



Advanced Governmental Accounting Seminar

*August 11-12, 2021*

Geneva on the Lake, OH

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**OHIO GFOA  
ADVANCED GOVERNMENTAL  
ACCOUNTING AND FINANCIAL  
REPORTING**

*August 11 & 12, 2021  
Geneva on the Lake, Ohio*



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**INSTRUCTORS**

- Jared Cottrell, Principal, Rea & Associates
- Jeff McCuen, Treasurer/CFO, NCOESC
- Joann Bury, Director of Finance, City of Gahanna



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**INTRODUCTIONS**

- Participants
  - Name
  - Title/Area of Work
  - Entity
  - Years of Experience
  - One Interesting Fact??
  - Complete index card(s) with questions



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**COURSE OBJECTIVES**

- Learn what's new in governmental accounting
- Deep dive topics
- Forecasting in a Pandemic
- Federal American Rescue Plan Funds
- Ohio Biennium Budget
- How to implement new GASB's
- Review outstanding GASB Projects



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**WHAT'S GOING ON?**

**GASB insatiable desire for more standards?**



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**GFOA V. GASB**  
(PER JEFFREY L. ESSER, GFOA EXECUTIVE DIRECTOR/CEO)

- GFOA concerned that GASB has been moving beyond its proper jurisdiction confusing accounting with accountability
- GASB insists that its charge extends not just to accounting, but to all aspects of accountability – staking a claim to set future reporting standards for future financial and non financial aspects of public administration



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**GFOA CONCERNS**

- GASB has opted for a supply driven approach, which presumes demand for standards is limitless
  - 14 standards in 1992 NOW #97!!!!
- There isn't an accounting solution to every financial problem
- GASB has been creating unnecessary divergence from private-sector standards
  - Exemplified by separate standard for factoring receivables, pollution remediation, deferred inflows & outflows and derivatives



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**PROSPECTS FOR THE FUTURE**

- GFOA remains committed to independent standard setting
- GFOA will carefully monitor developments and represent interests of state and local governments



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**GASB PROJECTS PROCESS**

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
  - Comment period & redeliberate
- Exposure Draft
  - Comment period & redeliberate
- Final Pronouncement



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**GASB PROJECTS PROCESS**

- *"The users are often very late to the game in terms of understanding the impact of new accounting standards"*
  - ~ Mark LaMonte, former managing director  
Moody's Investors Service
- Many opportunities to provide input
- We need to do a better job of getting out front of these issues.



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**GASB YEAR IN REVIEW**

- Overview of Upcoming Implementations
- New Pronouncements -6
- Exposure Drafts



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**WHEN DO WE IMPLEMENT?**

| Statement #                    | Effective for Periods beginning after: |
|--------------------------------|--|
| ▪ GASB 87 Leases               | ▪ June 15, 2021*                       |
| ▪ GASB 89 Capitalized Interest | ▪ December 15, 2020*                   |
| ▪ GASB 91 Conduit Debt         | ▪ December 15, 2021*                   |
| ▪ GASB 92 Omnibus              | ▪ June 15, 2021                        |
| ▪ GASB 93 Interbank Offering   | ▪ June 15, 2021                        |
| ▪ GASB 94 Partnerships         | ▪ June 15, 2022                        |

\* Postponed by GASB 95



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**WHEN DO WE IMPLEMENT?**

| Statement #               | Effective for Periods beginning after: |
|---------------------------|--|
| ▪ GASB 96 SBITA           | ▪ June 15, 2022                        |
| ▪ GASB 97 Comp Unit & 457 | ▪ June 15, 2021                        |



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**CURRENT GASB PROJECTS  
CONCEPTUAL FRAMEWORK**

- Conceptual Framework: Disclosures
  - Exposure Draft being redeliberated
  - Definition of Essentiality
- Conceptual Framework: Recognition
  - Preliminary Views redeliberation



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**CURRENT GASB PROJECTS  
MAJOR**

- Financial Reporting Model
  - Exposure Draft being redeliberated
- Revenue & Expense Recognition
  - Preliminary Views redeliberation



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CURRENT GASB PROJECTS  
PRACTICE ISSUES

- **Compensated Absences**
  - Exposure draft redeliberation
- **Prior Period Adjustments, Accounting Changes, and Error Corrections**
  - Exposure draft comment period ends August 2021



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CURRENT GASB PROJECTS  
PRACTICE ISSUES

- **Omnibus**
  - For Technical corrections and other practice issues
  - Comment period scheduled through October 2021



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CURRENT GASB PROJECTS  
PRACTICE ISSUES

- **Renaming the CAFR**
  - Exposure draft redeliberation
- **Risks & Uncertainties Disclosures**
  - Initial deliberations



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**CURRENT GASB PROJECTS  
PRE-AGENDA RESEARCH**

- Capital Assets
- Going Concern Disclosures
- Interim Financial Reporting
- Nonfinancial Assets



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**CURRENT GASB PROJECTS  
POST-IMPLEMENTATION REVIEW**

- Fair Value – Statement 72
- Fiduciary Activities – Statement 84
- Leases – Statement 87
- Other Postemployment Benefits – 75
- Pensions – Statements 67 & 68



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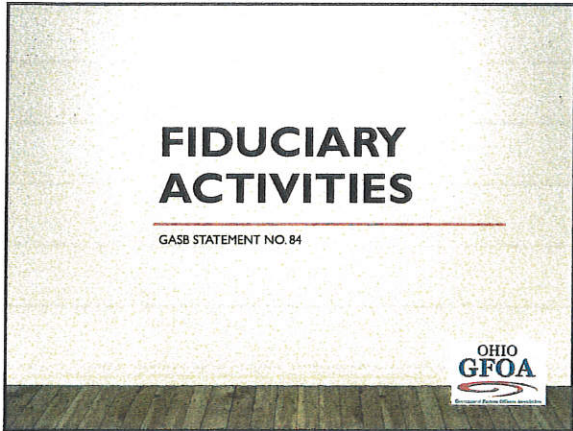
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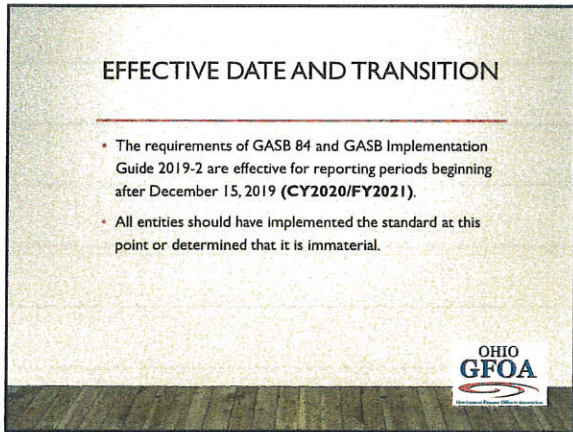
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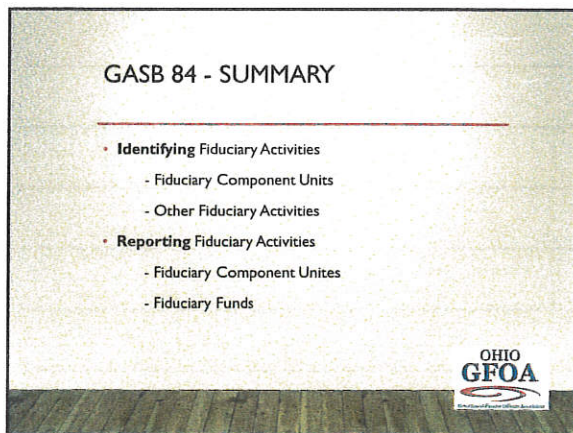
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## IDENTIFYING FIDUCIARY ACTIVITIES

