GASB Update

July 7, 2026

Frances Kuo, CPA, CGMA

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With You Today



Frances Kuo, CPA, CGMA
Managing Partner

Frances Kuo is a Partner in The Pun Group, LLP's Assurance Division, with over twenty years in accounting and auditing. Her expertise spans engagements with governmental agencies, not-for-profit entities, employee benefit plans and peer review. Frances specializes in financial statement audits in compliant with GAO *Government Auditing Standards* and compliance audits aligned with the Uniform Guidance.

Within the firm, Frances takes on the role of an in-house instructor, dedicatedly providing theoretical and on-the-job training to junior staff members. She has played a key role in developing comprehensive training materials covering topics such as the risk-based audit approach, financial reporting common deficiencies and Single Audits/Uniform Guidance update.

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Course Description

GASB Update

This GASB Update course provides a comprehensive look at the latest pronouncements, guidance, and the current projects from the Governmental Accounting Standards Board (GASB). Designed for accounting professionals, auditors, and financial managers working within or in conjunction with governmental entities, this course will equip attendees with the knowledge and skills needed to apply new GASB standards.

Learning Objectives

- Provide an overview of the recent pronouncements currently being implemented
- Provide an overview of current GASB projects under development

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Effective Dates – June 30 Year End

2026

- Statement 103 – Financial Reporting Model Improvements
- Statement 104 – Disclosure of Certain Capital Assets
- Implementation Guide 2025-1* – *Implementation Guidance Update – 2025*

2027

- Statement 105 – Subsequent Events

*Question 4.16 was effective upon issuance (June 2025)

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New GASB Statement Impact

Comparison of Potential Level of Effort for Financial Statement Preparers and Auditors:

- GASB 101 – Compensated Absences (2025) – Medium
- GASB 102 – Certain Risk Disclosures (2025) – Small
- GASB 103 – Financial Reporting Model Improvement (2026) – Medium
- GASB 104 – Disclosure of Certain Capital Assets (2026) – Small
- GASB 105 – Subsequent Events (2027) – Small

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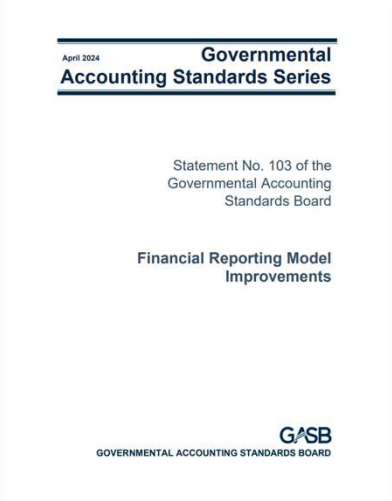
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GASB Statement No. 103

Financial Reporting Model Improvements



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GASB Statement No. 103

Financial Reporting Model Improvements

- Management's Discussion and Analysis
- Unusual or infrequent items
- Presentation of proprietary funds statement of revenues, expenses, and changes in net position
- Major component unit information
- Budgetary comparison information
- Financial trends information in the statistical section

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Management's Discussion and Analysis

Overall Principles

- Users of MD&A "have different levels of knowledge and sophistication about governmental accounting and finance" and "may not have a detailed knowledge of accounting principles"
- Analysis of current-year balances and activity to explain why balance and results changed from prior year
- Avoid unnecessary duplication, avoid "boilerplate" language
- Focus on primary government, discussion of discretely presented component units is a matter of professional judgment

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Management's Discussion and Analysis

Information presented in MD&A be limited to the related topics discussed in five sections:

Prior (GASB 34) MD&A Requirements	MD&A Requirements under GASB 103
Discussion of the basic financial statements	1. Overview of the financial statements
Condensed financial information	2. Financial summary
Analysis of the government's overall financial position and results of operations	3. Detailed analysis
Analysis of the balances and transactions of individual funds	Combined
Description of capital assets and long-term debt activity	4. Significant capital asset and long-term financing activity
Current known facts, decisions or conditions of future significance	5. Currently known facts, decisions, or conditions
Analysis of budgetary variances	No longer included in MD&A (Moved to notes to RSI other than MD&A)
Discussion of infrastructure accounted for using the modified appropach	

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MD&A – Overview of the Financial Statements

Overview of the Financial Statements

The City's financial report contains basic financial statements. Those financial statements present the City's finances at both an overall and a detailed level. The first two—the *government-wide financial statements*—cover the City's governmental activities and business-type activities (together, the *primary government*) and discretely presented component units. (See the diagram in Figure A-1.)

- *Governmental activities* comprise the City's most basic functions, such as public safety, culture and recreation, and social and economic development. Governmental activities primarily are financed by taxes paid by City residents and businesses and grants from the State of Example and the federal government.
- *Business-type activities* are City services primarily financed in whole or in part with charges to customers—electric utility, public buses, and municipal golf courses.
- *Discretely presented component units* are legally separate entities for which the City is financially accountable—most notably the Sample City Energy Authority and the Robert L. Antonio Airport. (To see their separately issued financial reports, visit www.sampleenergyurl.gov and www.rlaairporturl.gov.)

