the asset types considered within the capital assets category, the Board did not see a need to define *nonfinancial asset* as a separate type of asset for presentation purposes.

B37. The Board contemplated whether assets consumable in lieu of cash, such as prepaid assets and inventory, needed to be addressed in this project, specifically as to whether they are financial or nonfinancial assets. However, because of the decision not to provide a definition of *nonfinancial asset*, it was not necessary to consider assets consumable in lieu of cash further.

Considerations Related to Benefits and Costs

B38. The overall objective of financial reporting by state and local governments is to provide information to assist users (the citizenry, legislative and oversight bodies, and investors and creditors) in assessing the accountability of governments and in making economic, social, and political decisions. One of the principles guiding the Board's setting of standards for financial reporting is the assessment of the expected benefits and perceived costs. The Board strives to determine that its standards (including disclosure requirements) address a significant user need and that the costs incurred through the application of its standards, compared with possible alternatives, are justified when compared to the expected overall public benefit.

B39. Present and potential users are the primary beneficiaries of improvements in financial reporting. Persons within governments who are responsible for keeping accounting records and preparing financial statements, as well as managers of public services, also benefit from the information that is collected and reported in accordance with GASB standards. The costs to implement the standards are borne primarily by governments and, by extension, their citizens and taxpayers. Users also incur costs associated with the time and effort required to obtain and analyze new information to meaningfully inform their assessments and decisions.

B40. The Board's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the Board undertakes the assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

B41. The primary sources of information related to the expected benefits of this Statement are the results from the pre-agenda research, referenced in paragraph A2 of Appendix A, and stakeholder comments from the Exposure Draft. The pre-agenda research indicated users' need for information that distinguishes between certain types of assets. Users asserted that information about certain types of assets is important primarily because it is analyzed differently or it is used to inform different decisions or assessments of accountability, and, to a lesser degree, because information about one type of asset is more important than information about another type of asset. The stakeholder responses to the Exposure Draft reiterated the users' needs from the pre-agenda research and indicated that the information in this Statement would improve decision making, enhance the assessment of accountability, and increase comparability between governments. Therefore, the Board believes that this Statement will provide users with essential information. Additionally, the Board believes that this Statement will improve comparability between governments, and the resulting information will improve usability for financial statement users.

B42. The Board also considered the perceived costs of implementing and complying with the provisions in this Statement specific to users, preparers, and auditors. The Board believes that users will not incur significant costs with the implementation of this Statement because the primary costs associated with receiving, understanding, and analyzing the new information will be minimal. Regarding costs to preparers and auditors, the Board believes that costs will be minimal because governments are expected to have much of the information required for this Statement within the detailed records of capital assets. As mentioned in paragraph B30, the Board believes the changes made to the capital assets held for sale disclosure will make implementation of that requirement less complex for preparers and auditors and, as a result, less costly than the Exposure Draft proposal. The separate disclosure of certain capital assets required by paragraph 4 of this Statement may already be used by some governments. Additionally, this guidance does not require a change in recognition or measurement but only changes in the presentation and disclosure of capital assets. The Board acknowledges that there may be some costs to evaluate (a) which capital assets meet the requirements to be capital assets held for sale, particularly in making judgments about the likelihood of a sale happening within the specified time frame, and (b) the carrying amount of debt for which capital assets held for sale are pledged as collateral. However, the Board does not believe it is common for governments to have numerous capital assets held for sale and, therefore, expects the costs to be relatively minor. In addition, information regarding the carrying amount of debt should be readily available for governments because of the requirements of Statement 88.

B43. The Board believes that users will benefit from this Statement because it will provide consistent and comparable information about capital assets. In addition, the Board believes that the requirements for capital assets held for sale will benefit users in making better assessments about liquidity. The Board also believes that the costs to stakeholders will be minimal as the information, in many cases, either will already be known to governments or can be easily obtained. Therefore, the Board believes that the expected benefits that will result from the information provided through implementation of this Statement are significant and justify the perceived costs of implementation and ongoing compliance of this Statement.

Effective Date and Transition

B44. The provisions of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. In considering the changes introduced in this Statement, the Board concluded that the effective date allows adequate time for financial statement preparers to plan for the transition and implementation of this Statement. Some governments may wish to implement the guidance earlier than the effective date, which this Statement encourages.