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Fiduciary Component Units

- Meets the component unit criteria in statement 14
- Pension or OPEB plan administered through a trust
- Assets from entities that are not part of the reporting entity are accumulated for pensions or OPEB



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## IDENTIFYING FIDUCIARY ACTIVITIES

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Fiduciary Component Units – Other component units (not Pension or OPEB) are fiduciary if they meet one of the following three characteristics:

- Characteristic #1 - Assets are held in a trust or equivalent arrangement
  - Government itself NOT the beneficiary
  - Assets are dedicated to providing benefits
  - Assets are legally protected from creditors



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## IDENTIFYING FIDUCIARY ACTIVITIES

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Fiduciary Component Units – Other component units (not Pension or OPEB) are fiduciary if they meet one of the following three characteristics:

- Characteristic #2 - Assets for benefit of individuals and government does NOT have administrative or direct financial involvement.



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### IDENTIFYING FIDUCIARY ACTIVITIES

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Fiduciary Component Units – Other component units (not Pension or OPEB) are fiduciary if they meet one of the following three characteristics:

- Characteristic #3 - Assets for benefit of organizations or other governments that are NOT part of the financial reporting entity.
- The assets are not derived from the provision of goods or services to those organizations.



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### IDENTIFYING FIDUCIARY ACTIVITIES

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Other Fiduciary Activities – Step 1: Must meet three criteria.

- Criteria #1 – Assets controlled by government
  - government holds the assets or
  - government has the ability to direct the use, exchange, or employment of the assets.



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### IDENTIFYING FIDUCIARY ACTIVITIES

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Other Fiduciary Activities – Step 1: Must meet three criteria.

- Criteria #2 – Assets not derived solely from own-source revenues.
  - revenue generated by the government, including exchange and exchange-like revenues, investment earnings, derived tax revenues and imposed nonexchange revenues



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## IDENTIFYING FIDUCIARY ACTIVITIES

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Other Fiduciary Activities – Step 1: Must meet three criteria.

- Criteria #3 – Assets are not derived from government mandated nonexchange transactions or voluntary nonexchange transactions except for pass-through grants for which the government does not have administrative or direct financial involvement.



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## IDENTIFYING FIDUCIARY ACTIVITIES

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Administrative or direct financial involvement:

- Monitoring secondary recipients for compliance with program requirements
- Determining eligible secondary recipients or projects, even if using grantor-specific criteria
- Having the ability to exercise discretion in how funds are allocated
- Financing direct program costs or providing matching resources



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## IDENTIFYING FIDUCIARY ACTIVITIES

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Other Fiduciary Activities – Step 2: Must also have one or more of three characteristics.

- Characteristic #1 – Assets held in a qualifying trust in which government is not the beneficiary, legally protected and dedicated to providing benefits to recipients



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**IDENTIFYING FIDUCIARY ACTIVITIES**

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Other Fiduciary Activities – Step 2: Must also have one or more of three characteristics.

- Characteristic #2 – Assets held for the benefit of individuals without the government having administrative or direct financial involvement



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**IDENTIFYING FIDUCIARY ACTIVITIES**

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Other Fiduciary Activities – Step 2: Must also have one or more of three characteristics.

- Characteristic #3 – Assets held for the benefit of outside organizations not part of the government's reporting entity



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**QUESTION #1**

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- A city is the custodian for the cash collected from fees charged by the local cemetery association for future maintenance of the cemetery. The association is a not-for-profit association and is not a component unit of the city. The activity is administered through a cemetery care trust in which the assets are (a) dedicated to maintenance and (b) legally protected from creditors of the government. The board of the association establishes how the resources can be spent. Should the city report the cemetery care trust as a fiduciary activity?



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**QUESTION #2**

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As a condition in a construction contract between a government and a private contractor, the government retains 10 percent of the amounts billed by the contractor until construction is complete, the facility is code compliant, and all requirements in the contract have been satisfactorily met. Should the government report the retained amounts in a fiduciary fund?



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**QUESTION #3**

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- A county government operates a jail. Some inmates have jobs in the jail, and their earnings are deposited into an account established for each inmate. The county is the custodian of the individual accounts. Inmates use the resources to make purchases at the commissary. Neither the county government nor any jail official has the authority to determine how the inmate will use their funds. When an inmate is released, any remaining balance is paid to them. Should the county report the inmate accounts as a fiduciary fund?



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**QUESTION #4**

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- A school holds funds raised by various student clubs, which are not legally separate from the school. The disbursements from the club accounts are approved by the faculty advisor (who is representing the school) assigned to each club. Does the school have administrative involvement?



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### QUESTION #5

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- A county government imposes an annual license fee of \$1,500. The county enters into a revenue-sharing agreement with the state that results in the county retaining \$1,350 from each license fee and remitting the remaining amount to the state. Should the state portion of the fees collected be considered own-source revenues of the county?



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### REPORTING FIDUCIARY ACTIVITIES

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- Pension (and other employee benefit ) Trust Funds
- Investment Trust Funds
- Private-purpose Trust Funds
- Custodial Funds



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### REPORTING FIDUCIARY ACTIVITIES


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Current Agency Fund Reporting

- Assets = Liabilities
- No Statement of Changes

GASB 84 Custodial Fund Reporting

- Assets + DOOR – Liabilities – DIOR = Net Position
- Additions – Deductions = Net Position



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## REPORTING FIDUCIARY ACTIVITIES

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- A liability to the beneficiaries of a fiduciary activity should be recognized when an event has occurred that compels the government to disburse fiduciary resources
  - demand for resources has been made
  - no further action, approval, or condition required to release the assets



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## CURRENTLY FOUND IN AGENCY FUNDS

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Cash held as fiscal agent for legally separate organizations

- Activity will be reported as a custodial fund for all types of reporting
- Common examples at county-level include: District Board of Health, Family and Children First, Soil and Water Conservation, Regional Planning, etc.