The remaining basic financial statements present the City's finances in greater detail and present fiduciary activities. As their name implies, the *fund financial statements* disaggregate financial information by separate funds to report on the specific purposes for which resources are used or for which they are restricted. The City reports three groups of funds:

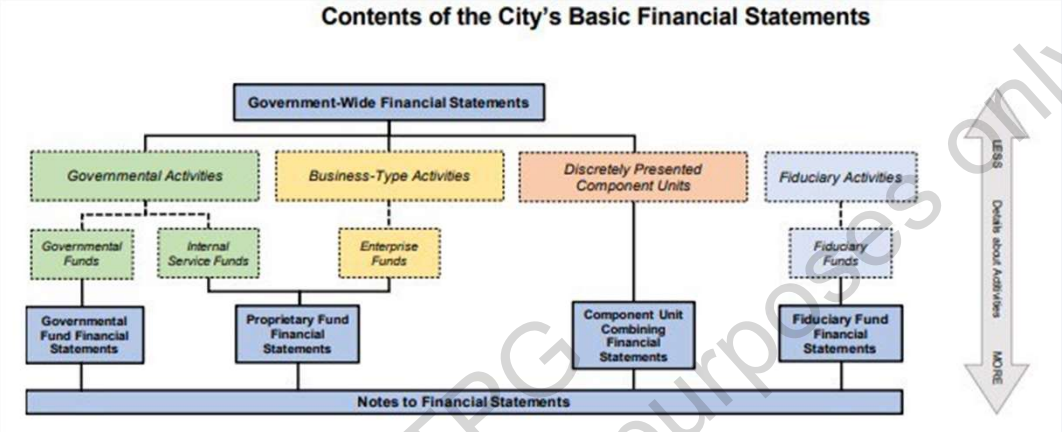
- *Governmental fund financial statements* report all of the governmental activities except those that involve providing services to City departments. In addition to the City's main operating fund—the general fund—those financial statements report a special revenue fund to track the use of a portion of the City's restricted sales tax for public safety and transportation, a debt service fund to record the repayment of outstanding bonds, and a capital projects fund to account for resources used to acquire transportation infrastructure and certain other long-lived assets.
- *Proprietary fund financial statements* report all of the business-type activities (*enterprise funds*) and the services provided to City departments (*internal service funds*).

Types of Information Reported in the City's Financial Statements

	Financial Statements				
	Government-Wide	Proprietary Fund	Fiduciary Fund	Component Unit	Governmental Fund
Types of assets and liabilities	All assets and liabilities, both financial and nonfinancial, short term and long term				Only current financial resources, such as cash, taxes receivable, and accounts payable
Types of revenues/additions	All types of revenues/additions that flow into the government during the year that relate to that year, regardless of when cash is received				Only revenues that are measurable and available to finance expenditures of that year
Types of expenses/deductions/ expenditures	All types of expenses/deductions that flow out of the government during the year that relate to that year, regardless of when cash is paid				Only expenditures for which the related governmental fund liability is incurred in that year
Types of deferred outflows of resources and deferred inflows of resources	All types of resources that flow into and out of the government during the year that relate to a future year				Current financial resources that flow into and out of the governmental funds during the year that relate to a future year

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MD&A – Overview of the Financial Statements (Continued)



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MD&A – Financial Summary

- **Financial summary—condensed financial statements**

Changes in Sample City's Net Position
(amounts expressed in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Percentage Change
	20X5	20X4	20X5	20X4	20X5	20X4	20X5–20X4
Revenues							
Program revenues:							
Charges for services	$ 45,301	$ 41,393	$ 62,200	$ 59,998	$ 107,501	$ 101,391	6.0%
Operating grants and contributions	38,163	31,057	-	-	38,163	31,057	22.9%
Capital grants and contributions	30,885	14,846	2,938	2,199	33,823	17,045	98.4%
General revenues:							
Sales taxes	279,567	278,136	-	-	279,567	278,136	0.5%
Property taxes	78,930	77,074	-	-	78,930	77,074	2.4%
Other taxes	74,940	61,861	-	-	74,940	61,861	21.1%
Payments in lieu of taxes	16,869	15,872	-	-	16,869	15,872	6.3%
Investment earnings	20,667	7,629	1,674	951	22,341	8,580	160.4%
Other	12,519	11,765	420	56	12,939	11,821	9.5%
Total revenues	**597,841**	**539,633**	**67,232**	**63,204**	**665,073**	**602,837**	**10.3%**
Expenses							
General government	46,059	42,388	-	-	46,059	42,388	8.7%
Public safety	205,416	218,558	-	-	205,416	218,558	-6.0%
Public works	71,308	67,872	-	-	71,308	67,872	5.1%
Culture and recreation	25,631	21,347	-	-	25,631	21,347	20.1%
Social and economic development	79,701	26,014	-	-	79,701	26,014	206.4%
Interest on long-term debt	25,566	21,284	-	-	25,566	21,284	20.1%
Public utility	-	-	42,687	40,526	42,687	40,526	5.3%
Transit authority	-	-	25,826	25,755	25,826	25,755	0.3%
Golf courses	-	-	8,396	7,250	8,396	7,250	15.8%
Total expenses	**453,681**	**397,463**	**76,909**	**73,531**	**530,590**	**470,994**	**12.7%**
Excess (deficiency) before unusual/infrequent items and transfers	144,160	142,170	(9,677)	(10,327)	134,483	131,843	2.0%
Transfers	(18,996)	(4,639)	18,996	4,639	-	-	-
Unusual or infrequent item—flood damage:							
Grant revenue	2,500	-	-	-	2,500	-	100%
Cleanup	(10,000)	-	-	-	(10,000)	-	100%
Change in net position	**117,664**	**137,531**	**9,319**	**(5,688)**	**126,983**	**131,843**	**-3.7%**
Net position—beginning of period	1,616,147	1,478,616	539,077	544,765	2,155,224	2,023,381	6.5%
Net position—end of period	**$ 1,733,811**	**$ 1,616,147**	**$ 548,396**	**$ 539,077**	**$ 2,282,207**	**$ 2,155,224**	**5.9%**

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MD&A – Detailed Analysis

- **Detailed analyses**
  - ✓ Primary government's financial position and results of operations—both governmental and business-type activities
    - *In addition to amounts/percent of change, explain **why** change occurred*
  - ✓ Fund balance or net position and results of operations of each major fund (nonmajor funds excluded)
    - *In addition to amounts/percent of change, explain **why** change occurred*

Growth in intergovernmental grant revenues

There were notable increases in 20X5 in both operating and capital grants and contributions. Capital grants and contributions, which account for 5.2 percent of overall revenues for governmental activities, more than doubled to $30.9 million from 20X4 to 20X5. Most of that amount was a one-time $22.0 million capital contribution from the federal government in the form of the land and facilities of former Army Base 559, which is located in Sample City and ceased operations in 20X0. The City is in the process of converting the base to a central public works and transportation garage and headquarters.