B45. With respect to transition, the Board believes that retroactive application is preferable for the purpose of consistency. Therefore, this Statement includes transition provisions that require retroactive application, if practicable. The phrase *if practicable* has been used in other GASB standards in a similar context as used in this Statement with respect to transition provisions. The Board believes that reasonable efforts should be employed before a government determines that restatement of all prior periods presented is not practicable. In other words, *inconvenient* should not be considered equivalent to *not practicable*.

B46. The Exposure Draft included separate transition provisions for (a) proposals associated with the note disclosures required by paragraphs 116 and 117 of Statement 34 and (b) proposals related to capital assets held for sale (for which the Exposure Draft referred to the requirements of Statement No. 100, *Accounting Changes and Error Corrections*, for reclassifications in the financial statements resulting from a change in accounting principle). However, the Board believes that those proposed transition provisions intended the same outcome. Therefore, for clarity and simplicity, the Board decided to establish transition provisions that apply to this Statement as a whole.

APPENDIX C: ILLUSTRATIONS

C1. This appendix illustrates certain requirements of this Statement. The examples are illustrative only and are not intended to modify or limit the requirements of this Statement or to indicate the Board's endorsement of the policies or practices shown. The examples are nonauthoritative and no inferences about determining materiality should be drawn from them.

Illustration 1—Capital Assets Note Disclosure

This illustration provides an example of the governmental activities capital assets note disclosure for a hypothetical government. The example illustrates some of the requirements in paragraph 4 of this Statement. Other presentations also may satisfy those requirements.

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

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

Illustration 2—Capital Assets Held for Sale Disclosure

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

APPENDIX D: CODIFICATION INSTRUCTIONS

Codification of Governmental Accounting and Financial Reporting Standards—June 2025 Update

D1. The instructions that follow update the June 30, 2024 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statement No. 103, *Financial Reporting Model Improvements*, for the provisions of this Statement. Only the paragraph number of the Statement is listed if the paragraph will be cited in full in the Codification.

* * *

[Update cross-references throughout.]

* * *

1400—Reporting Capital Assets

Sources: [Add GASBS 104.]

[Insert new paragraphs .112–.114, including heading (subheading of Reporting Capital Assets), as follows; renumber subsequent paragraphs.]

Capital Assets Held for Sale

.112–.114 [GASBS 104, ¶5–¶7]

.115 [In renumbered paragraph .115, replace *Section 2300, paragraphs .117 and .118* with *paragraphs .117–.120 of Section 2300.*] [GASBS 34, ¶20, as amended by GASBS 63, ¶8; GASBS 104, ¶4 and ¶8]

.125 [In renumbered paragraph .125, replace *paragraphs .117 and .118* with *paragraphs .117–.120.*]

.702-9 [Replace the answer as follows:] No. Paragraph .112 of Section S20 requires that an asset transferred within a financial reporting entity continue to be reported at the transferor's carrying value. Paragraph .107 of Section I50 provides that an asset not initially classified as an investment should not later be reclassified as an investment for financial reporting purposes, even if the government's usage of the asset changes over time. That requirement applies even if the asset changes legal ownership within the financial reporting entity. Therefore, the RDA should retain the classification of the land as a capital asset and should report the transferred land at its retained carrying value of \$150,000. [GASBIG 2019-1, Q4.10, as amended by GASBS 104, ¶7]

[Insert new heading .704 (subheading of Reporting Capital Assets) and related text as follows; renumber subsequent headings and questions.]

.704 Capital Assets Held for Sale

No questions assigned.

[Replace renumbered Question .717-1 with *No questions assigned.*] [GASBIG 2015-1, QZ.51.29, superseded by GASBS 104, ¶4]

* * *

1800—Classification and Terminology

.742-2 [In the first sentence of the question, replace *held* with *acquired*.] [GASBIG 2015-1, QZ.54.2, as amended by GASBS 104, ¶5]

.742-5 [In the first sentence of the question, replace *held* with *acquired*.] [GASBIG 2015-1, QZ.54.5, as amended by GASBS 104, ¶5]

* * *

2200—Annual Comprehensive Financial Report

Sources: [Add GASBS 104.]