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## CURRENTLY FOUND IN AGENCY FUNDS

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Cash conduit for grants

- Activity will be reported as a custodial fund for all types of reporting
- Common examples at county-level include: motor vehicle license tax, personal property tax reimbursement, local government funds, library local government funds, Homestead and rollback, etc.



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**CURRENTLY FOUND IN AGENCY FUNDS**

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Clearing account with external participation

- Only amounts related to outside entities will be reported as a custodial fund (internal money must be eliminated)
- Common examples include: school district OHSAA Tournament money, county undivided, county court.



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**CURRENTLY FOUND IN AGENCY FUNDS**

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Amounts held for individuals

- Only amounts held without administrative or direct financial involvement will be reported as a custodial fund
- Common examples include school district student-managed activity funds



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**NOT CUSTODIAL FUNDS**

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- Performance Bonds
- Retainage
- Guarantee Deposits
- Payroll Clearing Accounts



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**BUDGETARY CONSIDERATIONS**

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- Custodial funds do NOT need to be budgeted
- Funds reclassified from Agency Funds to Governmental or Proprietary Funds need to be budgeted in second year following implementation of GASB 84.



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**IMPLEMENTATION**

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- Any surprises when you implemented GASB 84?



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**State Budget 2022-23**



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**School Funding Changes**



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**SCHOOL FUNDING CHANGES**

- Increase for FY22 from FY21 is \$534.7M or 5.6% and an additional \$203.8M or 2% in FY23
- Implements Fair School Funding Plan for FY22 and FY23.
  - The work of House Speaker Bob Cupp and Representative John Patterson



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## SCHOOL FUNDING CHANGES

- Direct funding for Community Schools, STEM Schools, Scholarship Programs and Open Enrollment
  - Funds students where they are educated
- Implements Fair School Funding Plan for FY22 and FY23.
  - The work of House Speaker Bob Cupp and Representative John Patterson



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## SCHOOL FUNDING CHANGES

- Base cost methodology based on student teacher ratios, minimum staffing levels and actual costs.
- State and school shares based on new income and property wealth calculations that do not rank districts against each other
- Revises categorical aid and restricts funds for subgroups



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## SCHOOL FUNDING CHANGES

- Base cost components
  - Teacher base cost (4 subcomponents)
  - Student Support (7 subcomponents)
  - District Leadership (7 subcomponents)
  - Building Leadership & Operations (3 subcomponents)
  - Athletic Co-Curricular (contingent upon participation)



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**SCHOOL FUNDING CHANGES**

- Targeted Assistance
- Categorical Funding
  - K-3 Literacy
  - Economically Disadvantaged
  - Gifted
  - English Learners
  - Students with Disabilities
  - Career-Technical Education



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**SCHOOL FUNDING CHANGES**

- Transportation state share increase from 25% to 29.17% in FY22 and 33.33% in FY23
- Eliminates funding components
  - Capacity Aid
  - K-3 Literacy
  - 3<sup>rd</sup> Grade Reading Proficiency Bonus
  - High School Graduation Bonus



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**SCHOOL FUNDING CHANGES**

- Guarantee for FY22 to be no less than FY21
- Shortfalls
  - No additional targeted assistance
  - Phase in of 16.67 % in FY22 and 33.33% in FY23
  - DPIA 0% in FY22 and 14% for FY23
- Start over in FY24 – original plan had 6 year phase in



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**SCHOOL FUNDING CHANGES**

- Guarantee for FY22 to be no less than FY21
- Shortfalls
  - No additional targeted assistance
  - Phase in of 16.67 % in FY22 and 33.33% in FY23
  - DPIA 0% in FY22 and 14% for FY23
- Start over in FY24 – original plan had 6 year phase in



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**SCHOOL FUNDING CHANGES**

- Auxiliary Services – direct payment
- School Bus Purchase funding \$50M
- Community School building funds increased to \$500 per pupil from \$250



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**SCHOOL FUNDING CHANGES**

- Ed Choice Scholarships
  - Performance requirement lowest 20% of schools in state
  - Child qualifies if sibling is enrolled, is in foster care or with legal guardian
  - Phasing out public school enrollment requirement
  - Eliminates limit on number of scholarships



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**SCHOOL FUNDING CHANGES**

- Peterson or Autism Scholarship student who no longer needs services automatically qualifies for Ed Choice
- Community School building funds increased to \$500 per pupil from \$250



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**SCHOOL FUNDING CHANGES**

- Sex Education
  - Must emphasize abstinence is only 100% effective
  - Students should abstain until after marriage
  - Conceiving children out of wedlock is likely harmful
  - STD's are serious hazards
  - Advise on Child Support laws
  - Advise sex with minor is a crime
  - Emphasize adoption



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**SCHOOL FUNDING CHANGES**

- Sex Education
  - Anything beyond current law school must:
    - Notify all parents with names of instructors and name of curriculum if one is being used
    - Provide such materials to the parents
    - Obtain written permission from parent to teach



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## MUNICIPAL INCOME TAX CHANGES

- Pre-COVID:
  - ❑ Authorization for municipal corporations to levy an income tax is located in ORC 718.
  - ❑ As it relates to withholdings, the tax is levied on income earned in the municipality by employees working in a business located within the municipality or at a worksite location that may not be the same as the business location.



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## MUNICIPAL INCOME TAX CHANGES

- Pre-COVID:
  - ❑ Residents are also assessed based on income they have generated while living in the municipality.
  - ❑ Credit may be provided by the resident municipality for withholdings made to other municipalities where the resident works.



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## MUNICIPAL INCOME TAX CHANGES

- Pre-COVID:
  - ❑ For employees that travel to various City's to perform work for their employer, there is a casual entrance rule.
  - ❑ The employee will not be assessed a withholding tax based on work performed in a municipality until 20 days in a calendar year have been worked.



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## MUNICIPAL INCOME TAX CHANGES

- Pre-COVID:
  - ❑ If the employer withheld to a different municipality other than the employees' worksite location or principal place of work the employee may request a refund of those withholdings.



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## MUNICIPAL INCOME TAX CHANGES

- COVID:
  - ❑ During the pandemic, a large majority of businesses were required to shut down.
  - ❑ When feasible many employers enacted a temporary work from home policy.
  - ❑ The Governor's emergency legislation under House Bill 197 included a temporary municipal income tax provision.