Operating grants and contributions, which account for 6.4 percent of overall revenues for governmental activities, increased 22.9 percent to $38.2 million in 20X5. All of that growth came from an increase in public safety grants from both the State and federal governments, which totaled $31.4 million or over 82 percent of the operating grant revenue. Most of the additional grant revenue was received as part of a federal program to improve local emergency services readiness to respond to a variety of emergency scenarios, including natural disasters, terrorist attacks, and medical crises.

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MD&A – Significant Capital Asset and Long-Term Financing Activity

- **Capital asset activity**
  - ✓ Include intangible capital assets
  - ✓ Discussion of significant additions and disposals
  - ✓ Discussion of significant policy changes and economic factors
  - ✓ Avoid duplication between the analyses and this component
- **Long-term financing activity**
  - ✓ Includes debt, leases, PPPs, and SBITAs
  - ✓ Discuss new agreements, changes to credit rating, debt limit
  - ✓ Discussion of significant policy changes and economic factors
  - ✓ Avoid duplication between the analyses and this component

Significant capital asset and long-term financing activity

The discussion thus far has only touched upon certain significant transactions and events during 20X5 with respect to capital assets and long-term debt. Overall, the carrying value of capital assets—original cost minus accumulated depreciation—increased 3.2 percent over 20X4. However, that relatively small change does not completely capture the substantial amount of capital investment activity that occurred in 20X5.

The City's governmental activities had $182.8 million in its beginning balance of construction in progress with another $145.9 million in capital projects started during 20X5. Of those amounts, the City put $127.4 million into operation during the year and, therefore, reclassified that amount to the other capital asset classifications of infrastructure and buildings and improvements. Additionally, the City contributed $55.3 million of capital assets to not-for-profit organizations. This resulted in an ending balance of construction in progress of $145.9 million. Many of the completed and ongoing capital projects are a part of the city-wide highway and street improvement program.

As previously noted, significant capital investments also are expected to be made as part of converting the former Army base to a city-wide public works and transportation garage and headquarters. The receipt of the base was reported as a $22 million capital contribution, which increased both the land and buildings and improvement categories of the City's capital assets by $15 million and $7 million, respectively.

As discussed earlier, a portion of the sales tax is used to fund a reserve for road and bridge construction and other infrastructure projects, which provides financing on a pay-as-you-go basis.

In 20X3, voters approved a referendum authorizing the City to issue up to $125 million of tax-backed bonds to pay for a city-wide capital program to reconstruct major routes, including adding lanes, upgrading street surfaces in the business district, and adding additional buses and bus routes serving the business district. The City issued $118.1 million of those bonds in 20X5, which is the primary reason that governmental activities long-term liabilities increased 5.7 percent overall. Slightly more than half of the addition to long-term liabilities by those bonds was offset by a reduction in general obligation debt outstanding (which decreased 12.4 percent) due to a series of bond calls and refundings that continued in 20X5.

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MD&A – Currently Known Facts, Decisions, and Conditions

- **Include a description of currently known facts, decisions, and conditions that are expected to have a significant effect on financial position or results of operations in the subsequent year.**
- **Examples could include:**
  - ✓ Trends in relevant economic and demographic data
  - ✓ Factors used to develop the subsequent year's budget
    - *Those affecting revenues available for appropriation, e.g. changes in rates and bases of activity*
    - *Those affecting planned spending, e.g. inflation, labor contracts, changes in programs*
  - ✓ Expected changes in budgetary net position or fund balance
  - ✓ Actions government has taken related to PEB, capital plans, leases, PPPs, SBITAs (long-term items)
  - ✓ Actions other parties have taken, such as new laws or regulations

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MD&A – Currently Known Facts, Decisions, and Conditions – Example

Currently known facts, decisions, or conditions

The City is aware of five developments that will have an impact on the City's finances in the future and were therefore incorporated into next year's budget:

(1) Public safety employee unions' new contract
(2) Amendments to the City budget
(3) Recent economic reports
(4) Adoption of the State budget
(5) Pension plan changes.

Public safety employee unions' new contract

The collective bargaining agreement for uniformed police officers and firefighters expired at the end of fiscal year 20X5. On September 15, 20X5, the members of the public safety employee unions ratified a new four-year contract that is retroactive to the start of fiscal year 20X6. The key features of the contract are annual increases in base pay of 3.5 percent; increases in rank pay, shift premiums, and other add-ons averaging 2.5 percent; and a series of nonpensionable bonuses at the end of each calendar year. The contract also changes certain staffing rules that will allow the City more flexibility in deploying its uniformed employees and, as a result, is expected to reduce overtime spending. The City's Labor Relations Division budgeted an annual increase of $4.1 million of expenses to the public safety function, net of reduced overtime costs, as a result of the contract.

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MD&A – Currently Known Facts, Decisions, and Conditions – Example (Continued)

Amendments to the City budget

The first mid-year amendment to the City's operating budget addresses budgetary variances that are found in the actual results for the first quarter ending September 30, 20X5. The additional public safety expenses resulting from the new contract were a prominent aspect of the amendment, which was adopted by the City Council on November 1, 20X5. Use tax revenues for the first quarter were 4.6 percent below budget. Extrapolated for the full year, use taxes would fall short of the budget by $1.9 million. The City Council decided to monitor ongoing tax receipts for further deterioration and to postpone consideration of a rate increase until the second mid-year modification. To potentially buffer the lost revenue, the City Council identified certain positions that are vacant or expected to become vacant that could be filled more slowly than originally planned and adjusted the department budgets accordingly.