[In footnote 9, replace *paragraphs .117–.121 of Section 2300* with *paragraphs .117–.119 and .121–.123 of Section 2300*.] [GASBS 103, fn5; GASBS 104, ¶4]

* * *

2300—Notes to Financial Statements

Sources: [Add GASBS 104.]

.106 [In subparagraph (I), replace *paragraphs .117–.119 and .121* with *paragraphs .117–.121 and .123*. In the sources, add GASBS 104, ¶4 and ¶8 and remove GASBS 87, ¶37 and GASBS 96, ¶60 from the amending sources of GASBS 34, ¶116 and ¶117.]

.117 [In the second sentence, remove *, with separate presentation of totals for (a) lease assets and (b) subscription assets arising from subscription-based information technology arrangements,*] [GASBS 34, ¶116, as amended by GASBS 63, ¶8]

.118 [Remove *, with the total for lease assets and the total for subscription assets arising from subscription-based information technology arrangements, each presented separately,*] [GASBS 34, ¶117]

[Insert new paragraphs .119 and .120 as follows; renumber subsequent paragraphs.]

.119 [GASBS 104, ¶4]

.120 [GASBS 104, ¶8]

.121 [In current paragraph .119, replace *paragraphs .117 and .118* with *paragraphs .117–.120.*] [GASBS 34, ¶118; GASBS 104, ¶4 and ¶8]

.706-1 [In the answer, replace *construction in progress, and intangible assets* with *and construction in progress.*] [GASBIG 2015-1, Q7.85.2, as amended by GASBS 104, ¶4]

[Delete Question .706-8; renumber subsequent question.] [GASBIG 2015-1, QZ.51.29, superseded by GASBS 104, ¶4]

* * *

I40—Inventory

.103 [Replace the second sentence with the following:] The fact that a depreciable asset is retired from regular use and is a capital asset held for sale (see paragraph .112 of Section 1400, “Reporting Capital Assets”) does not indicate that the item should be classified as part of the inventory. [GASBS 62, ¶190, as amended by GASBS 104, ¶5]

* * *

I50—Investments

.107 [Replace the second and third sentences with the following:] If the government determines that the asset is an investment, it should continue to be classified as an investment for financial reporting purposes, even if the government’s usage of the asset changes over time. Likewise, if the government determines that the asset is not an investment, it should not later be reclassified as an investment for financial reporting purposes. [GASBS 72, ¶68, as amended by GASBS 104, ¶7]

.706-1 [In the answer, replace the last sentence with the following:] After an asset is classified as a capital asset at acquisition, it should not be reclassified as an investment. [GASBIG 2016-1, Q4.40, as amended by GASBS 104, ¶7]

.706-2 [Replace the answer with the following:] No. Paragraph .112 of Section S20, “Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,” requires that an asset transferred within a financial reporting entity continue to be reported at the transferor’s carrying value. Paragraph .107 of this section provides that an asset not initially classified as an investment should not later be reclassified as an investment for financial reporting purposes, even if the government’s usage of the asset changes over time. That requirement applies even if the asset changes legal ownership within the financial reporting entity. Therefore, the RDA should retain the classification of the land as a capital asset and should report

the transferred land at its retained carrying value of \$150,000. [GASBIG 2019-1, Q4.10, as amended by GASBS 104, ¶7]

* * *

L20—Leases

Sources: [Add GASBS 104.]

.137 [Replace subparagraph (c) with the following:] The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets. (See paragraph .119 in Section 2300, “Notes to Financial Statements.”) [GASBS 87, ¶37; GASBS 104, ¶4]

.711-4 [In the second sentence of the answer, replace *paragraphs .117 and .118* with *paragraphs .117–.119.*] [GASBIG 2019-3, Q4.40, as amended by GASBS 104, ¶4]

[Delete Question .711-5; renumber subsequent question.] [GASBIG 2019-3, Q4.41, superseded by GASBS 104, ¶4]

* * *

N50—Nonexchange Transactions

.711-8 [In the third sentence of the answer, replace *is being held for sale* with *, at the date of donation, the government intends to sell the asset.*] [GASBIG 2016-1, Q4.71, as amended by GASBS 104, ¶5]