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## MUNICIPAL INCOME TAX CHANGES

- COVID:
  - ❑ The temporary provision required employers to withhold taxes based on where the employer was located regardless of which municipality the services were performed in.
  - ❑ The purpose was to provide revenue stability for municipalities during the pandemic.



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## MUNICIPAL INCOME TAX CHANGES

### COVID:

- Lawsuits were filed by the Buckeye Institute claiming the temporary emergency withholding provision was not constitutional.
- The lawsuits were dismissed and are currently pending appeal.
- The State legislatures determined that the temporary withholding provision would be address as part of the budget bill.



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## MUNICIPAL INCOME TAX CHANGES

### COVID

- The Governor rescinded the state of emergency in June of 2021 setting the expiration for the temporary withholding for July 18, 2021.
- On July 1<sup>st</sup>, the Governor signed House Bill 110 - The Ohio Budget Bill.



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## MUNICIPAL INCOME TAX CHANGES

### Ohio Budget Bill

- The bill allows, but does not require, employers to continue withholding municipal income tax based on where the employer is located through December 31, 2021.
- The bill also allows employees to request a refund for 2021 if municipal income taxes were withheld to a municipality where they neither live nor physically perform services.



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## MUNICIPAL INCOME TAX CHANGES

- Ohio Budget Bill
  - Although the budget bill only allows refunds for 2021, the pending litigation may allow for refunds back to March of 2020.



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## MUNICIPAL INCOME TAX CHANGES

- Ohio Budget Bill
  - Beginning in 2022 the 20-day withholding rule in ORC 718 is to be applied based on the location(s) where the employee is working.
  - Significant tax shift?
- Nexus??



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## OHIO INCOME TAX CHANGES

- Reduces all brackets by 3%
- Eliminates highest bracket
- Deduction for capital gains on sale of Ohio business (5yr & \$1M invest)
- No tax on fraudulent unemployment comp



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**OHIO INCOME TAX CHANGES**

- Education Credits
  - \$750 for donation to a nonprofit that awards scholarships to primary and secondary students
    - Atty General maintains list
  - \$250 Home school expense credit
  - \$500 - \$1,000 tuition credit for nonchartered nonpublic school tuition (FAGI up to \$10<sup>AN</sup>)



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**OHIO OTHER CHANGES**

- Municipal fiscal officer training
  - Appointed muni fiscal officer must complete 18 hours CE in first term and 12 hours in each subsequent term
  - Current law requires 6 hours prior to serving
- Township fiscal officer may set assistants compensation without approval from trustees



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**OHIO OTHER CHANGES**

- DORA
  - Glass not permitted as container material
- Storage Wars
  - Owner includes lessee, operator
- Broadband Expansion Program Authority
  - Monthly stipend to members and 1 year of OPERS credit for each year served



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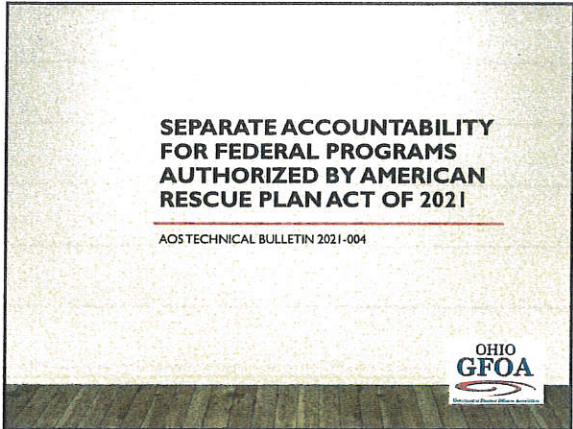
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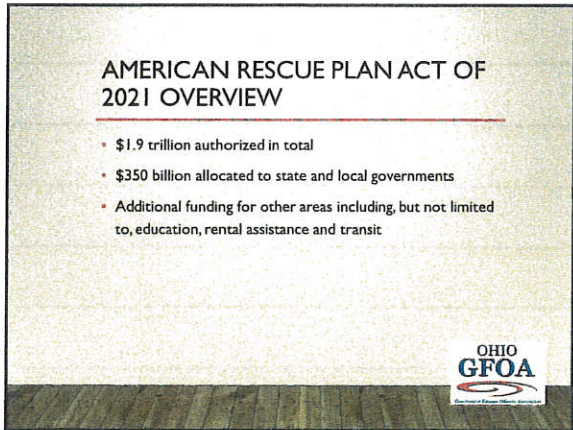
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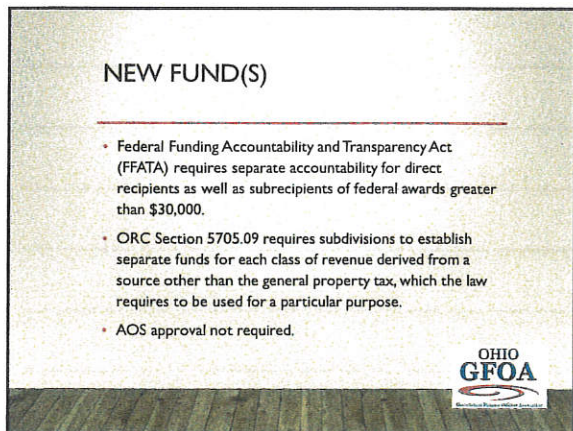
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## PROGRAM SUMMARY

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- Coronavirus State and Local Fiscal Recovery Fund (CSLFRF)(new)
- Coronavirus Capital Projects Fund (new)
- Local Assistance and Tribal Consistency Fund (new)
- Education and Secondary School Emergency Relief (ESSER) Fund III
- Governors Education Emergency Relief Fund (GEER) III
- Higher Education Emergency Relief Fund (HEERF) III



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## CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND (CSLFRF)

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- Broad definition of allowable uses including replacement of lost revenue, negative impact on the pandemic, premium pay for essential workers, and broad investments in water, sewer, or broadband infrastructure.
- Available for costs obligated through December 31, 2024 and liquidated through December 31, 2026.
- Subawards permitted



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## CAPITAL PROJECTS FUND

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- \$10 billion to states, territories and tribal governments.
- Each state will receive a minimum allocation of \$100 million plus an additional allocation of remaining funds based on population and poverty criteria.
- To carry out critical capital projects, specifically related to enabling work, education, and health monitoring, including remote options, in response to COVID-19
- Available until expended.
- Subawards permitted