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MD&A – Currently Known Facts, Decisions, and Conditions – Example (Continued)

Recent economic reports

The unemployment rate for the City has increased slightly for five consecutive months through September 20X5 (the most recent month for which data were available at the time this report was issued). Unemployment in May 20X5 was 2.7 percent. By September 20X5, unemployment had reached 3.4 percent.

Building permit applications were assumed in the adopted budget for fiscal year 20X6 to increase approximately 2.0 percent, a lower level than the average annual increase of 4.1 percent since 20W7. However, through the first quarter of fiscal year 20X6, applications were flat compared with the same period last year.

Adoption of the State budget

In May 20X5, the State adopted its operating budget for the fiscal year ending June 30, 20X6. The City's finances are affected by many parts of the State budget, though two provisions in particular may have a negative impact on the City's finances. First, the adopted State budget includes a plan to retain a quarter of a percentage point from the local-option sales tax imposed by counties and municipalities beginning in calendar year 20X6. The loss of that 0.25 percent from the City's sales tax is expected to reduce the City's revenue by approximately $11.0 million in City fiscal year 20X6 and $23.5 million in City fiscal year 20X7.

The other State budget provision is the winding down of a Department of Transportation grant program that provides resources for transportation and mass transit capital projects and subsequent maintenance. The City's Capital Improvement Plan anticipated that program would be a funding source for parts of the city-wide highway and street improvement program and the conversion of the Army base to a public works and transportation garage and headquarters. In total, the City budgeted $28.7 million from that grant program through 20X9 based on the published long-term capital plan. The City still is budgeting to receive that amount through the end of the grant period.

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MD&A – Currently Known Facts, Decisions, and Conditions – Example (Continued)

Pension plan changes

The City provides pension benefits to its nonuniformed employees through the Municipal Employee Pension Plan, a cost-sharing defined benefit plan administered by the State of Example Retirement System. In April 20X5, the System announced that it was revising certain assumptions that factor into the measurement of the total pension liability for all participating governments in the plan, including lowering the long-term expected rate of return on plan investments (and, thereby, the discount rate) from 6.50 to 6.25 percent and utilizing updated mortality tables with longer life expectancies. The changes would be effective for State fiscal year 20X6.

It is expected that the change in the discount rate will increase the City's contractually required contribution for the fiscal year beginning July 1, 20X6. This amount is not yet determinable.

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Unusual or Infrequent Items

Definitions

Unusual in nature – the underlying event or transaction should possess a high degree of abnormality and be of a type clearly unrelated to, or only incidentally related to, the ordinary and typical activities of the government, taking into account the environment in which the government operates.

Infrequent of occurrence – the underlying event or transaction should be of a type that would not reasonably be expected to recur in the foreseeable future, taking into account the environment in which the government operates.

Unusual or Infrequent items – transactions or events that are unusual in nature and/or infrequent in occurrence (replacing extraordinary and special items).

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Unusual or Infrequent Items

Pre GASB 103	GASB 103
Extraordinary item: · Unusual in nature ***and*** · Infrequent in occurrence Special item: · Unusual in nature ***or*** Infrequent in occurrence; ***and*** · Within the control of management	· Unusual or infrequent items · Inflows and outflows reported separately
Lowering the Bar · No longer need to meet BOTH unusual and infrequent (extraordinary) · No longer need to be "within the control" of management (special)	

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Unusual or Infrequent Items

Presentation

Governments are required to display the inflows and outflows related to each unusual or infrequent item separately as the last presented flow(s) of resources prior to the net change in resource flows in the government-wide, governmental fund, and proprietary fund statements of resource flows

Disclosure

Disclose additional information about those inflows and outflows, including the programs, functions, or identifiable activities to which they are related and whether they are within the control of management.

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

Classifications

Operating: Activities other than nonoperating revenues and expenses.

Nonoperating:

- 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.

However, revenues or expenses that otherwise would be classified as nonoperating in most proprietary fund financial statements **should be classified as operating** revenues or operating expenses **if those transactions constitute the proprietary fund's principal ongoing operations**.

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

Definition:

Subsidies are defined as:

- Resources received from another party or fund (a) for which the proprietary fund does not provide goods and services to the other party or fund **and** (b) 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 (a) for which the other party or fund does not provide goods and services to the proprietary fund **and** (b) that are recoverable through the proprietary fund's current or future pricing policies
- All other transfers

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

Noncapital (Subsidies) Presentation

The statement of revenues, expenses, and changes in fund net position should distinguish between operating and nonoperating revenues and expenses as well as separately report noncapital subsidies (a type of nonoperating revenue and expense).

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Pre GASB 103	
Operating revenue	$ 74,000
Water revenue	37,000
Wastewater revenue	2,000
Total operating revenue	113,000
Opearting expenses	
Water purchases	26,000
Water operations	27,000
Wastewater operations	16,000
General administrative	15,000
Depreciation and amoftization	28,000
Total operating expenses	112,000
Opearting income (loss)	1,000
Nonoperating revenue (expenses)	
Property taxes	17,000
Intergovernmental revenue	2,000
Lease revenue	3,000
Investment income	14,000
Interst expense	(3,000)
Total nonoperating revenues (expenses)	33,000
Income before contributions, transfs and extraordinary item	34,000
Capital contributions	60,000
Transfers in	3,000
Transfers out	(1,000)
Extraordinary item	(1,000)
Change in net position	95,000
Net position, beginning of year	782,000
Net position, end of year	$ 877,000