.714-1 [In the third sentence of the answer, replace *is being held for sale* with *, at the date of donation, the government intends to sell the asset.*] [GASBIG 2016-1, Q4.71, as amended by GASBS 104, ¶5]

* * *

N70—Nonmonetary Transactions

.105 [In subparagraph (a), replace *held for sale* with *that is intended to be sold*. In subparagraph (b), replace *not held for sale* with *that is not intended to be sold.*] [GASBS 62, ¶276, as amended by GASBS 104, ¶5]

* * *

R30—Real Estate

.192 [In the first sentence, replace *held for sale or development and sale* with *that is intended to be sold or developed and sold.*] [GASBS 62, ¶372, as amended by GASBS 104, ¶5]

* * *

S20—Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues

.708-4 [Replace the answer with the following:] No. Paragraph .112 of this section requires that an asset transferred within a financial reporting entity continue to be reported at the transferor's carrying value. Paragraph .107 of Section I50 provides that an asset not initially classified as an investment should not later be reclassified as an investment for financial reporting purposes, even if the government's usage of the asset changes over time. That requirement applies even if the asset changes legal ownership within the financial reporting entity. Therefore, the RDA should retain the classification of the land as a capital asset and should report the transferred land at its retained carrying value of \$150,000. [GASBIG 2019-1, Q4.10, as amended by GASBS 104, ¶7]

* * *

S80—Subscription-Based Information Technology Arrangements

Sources: [Add GASBS 104.]

.159 [Replace subparagraph (b) with the following:] The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets. (See paragraph .119 of Section 2300, "Notes to Financial Statements.") [GASBS 96, ¶60; GASBS 104, ¶4]

* * *

Comprehensive Implementation Guide—June 2025 Update

D2. The instructions that follow update the June 30, 2024 *Comprehensive Implementation Guide* for the provisions of this Statement.

* * *

6.11.16. [In the answer, replace the last sentence with the following:] After an asset is classified as a capital asset at acquisition, it should not be reclassified as an investment. [GASBIG 2016-1, Q4.40, as amended by GASBS 104, ¶7]

7.85.2. [In the answer, replace *construction in progress, and intangible assets* with *and construction in progress*.] [GASBIG 2015-1, Q7.85.2, as amended by GASBS 104, ¶4]

12.51.1. [In the second sentence of the answer, replace *paragraphs 116 and 117 of Statement 34, as amended*, with *paragraphs 116 and 117 of Statement 34, as amended, and paragraph 4 of Statement No. 104, Disclosure of Certain Capital Assets,*] [GASBIG 2019-3, Q4.40, as amended by GASBS 104, ¶4]

12.52.1. [Replace the question and answer with the following:] [Question number not used]
[GASBIG 2019-3, Q4.41, superseded by GASBS 104, ¶4]

Z.33.22. [In the third sentence of the answer, replace *is being held for sale* with , *at the date of donation, the government intends to sell the asset.*] [GASBIG 2016-1, Q4.71, as amended by GASBS 104, ¶5]

Z.48.18. [Replace the answer with the following:] No. Paragraph 15 of Statement 48 requires that an asset transferred within a financial reporting entity continue to be reported at the transferor's carrying value. Paragraph 68 of Statement 72, as amended, provides that an asset not initially classified as an investment should not later be reclassified as an investment for financial reporting purposes, even if the government's usage of the asset changes over time. That requirement applies even if the asset changes legal ownership within the financial reporting entity. Therefore, the RDA should retain the classification of the land as a capital asset and should report the transferred land at its retained carrying value of \$150,000. [GASBIG 2019-1, Q4.10, as amended by GASBS 104, ¶7]

Z.51.29. [Replace the question and answer with the following:] [Question number not used]
[GASBIG 2015-1, QZ.51.29, superseded by GASBS 104, ¶4]

Z.54.2. [In the first sentence of the question, replace *held* with *acquired*.] [GASBIG 2015-1, QZ.54.2, as amended by GASBS 104, ¶5]

Z.54.5. [In the first sentence of the question, replace *held* with *acquired*.] [GASBIG 2015-1, QZ.54.5, as amended by GASBS 104, ¶5]