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### LOCAL ASSISTANCE AND TRIBAL CONSISTENCY FUND

- \$1.5 billion is provided for eligible revenue sharing counties (notably public land counties that receive PILOT and Secure Rural School (SRS) payments) with \$750 million allotted to each year for federal fiscal years 2022 and 2023



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### SCHOOL FUNDING

- Third round of fund for ESSER, GEER and HEERF
- Not new programs, but some new requirements



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### ACCOUNTING GUIDANCE

- Create new fund
- Deposit ALL award receipts to new fund
- Charge expenditures directly to the new fund, including expenditures related to the replacement of lost revenue
- Complete billing/revenue reallocation process periodically
- Prior fiscal year expenditures reimbursed with federal funds in the subsequent fiscal year



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**BUDGETARY CONSIDERATIONS**

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- Federal grants deemed appropriated (ORC 5705.42)
- Do not need to amend appropriation measure
- Need to amend certificate of estimated resources
- Estimated revenues and appropriations (by function) should be recorded in the accounting system



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**REPORTING**

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- Interim Reports
- Quarterly Project and Expenditure Reports
- Recovery Plan Performance Reports

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**INTERIM REPORTS**

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- Summary expenditures by category
- Date of award through July 31, 2021
- Due August 31, 2021

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### QUARTERLY PROJECT AND EXPENDITURE REPORTS

- Financial data, information on contracts and subawards over \$50,000, types of projects funded, and other information regarding utilization of award funds
- Initial = Date of Award through September 30, 2021
- Due October 31, 2021
- Subsequent reports due 30 days after end of quarter

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### RECOVERY PLAN PERFORMANCE REPORTS

- Population > 250,000 only
- Descriptions of the projects funded and information on the performance indicators and objectives of each award, helping local residents understand how their governments are using the substantial resources provided by CSLFRF.
- Initial = Date of award through July 31, 2021
- Due August 31, 2021
- Subsequent = 12-month period due 30 days after

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### AUDITS COSTS

- In accordance with CFR Section 200.425 of subpart E of the Uniform Guidance, a reasonably proportionate share of the costs of Single Audits are allowable costs.
- Local government auditors will provide a breakdown of hours directly attributable to the Single Audit for allocating these costs, upon request.



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Deep Dive – Tax Increment Financing (TIFs)  
and Community Reinvestment Area (CRA)  
Tax Abatements



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What is a TIF?

- Economic development tool available to local governments in Ohio to finance public infrastructure improvements and residential rehabilitation authorized by ORC 5709.



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What is a TIF?

- ORC 5709.40 – 5709.43 establishes the requirements for municipalities
- ORC 5709.73 – 5709.74 establishes the requirements for townships
- 5709.78 – 5709.80 establishes the requirements for Counties



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### What is a TIF?

- Regardless of the type of entity a TIF is established by the legislative authority of the government by passing legislation that:
  - Designates specific parcels to be exempted from taxation.
  - Declares improvements to private property within a specific area as serving a public purpose.



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### What is a TIF?

- Defines the public infrastructure improvements that will directly benefit the parcels
- Specifies the equivalent funds or payments in lieu of taxes to be created.



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### What is a TIF?

- The PILOT (Payments in Lieu of Taxes) also called service payments, are calculated in the same manner as property taxes on the improvements or incremental value of the parcel from private and public infrastructure improvements.



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### What is a TIF?

- The base or value and property taxes prior to the establishment of the TIF District and improvements remains unchanged.
- TIF districts can be residential, commercial or a mixture of both.



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### What is a TIF?

- There are also school and non-school TIFs.
  - Non-school TIFs direct the service payments equivalent to what would have been collected if the property were not exempted to the school.
  - School TIFs redirect the service payments to the entity that has established the TIF District.



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### What is a TIF?

- There are also rolling TIFs and non-rolling TIFs.
  - A rolling TIF is based on each parcel and the clock begins on each parcel once increment or improvements are made.
  - Non-rolling looks at the TIF District as a whole and all parcels are exempted for the same amount of time once the legislation is passed.



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**What Are the Limitations?**

- All TIFs Districts may be exempt for up to 10 years and 75% without School Board Approval.
- Non-school TIFs can be for up to 30 years and up to 100% exemption without School Board Approval.



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**What Are the Limitations?**

- School TIFs may be exempted for up to 30 years and 100% only with the approval of the School Board.



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**What Are the Financial Impacts?**

- Included within the legislation, is a requirement to establish a separate fund for the PILOT payments.
- The revenue generated from the PILOT payments must be used for public infrastructure improvements within the TIF District as identified in the legislation.



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### What Are the Financial Impacts?

- There may also be various agreements that need managed such as:
  - School District compensation agreements
  - Developer agreements
  - Other local entity revenue sharing agreements such as with a Township
  - Revenue anticipation debt



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### What Are the Financial Impacts?

- There may also be various reporting and certification requirements such as:
  - Annual filing with the Ohio Department of Development
  - Tax Incentive Review Committee annual reporting and meeting
  - Public Infrastructure cost certifications for developer reimbursement agreements



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### What Are the Financial Impacts?

- We will discuss GASB 77 after the CRA discussion however in most circumstances TIFs do not require reporting under GASB 77 since the taxes are not foregone, they are just paid under another method and redirected.



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### What is a CRA?

- Community Reinvestment Areas are another type of economic development tool authorized by ORC 3735.
- There are two types of CRAs, Pre-1994 and Post-1994.
- The following will focus on Post-1994 followed by the differences between the two.



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### Post-1994 CRA Creation

- The legislative authority of a municipality or county passes a resolution that:
  - Describes the boundaries of the CRA and a statement of finding.
  - Stipulates the property classifications eligible for exemption.
  - Provides the term and extent of the real property exemptions for residential properties.



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### Post-1994 CRA Creation

- The legislative authority designates a housing authority.
- The resolution is filed with the Ohio Director of Development Services and once approved tax exemption may be granted.



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Post-1994 CRA Creation

- Property owners within the designated CRA may file an application for real property tax exemption with the local housing authority.
- For commercial and industrial applications, approval for tax exemption cannot be authorized until:
  - The legislative authority and property owner have entered into a written agreement under ORC 3735.671.



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Post-1994 CRA Creation

- If the percent exempted is greater than 50%, the board of education must approve the agreement which may include negotiated terms for the school.
- For municipalities with an income tax, a revenue sharing agreement with the school is also required if new annual payroll will be \$1 million or more, or the new income tax revenue will be split 50/50.