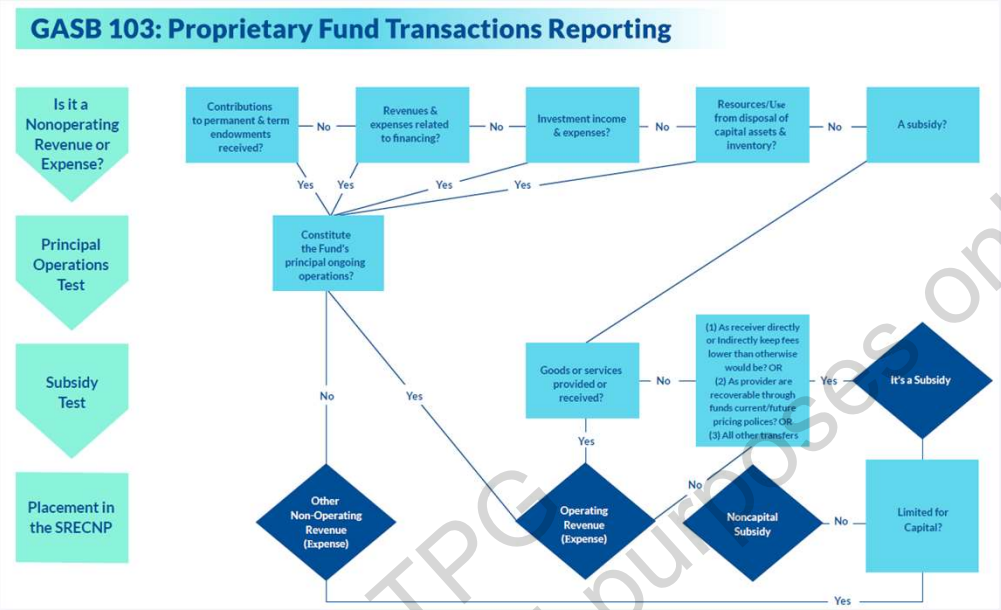
GASB 103	
Operating revenue	$ 74,000
Water revenue	37,000
Wastewater revenue	2,000
Lease revenue	3,000
Total operating revenue	116,000
Opearting expenses	
Water purchases	26,000
Water operations	27,000
Wastewater operations	16,000
General administrative	15,000
Depreciation and amoftization	28,000
Total operating expenses	112,000
Opearting income (loss)	4,000
Noncapital subsiddies	
Property taxes	17,000
Intergovernmental revenue	2,000
Transfers in	1,000
Transfers out	(1,000)
Total noncapital subsidies	19,000
Operating income (loss) and noncapital subsidies	23,000
Other nonoperating revenue (expenses)	
Investment income	14,000
Capital contributions	60,000
Transfers in	2,000
Interst expense	(3,000)
Total other nonoperating revenue (expenses)	73,000
Income (loss) before infrequent item	96,000
Infrequent Item	
Grant revenue	2,000
Emergency response and clean up	(3,000)
Total infrequent item	(1,000)
Change in net position	95,000
Net position, beginning of year	782,000
Net position, end of year	$ 877,000

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GASB 103: Proprietary Fund Transactions Reporting



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

Examples to consider for limitations to capital purposes

- A grant agreement that limits the award to capital.
- The provider fund can limit subsidies provided to another fund through the budget.
- The authorizing legislation for a new customer fee for a utility enterprise fund that includes an amount for recovery of prior capital or future capital.
- Enabling legislation for impact or developer fees accounted for in an enterprise fund.
- Proceeds of bonds or notes issued for capital related purposes.
- Other limitations by the proprietary fund as subsidy provider.
- Other limitations by the provider to the proprietary fund subsidy recipient.

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Major Component Unit Information

Statement requires governments to present each **major** discretely presented component unit separately in the reporting entity's statement of net position and statement of activities if it does not reduce the readability of the statements.

If the readability of those statements would be reduced, combining statements of **major** discretely presented component units should be presented after the fund financial statements

(No longer an option to include condensed statements in note disclosures)

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Major Component Unit Information

Identification of Major vs. Nonmajor DPCUs:

- No dollar threshold for determining which DPCUs are **major**
- No note disclosures describe the designation
- Governments use professional judgment to determine

Criteria for identifying **major** DPCUs:

- Type of services it provides to citizens
- Engaged in significant transactions with the primary government
- Significant financial benefit or burden to primary government

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Budgetary Comparison Information

Statement requires governments to present budgetary comparison information using a single method of communication—RSI.

Governments also are required to present (1) variances between original and final budget amounts and (2) variances between final budget and actual amounts. An explanation of significant variances is required to be presented in notes to RSI.

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Budgetary Comparison Information

Required Supplementary Information	Supplementary Information
General Fund	Nonmajor special revenue funds
Major special revenue funds with legally adopted, time-based budget	Capital project funds, major or nonmajor
	Debt service funds, major or nonmajor
	Permanent funds, major or non major
	Must present budgetary comparison in SI if: 1. They have a legally adopted, time-based budgets, AND 2. the government prepares and Annual Comprehensive Financial Report (ACFR)

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Budgetary Comparison Information

Notes to Required Supplementary Information include:

1. Description of the budgetary basis of accounting
2. Excess of expenditures over appropriations
3. For each budgetary comparison schedule, notes to RSI are required to explain significant variance between:
   - The original and final budgets
   - The final budget and actual results

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Budgetary Comparison Information