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Post-1994 CRA Creation

- After all agreements are authorized, they are submitted to the Ohio Director of Development Services for enforcement of 3735.671.
- The housing officer will verify the costs and facts asserted in the application for exemption.
- The housing officer will also determine that all requirements have been met for the exemption.
- The application is then filed with the County Auditor certifying the division of ORC 3735.67 the exemption is granted.



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**Post-1994 Creation**

- For residential applications, the terms are set forth in the CRA resolution.
- The housing officer reviews the residential application verifying the cost, a determination for exemption, and files the application with the County Auditor.



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**Exemption Levels and Terms**

- **Residential**
  - Remodeling minimum of \$2,500 up to 100% for up to 10 years.
  - Remodeling minimum of \$5,000 up to 100% for up to 12 years.
  - New construction up to 100% for up to 15 years.



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**Exemption Levels and Terms**

- **Commercial and Industrial**
  - Remodeling minimum of \$5,000 up to 100% for up to 12 years.
  - New construction up to 100% for up to 15 years.



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### Pre-1994 CRA Differences

- Pre-1994 did not require authorization of the Director of Development.
- The percentage exemption and property classifications are not flexible.
- No Board of Education approval or negotiation required only a courtesy notice 14 days before filing the exemption with the County Auditor.



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### Pre-1994 CRA Differences

- No ability to negotiate, the terms within the authorizing legislation were required to be applied.
- No incentive agreements required with the property owner granted the exemption.
- No relocation restrictions placed on the property owner.



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### Financial Implications

- No new taxes on the parcel until the abatement rolls of.
- Management of Developer and School District agreements.
- Obtaining income tax data for new payroll.
- Obtaining program data from the property owner to ensure incentive agreements are adhered to.



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**Financial Implications**

- Annual reporting to the Tax Incentive Review Committee.
- Implementing GASB 77.



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**GASB Statement No. 77  
Tax Abatement Disclosures**

- Effective for periods beginning after December 15, 2015



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**GASB Statement No. 77**

Implementation of GASB 77:

- Provides financial statement users with essential information that is not currently reported in a consistent and comprehensive manner.
- Disclosing the nature and magnitude of tax abatements will better equip users with information to determine how tax abatements affect a governments ability to raise resources and meet financial obligations.
- The impact abatements have on the financial position and economic condition of the government.



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## GASB Statement No. 77

- Who does this apply to?
  - A state or local government that enters into an agreement that limits the revenue raising capacity (abatement)
  - A state or local government impacted by another state or local government which results in limiting the revenue raising capacity
- How do we account for this?
  - No accounting treatment just note disclosure



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## GASB Statement No. 77

- Tax Abatement defined
  - A reduction in tax revenues that results from an agreement between one or more govts. and an individual or entity in which one or more govts. promise to forgo tax revenues which they are otherwise entitled and the individual or entity promises to take a specific action that contributes to economic development or otherwise benefits the governments or the citizens of those governments.
- Important to note that most TIF agreements do not meet the definition of a tax abatement since the property owner is still making PILOT payments, so the revenue is not forgone just re-directed.



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## GASB Statement No. 77

- General Disclosure Principles
  - Distinguish between those entered into by the government and those entered into by another government
  - Can be provided individually or aggregated
  - Agreements entered into by the government should be organized by major program
  - Agreements entered into by another government should be organized by government entering the agreement and type of tax abated
  - Disclosure starts when agreement is entered and ends when it expires



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## GASB Statement No. 77

- Disclosure Requirements for Govt. enters the agreement
  - Names and purposes of the abatement programs
  - Specific taxes being abated
  - Legal authority under which abatement is granted
  - Criteria which makes recipient eligible
  - Mechanism by which taxes are abated
    - How are the taxes reduced?
    - How is the amount of the abatement determined?
  - Recapture provisions?
  - Commitments made by recipients
  - Gross amount reduced during the reporting period



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## GASB Statement No. 77

- Disclosure Requirements for Govt. enters the agreement
  - If amounts are received or receivable from other governments
    - Names of governments
    - Authority under which the amounts were or will be paid
    - Dollar amount received or receivable
  - If govt. made additional commitments
    - Types of commitments
    - Most significant commitments
  - If agreements are disclosed individually, brief description of quantitative threshold determination
  - If legally prohibited from disclosing some specific information describe information omitted and source of legal prohibition



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## GASB Statement No. 77

- Disclosure Requirements for Government that is affected by another government entering agreement
  - Name of government that entered agreement and specific tax abated
  - Dollar amount of reduction in the current year
  - If amounts are received or receivable from other governments
    - Names of governments
    - Authority under which the amounts were or will be paid
    - Dollar amount received or receivable
  - If agreements are disclosed individually, brief description of quantitative threshold determination
  - If legally prohibited from disclosing some specific information describe information omitted and source of legal prohibition



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## GASB Statement No. 77

- What is dollar amount
  - Accrual method is required
    - Difficult for Ohio property taxes
    - Most likely not material



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## 2021 Ohio GFOA Forecasting in Post Pandemic



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## What is a Forecast and How can it be used to benefit your Organization



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## What is a Forecast?

- Assists in the communication of the Vision and Goals of the organization
  - "Wise resource management"
  - "Information based accountability"
  - "To Increase effectiveness of the organization"
- Financial representation of the entity's programs



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## What is a Forecast?

- Based on assumptions at time of development
- Accuracy requires significant contributions from all stakeholders
- Management tool for planning
- It is a living document requiring change when new information becomes available



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## What isn't a Forecast?

- Not a guarantee of performance
- Not a given amount for negotiations
- Not 100% accurate
  - Accuracy diminishes with time
  - Accuracy diminishes with program changes

"This forecast is no longer accurate as something has changed since I printed it!"



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## Types of Forecasts

- Enrollment/Population/Housing starts
- Electricity / Water Usage & Cost
- Cash Flow
- Debt Service
- Capital Plan
- Operating



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## Why are Forecasts Important

- Enrollment/Population/Housing
  - Knowing the estimated people to serve in the future helps planning
- Cash Flow
  - By forecasting your organizations inflows and outflows on a monthly basis you can determine what resources are available for investment
  - This can result in more interest income for the entity
- Debt Service
  - All of us with debt have a debt schedule already created.
  - Ensures timely payment
  - Allows funds to be included in cash flow forecast



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## Why are Forecasts Important

- Capital Plan
  - Allows for project prioritization with limited resources
  - Communication tool to your community
  - Allows your entity to look into the future to determine additional needs
- Operating
  - Assists the elected body and public to understand the financial impact of operational decisions
  - Can assist in resource allocation
  - Transparency and Communication



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## How long should a Forecast be for?

- Daily for a year or more
- Monthly for a year or more
- Annually for multiple years
  - 5
  - 25
  - 37
- Duration of Project



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## How long should a Forecast be for?