Required Supplementary Information
Sample City
Budgetary Comparison Schedule
Public Safety and Transportation Special Revenue Fund
for the Year Ended June 30, 20X5
(amounts expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Variance with Original Budget—over (under) Final Budget	Actual Amounts Budgetary (and GAAP) Basis	Variance with Final Budget—over (under) Actual Amounts
BUDGETARY REVENUES					
Taxes	$ 49,825	$ 49,825	$ -	$ 51,442	$ 1,617
Intergovernmental	29,750	29,750	-	30,337	587
Charges for services	6,720	6,720	-	6,848	128
Investment earnings	1,900	1,900	-	2,295	395
Total budgetary revenues	88,195	88,195	-	90,922	2,727
BUDGETARY EXPENDITURES					
Current:					
General government	13,665	15,305	1,640	15,083	(222)
Public safety	58,000	58,250	250	58,452	202
Public works	16,265	16,945	680	16,934	(11)
Total budgetary expenditures	87,930	90,500	2,570	90,469	(31)
Net change in fund balances	265	(2,305)	2,570	453	2,758
Budgetary fund balance—beginning of period	4,024	4,024	-	4,024	-
Budgetary fund balance—end of period	$ 4,289	$ 1,719	$ 2,570	4,477	$ 2,758
RECONCILIATION TO GAAP BASIS					
Total fund balance GAAP basis				$ 4,477	

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Budgetary Comparison Information

Required Supplementary Information
Note to Budgetary Comparison Schedules
(amounts expressed in thousands)

Note A—Actual Budget Results

	General Fund over (under)	Public Safety and Transportation Fund over (under)
BUDGETARY REVENUES		
Differences—final budget to actual:		
The City experienced an increase in revenue for taxes from budgeted amounts primarily due to the opening of the new shopping center 3 months earlier than expected.	$ 4,170	$ 1,617
Actual amounts of interest revenue exceeded budgeted amounts as the City saw higher interest rates than expected.	1,692	395
BUDGETARY EXPENDITURES		
Differences—original budget to final budget:		
The original budget was amended for public safety as the new police station #453 was completed 7 months behind schedule. The original budget included salaries and benefits for new officers and administrative staff, in addition to noncapital building expenditures. Station #453 will be opening in the next fiscal year, and these expenditures have been included in the next year's budget.	$ (2,526)	$ -
UNUSUAL OR INFREQUENT ITEM		
Differences—original budget to final budget:		
The City experienced flood damage during the current fiscal year. During the year, the City increased the original budget to account for the State grants received to address the flood damage.	$ 2,500	$ -
During the year, the City increased the original budget to account for the spending required to address the flood damage.	(10,000)	-

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

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Financial Trends Information in Statistical Section

Information about Changes in Net Position

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

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Effective Date and Transition

Effective for fiscal years beginning after June 15, 2025

- All reporting periods thereafter
- Earlier application is encouraged
- Changes adopted at transition – change in accounting principle (Statement 100)
- All component units should implement the provision in the same year as the primary government

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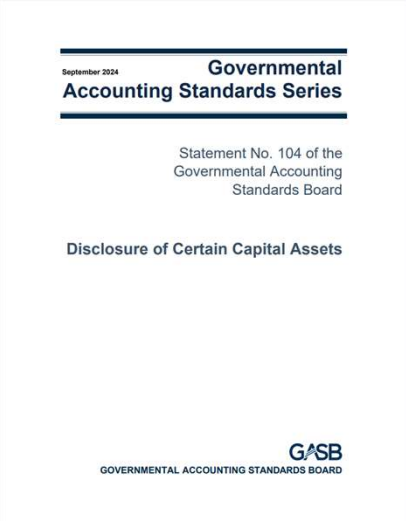
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GASB Statement No. 104

Disclosure of Certain Capital Assets



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GASB Statement No. 104

Disclosure of Certain Capital Assets

- Establishes requirements for certain capital assets to be disclosed separately in GASB Statement 34 disclosures and capital assets held for sale
- To provide essential information to users about certain types of nonfinancial assets.
- Effective dates fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

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Disclosure of Certain Capital Assets

Information about the following capital assets and related amortization should be disclosed separately:

- Lease assets reported in accordance with Statement 87 by major class of underlying asset;
- 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;
- Subscription assets reported in accordance with Statement 96;
- Intangible assets other than those noted above, 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.

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Capital Assets Held for Sale

Definition

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.

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Capital Assets Held for Sale

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.

A government should evaluate whether a capital asset is a capital asset held for sale each reporting period.

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Capital Assets Held for Sale

Presentation

A capital asset held for sale should continue to be reported within the appropriate major class of capital asset.

Disclosure

- Separate disclosure of historical cost and accumulated depreciation (or amortization), by major class of asset.
- 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 should be made for both governmental activities and business-type activities.

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Illustration - Capital Asset Note Disclosure

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

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Illustration - Capital Asset Held for Sale Note Disclosure

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

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Effective Date and Transition

Effective for fiscal years beginning after June 15, 2025

- All reporting periods thereafter
- Earlier application is encouraged
- Retroactive application, if practicable
  - All periods presented in the basic financial statements
  - Disclosure that Statement was implemented and any financial statement line items affected
  - If not practicable, disclose reason for not applying to prior periods.

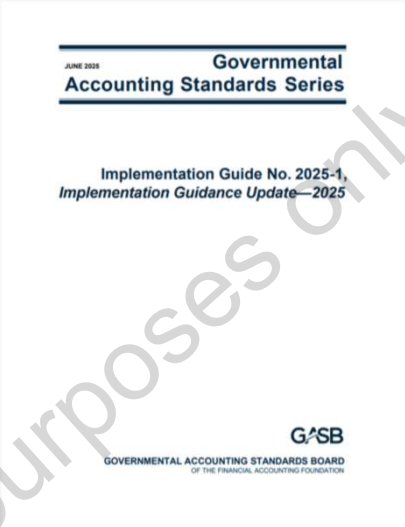
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GASB IG No. 2025-1

Implementation Guidance Update – 2025



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Implementation Guide Update – 2025

New questions related to:

- Statement 103
- Statement 101
- Statement 100
- Statement 91
- Statement 87

Amendments to existing questions related to:

- Capital assets
- Special revenue funds

Issued in June 2025 (Question 4.16 effective upon issuance)

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Implementation Guide Update – 2025

4.3. Q—If the principal ongoing operation of a business-type activity (BTA) or an enterprise fund is leasing property to other entities, should interest revenue related to leases be reported as operating revenue?

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

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Implementation Guide Update – 2025

4.4. Q—Paragraph 54 of Statement 87 requires that the deferred inflow of resources related to a lease be recognized as inflows of resources (for example, revenue) over the term of the lease. If reported as revenue, should a BTA or an enterprise fund report those inflows of resources as operating revenue?

A—Yes. Paragraph 13 of Statement 103 provides that operating revenues are revenues other than nonoperating revenues and that revenues related to financing are nonoperating revenues. As discussed in Question 4.3, only interest revenue recognized from a lease is related to financing. Revenue recognized from the deferred inflow of resources related to a lease, therefore, is not related to financing.

Such revenue does not meet any of the other categories for nonoperating revenue and, therefore, should be reported as operating revenue.

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Implementation Guide Update – 2025

4.5. Q—How should subsidies be classified if resources are used for the acquisition of capital assets in circumstances in which the provider of a subsidy did not limit the use of the resources to the acquisition of capital assets?

A—Subsidies are classified as noncapital subsidies if the provider of the subsidy either does not limit the use of the resources or limits the use of the resources to something other than the acquisition of capital assets. Subsidies are only classified as capital subsidies (that is, all subsidies other than noncapital subsidies) if the provider of the subsidy has limited the use of the resources to the acquisition of capital assets. The recipient's use of all or a portion of a subsidy for capital purposes does not, by itself, result in all or a portion of the subsidy being classified as a capital subsidy. Subsidies other than noncapital subsidies should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in Implementation Guide 2015-1, as amended.)

(Also see February 2026 Exposure Draft Question 4.7 and amended 4.5 above)

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Implementation Guide Update – 2025

4.6. Q—Do payments in lieu of taxes (PILOTs) made by a BTA or proprietary fund meet the definition of subsidies?

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

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Implementation Guide Update – 2025

4.16. Q—If a primary government is implementing Statement 103 for its fiscal year ended June 30, 2026, and it will include in its financial statements a component unit with a fiscal year-end of December 31, 2025 (in accordance with the provisions in paragraph 59 of Statement No. 14, The Financial Reporting Entity), when should the component unit implement Statement 103?

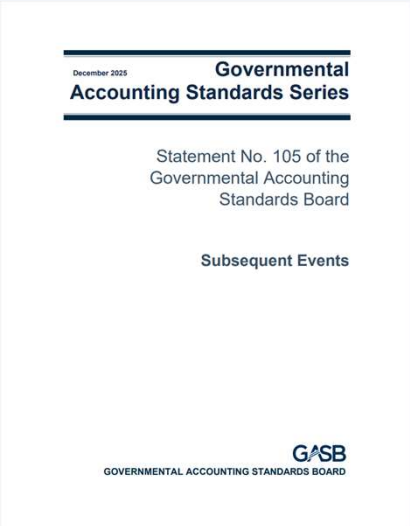
A—For the purposes of implementing Statement 103, which requires changes to the presentation of certain financial statements, the component unit should implement that Statement in its December 31, 2025 financial statements.

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GASB Statement No. 105

Subsequent Events



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GASB Statement No. 105

Subsequent Events

- Clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events.
- Existing guidance is based on other literature dated back to 1972 and generally has not been reevaluated.
- Effective for fiscal years beginning after June 15, 2026 and all reporting periods thereafter.

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Subsequent Events

Definitions of recognized and nonrecognized events

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

Subsequent events time frame

- Date the financial statements are available to be issued

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Subsequent Events

Notes to the financial statements

- Date the financial statements are “available to be issued”.
- Description of nonrecognized event
- Estimate of the effect of the nonrecognized event on basic financial statements
  - Or reason why an estimate cannot be made
- Correspond to reporting units
  - Subject to paragraph 63 of Statement 14
  - Combine information to avoid unnecessary duplication

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Effective Date and Transition

Effective for fiscal years beginning after June 15, 2026

- All reporting periods thereafter
- Earlier application is encouraged

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Upcoming GASB Projects

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Exposure Draft of GASB Implementation Guide 2026-1

Issued: February 10, 2026
Comments Due: April 27, 2026

The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on the requirements related to subsidies in Statement No. 103, *Financial Reporting Model Improvements*.

New Questions:
4.5 Q—Do taxes imposed by a BTA meet the definition of subsidies in paragraph 14a of Statement 103?

A—Yes. Taxes imposed by a BTA meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the BTA as a result of the tax and (b) directly or indirectly keep the BTA's current or future fees and charges lower than they would be otherwise.

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Exposure Draft of GASB Implementation Guide 2026-1

New Questions:

4.6 Q—Passenger facility charges fund airport projects approved by the Federal Aviation Administration. Do passenger facility charges received by an airport that reports as a BTA or an enterprise fund meet the definition of subsidies in paragraph 14a of Statement 103?

A—Yes. Similar to taxes discussed in Question 4.5, passenger facility charges are fees imposed on passengers that meet the definition of subsidies because they (a) are received from parties who do not directly receive goods or services from the airport as a result of the fee and (b) allow the airport to directly or indirectly keep current or future fees and charges to airlines and concessionaires lower than they would be otherwise.

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Exposure Draft of GASB Implementation Guide 2026-1

New Question:

4.7 Q—How should subsidies other than noncapital subsidies be reported?

A—Subsidies other than noncapital subsidies are capital subsidies and should be reported as other nonoperating revenues and expenses. (See also Question 7.73.2 in *Implementation Guide No. 2015-1,* as amended

Amended Response from 2025-1 Question 4.5:

Q—How should subsidies be classified if the resources are used for the acquisition of capital assets in circumstances in which the use of the resources is not limited by the provider to the acquisition of capital assets?