- Cash Flow – Allowable investment term limit
- Debt Service – length of longest maturity or longer
- Capital
  - Detailed 5 year
  - Broad based 25 year
- Operating
  - 5 years or a minimum to show impact of future tax cycles



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## How do we report forecast?

- Department
- Building
- Program
- Revenue & Expenditure type
- What ever is easiest to communicate with public



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## How do we forecast revenues?

- Real estate taxes – more delinquencies?
- Income taxes – delayed or decreased (work from home), unemployment, restaurant and hospitality industry
- Sales taxes – business closedowns?
- State revenue – State support waning for many entities but Federal one-time money
- Grants – State and federal funds
- Bond Proceeds
- Other local revenue – investment income?
- Enterprise fund income (Electric, water...)



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## How do we forecast expenditures?

- Wages
  - 0% or 3% or somewhere between?
  - Hiring freeze, furlough days, Reduction in force?
  - New Staff after Pandemic?
- Benefits
  - Retirement
  - Health insurance – Less expenses due to pandemic



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## How do we forecast expenditures?

- Purchased services
  - Utilities – down due to less building use?
  - Legal fees
  - Other
- Materials/Supplies – less do to working from home?
- Equipment
  - Land purchase?
  - Buildings and fixtures
  - Vehicles
  - Infrastructure
- Miscellaneous



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## Forecast Philosophy

- Conservative
  - Low revenue & high expense
  - Risk of having a larger balance than necessary
- Aggressive
  - High revenue & low expense
  - Risk of shortfall
- Realistic/Best Estimate
  - Anticipated revenue and expense
- All have implicit bias



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## Forecast Philosophy

- Risk Aware forecast
  - Probability analysis of revenue & expense
  - Assigns probability of achievement
  - Monte Carlo Analysis
  - Allows for simulations based on varying risk taking
    - 80% chance of meeting revenue target
- Eliminates bias and includes more stakeholders



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## What to look for?

- Revision date
- Detailed Notes
- Significant variations between versions



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## How can we educate our Community?

- Communication
  - Board members
  - Community members
  - Administration
- Knowledge/Understanding
- Finance committee?
- Appropriate use of time



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## How can we manage our future?

- Planning, planning, planning
- Negotiated agreements
- Legislative involvement
- Future levy, tax or rate increase



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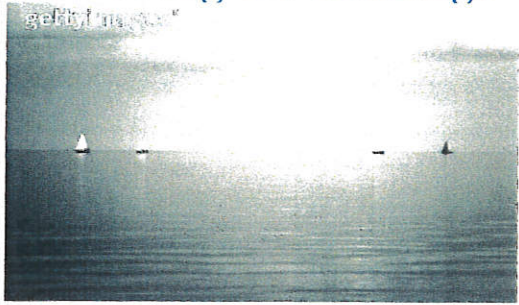
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## Meeting the Challenge



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## Information

- GFOA Publication – Informed Decision Making Through Forecasting  
[www.gfoa.org/forecastbook](http://www.gfoa.org/forecastbook)



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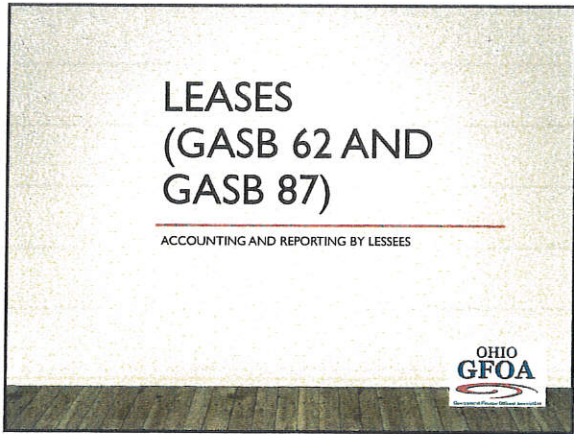
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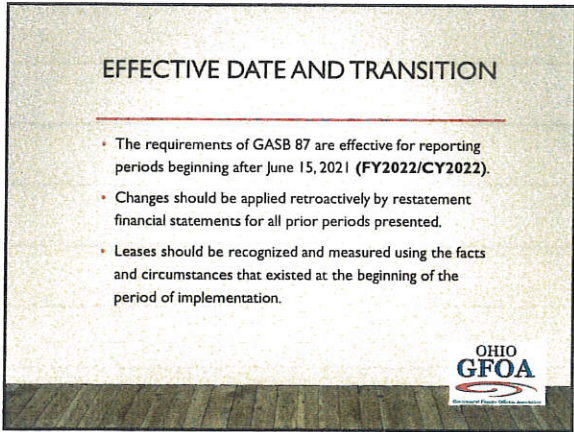
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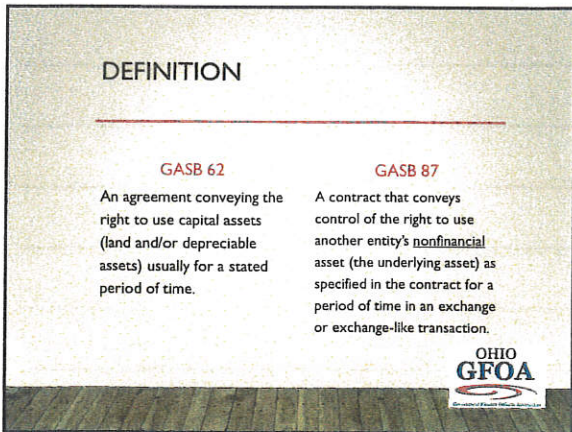
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## CLASSIFICATION

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| <p style="text-align: center; color: red; font-weight: bold;">GASB 62</p> <p>If at inception a lease meets one or more of the following four criteria, the lease should be classified as a capital lease by the lessee. Otherwise, it should be classified as an operating lease.</p> | <p style="text-align: center; color: red; font-weight: bold;">GASB 87</p> <p>Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. <u>No more capital versus operating.</u></p> |
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## GASB 62 CAPITAL LEASE CRITERIA #1

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- The lease transfers ownership of the property to the lessee by the end of the lease term.
- This criterion is met in situations in which the lease agreement provides for the transfer of title at or shortly after the end of the lease term in exchange for the payment of a nominal fee.



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## GASB 62 CAPITAL LEASE CRITERIA #2

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- The lease contains a bargain purchase option.
- The bargain purchase option must be sufficiently lower than the expected fair value of the property at the date the option becomes exercisable such that exercise of the option appears, at the inception of the lease, to be reasonably assured.