A—Unless there are other external limitations, such as legislation or regulation, that **limit the use of the resources to capital purposes**, the subsidies should be classified as noncapital because the use of the resources is not limited. The recipient's use of all or a portion of a subsidy for capital purposes does not, by itself, result in all or a portion of the subsidy being classified as a capital subsidy.

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Exposure Draft of GASB Implementation Guide 2026-1

New Questions:

4.8 Q—How should subsidies be classified if the provider of the resources limits the use to debt service for capital-related debt?

A—In this circumstance, subsidies should be classified as capital subsidies because the use of the resources is limited by the provider to debt service for capital-related debt, which is capital in nature.

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Exposure Draft of Infrastructure Assets

Issued: March 25, 2026
Comments Due: June 26, 2026

Definition:

- Infrastructure assets are capital assets that are part of a network of asset. They are stationary in nature and can be maintained or preserved for a significant number of years.
- A network of infrastructure assets is composed of all assets that provide a particular type of service for a government.
- A network of infrastructure assets may be only one infrastructure assets that may consist of many components.
- A component is a separate, distinguishable part of an infrastructure asset that has a specific function in contributing to the service capacity of that infrastructure asset.

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Exposure Draft of Infrastructure Assets

Recognition and Measurement – Historical Cost net of A/D:

- If a component of an infrastructure asset has a cost that is significant in relation to the total cost of the infrastructure asset and the estimated useful life of that component is substantially different from the estimated useful life of the infrastructure asset, that component should be considered a separate infrastructure asset.
- Estimated useful lives and salvage values of infrastructure assets should be reviewed periodically and adjusted, if necessary.

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Exposure Draft of Infrastructure Assets

Recognition and Measurement – Modified Approach:

Paragraph 23 of GASB 34 amended to allow governments that meet the following requirements to use modified approach:

a. Maintain an up-to-date inventory of those infrastructure assets.
b. Perform condition assessments of those infrastructure assets and summarize the results using a measurement scale.
c. Estimate each year the annual amount to maintain and preserve those infrastructure assets at the condition level established and presented as required supplementary information (RSI) by the government.
d. Maintain documentation demonstrating that those infrastructure assets are being preserved approximately at (or above) a condition level established and presented as RSI.

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Exposure Draft of Infrastructure Assets

Disclosure

- Infrastructure assets should be divided by network of infrastructure assets.
- Governments with a policy for monitoring the maintenance and preservation of infrastructure assets should briefly describe that policy in notes to financial statements

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Exposure Draft of Infrastructure Assets

Disclosure – Historical Cost net of A/D:

- Disclose by network of infrastructure assets, the historical cost, accumulated depreciation, and historical-cost weighted-average age of infrastructure assets that have exceeded 80 percent of their estimated useful lives.
- For this disclosure, a separate information for those (a) that have reached 100 percent of their estimated useful lives and (b) those that have exceeded 80 percent of their estimated useful lives but have not yet reached 100 percent of their estimated useful lives.

Disclosure – Modified Approach:

- Description of modified approach in summary of significant accounting policies for infrastructure assets reported using the modified approach is removed.

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Exposure Draft of Infrastructure Assets

Required Supplementary Information – Modified Approach:

- The requirements in Paragraph 132 of Statement 34 for RSI should be presented by network of infrastructure assets.
- Paragraph 132b – from past five reporting periods to past 10 reporting periods by network of infrastructure assets.
- Disclose in notes to RSI a change in the condition level at which a government intends to preserve infrastructure assets along with the reason for that change.

SI – Historical Cost net of A/D:

- Encouraging governments under historical cost basis to report the same RSI under modified approach in the supplementary information is removed.

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Going Concern Uncertainties and Severe Financial Stress: Reexamination of Statement 56

Review existing standards related to going concern and address issues related to disclosures regarding going concern uncertainties and severe financial stress.

As it is currently defined, going concern may not be meaningful for governments, which hardly ever go out of business; users need information about governments' severe financial stress, but that information is not readily available.

Preliminary Views – Severe Financial Stress

- Disclosures required if government is experiencing financial difficulties at such a degree that it is near or at the point of insolvency
- Disclosures to be made

Preliminary Views – Probable Dissolution

- Disclosures required if probable that government will cease to exist as a legally separate entity within 12 months from the date FS available to be issued
- Disclosure to be made

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Revenue and Expense Recognition

GASB has proposed a comprehensive model for recognition of revenue and expenses.

Guidance for exchange transactions is limited; guidance for nonexchange transactions could be improved and clarified.

Project Objective

- Develop a comprehensive, principles-based model that establishes guidance applicable to a wide range of revenue and expense transactions to:
  - Expand on areas where there is no guidance – expenses
  - Expand on areas where there is limited guidance – certain revenues
  - Consider practice issues and challenges identified in current guidance – Statement 33
  - Consider the conceptual framework – issued after Statement 33
  - Consider performance obligation recognition

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HQ - ORANGE COUNTY
6 Hutton Centre Drive
Suite 1200
Santa Ana, CA 92707

SAN DIEGO
4660 La Jolla Village Dr.
Suite 100
San Diego, CA 92122

BAY AREA
2121 North California Blvd.
Suite 290
Walnut Creek, CA 94596

SACRAMENTO
1511 Corporate Way
Suite 220
Sacramento, CA 95831

LAS VEGAS
1980 Festival Plaza Drive
Suite 300
Las Vegas, NV 89135

PHOENIX
2 N. Central Avenue
Suite 1800
Phoenix, AZ 85004

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