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**GASB 62 CAPITAL LEASE CRITERIA #3**

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- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- If the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, this criterion should not be used for purposes of classifying the lease.



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**GASB 62 CAPITAL LEASE CRITERIA #4**

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- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90 percent of fair value of the property.
- If the beginning of the lease term falls within the last 25 percent of the total estimated economic life of the leased property, this criterion should not be used for purposes of classifying the lease.



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**GASB 62 CAPITAL LEASE CRITERIA #4**

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- A lessee should compute the present value of minimum lease payments using its incremental borrowing rate, unless
  - (1) it is practicable to obtain the implicit rate computed by the lessor; and
  - (2) the implicit rate computed by the lessor is less than the lessee's incremental borrowing rate.



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### GASB 87 CLASSIFICATION

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Any noncancelable right to use an underlying asset, except the following:

- Short-Term Leases
- Contracts that Transfer Ownership



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### LEASE TERM

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The lease term is the period during which a lessee has a noncancelable right to use an underlying asset (referred to as the noncancelable period), plus the following periods, if applicable:

- Periods covered by the lessee or lessor options to extend if it is reasonably certain that the option will be exercised.
- Periods covered by the lessee or lessor options to terminate the lease if it is reasonably certain that the option will not be exercised.



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### SHORT-TERM LEASES

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- A short-term lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including options to extend, regardless of their probability of being exercised.



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**CONTRACTS THAT TRANSFER OWNERSHIP**

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A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options, but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised, should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.



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**NOT APPLICABLE**

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- Leases of intangible assets
- Leases of biological assets, including timber, living plants, and living animals
- Leases of inventory
- Service Concession Arrangements
- Leases in which the underlying asset is financed with outstanding conduit debt
- Supply contracts, such as power purchase agreements
- \$1 contracts



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**PROPRIETARY AND GOVERNMENT-WIDE ACCOUNTING**

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At the commencement of the lease term, a lessee should recognize a lease liability and an intangible right-to-use lease asset.



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### LEASE LIABILITY

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- A lessee initially should measure the lease liability at the present value of payments expected to be made during the lease term.
- Future lease payment should be discounted using the interest rate the lessor charges the lessee. If the interest rate cannot be readily determined, the lessee's incremental borrowing rate should be used.



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### LEASE LIABILITY

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- In subsequent financial reporting periods, the lessee should calculate the amortization of the discount on the lease liability and report that amount as an outflow of resources (for example, interest expense) for the period.
- Any payments made should be allocated first to the accrued interest liability and then to the lease liability.



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### LEASE ASSET

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- A lessee initially should measure the lease asset as the sum of the following:
- The amount of the initial measurement of the lease liability
- Lease payments made to the lessor at or before commencement of the lease term, less any incentives received from the lessor
- Initial direct costs that are ancillary charges necessary to place the lease asset into service



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## LEASE ASSET

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- A lease asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.
- If a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, the lease asset should be amortized over the useful life of the underlying asset.



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## GOVERNMENTAL FUND ACCOUNTING

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- An expenditure and other financing source should be reported in the period the lease is initially recognized.
- Subsequent lease payments should be accounted for consistent with principles for debt service payments on long-term debt.



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## DISCLOSURES

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A lessee should disclose the following about its lease activities (which may be grouped for purposes of disclosure), other than short-term leases:

- A general description of the leasing arrangements including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the liability are determined and (2) the existence of terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability



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## DISCLOSURES

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- The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets
- The amount of leased assets by major classes of underlying assets, disclosed separately from other capital assets
- The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability



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## DISCLOSURES

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- The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability
- Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter
- Commitments under leases before the commencement of the lease term
- The components of any loss associated with an impairment.



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## CONTRACTS WITH MULTIPLE COMPONENTS

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- If a lease contains a lease component and a nonlease component, or multiple underlying assets, the government should account for the separate components as separate contracts.
- To allocate the contract price to the different components, lessees should first use any prices listed in the contract, as long as the prices do not appear to be unreasonable.
- Otherwise, lessees should use professional judgement to determine the estimate.



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## MODIFICATIONS AND TERMINATIONS

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An amendment should be considered a lease modification unless the lessee's right to use the underlying asset decreases, in which case the amendment should be considered a partial or full lease termination



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## LEASE MODIFICATIONS

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A modification to a lease contract should be accounted for as a separate lease if both of the following conditions are present:

- The modification gives the lessee an additional lease asset by adding one or more underlying assets
- The increase in lease payments for the additional lease asset(s) does not appear to be unreasonable.



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## LEASE MODIFICATIONS

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- Unless a modification is reported as a separate lease, a lessee should account for a lease modification by remeasuring the lease liability.
- The lease asset should be adjusted by the difference between the remeasured liability and the liability immediately before the lease modification.



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## LEASE TERMINATIONS

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- The lessee should account for an amendment during the reporting period resulting in a decrease in the lessee's right to use the underlying asset as a partial or full lease termination.
- Carrying value of the lease asset and lease liability should be reduced with the difference reported as a gain or loss.



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## IMPLEMENTATION GUIDE

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- Review state and local laws to determine impact on compliance with debt limitations and bond covenants.
- Consider changing policies and procedures for tracking and reporting leases and capital assets (right-to-use).
- Consider adding procedures to identify when lease agreements have been initiated or modified.
- Increase communication between departments entering into leases and central accounting staff.



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## IMPLEMENTATION GUIDE

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- GASB 87 requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases.
- Compile master schedule of leases containing all necessary classification and accounting info (i.e. lease asset, lease term, lease payments, etc.)
- Compile individual amortization schedules, as required, for each lease.



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**GASB 88 and GASB 91**



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**GASB STATEMENT NO. 88**

*Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

- The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities government should include when disclosing information related to debt.



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**BACKGROUND**

- Stakeholders expressed concern regarding the absence of disclosures related to debt provisions that could impact a government's credit profile
- Additional concerns include:
  - Termination events and acceleration clauses that could impact liquidity (Direct borrowings and direct placements of debt)
  - Inconsistency and confusion identified as to whether certain types of liabilities are "debt"



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**GASB 88 - DEFINITION OF DEBT**

- "A liability that arises from a contractual obligation to pay cash (or other assets in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established"
- Excludes leases (except for contracts reported as financed purchases) and accounts payable
- Any liabilities meeting the definition above should have all required disclosures for debt presented in the footnotes



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**NEW DISCLOSURE REQUIREMENTS**

- In addition to existing disclosure requirements, the following should be disclosed in the financial statements:
  - Unused lines of credit
  - Assets pledged as collateral for debt



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**NEW DISCLOSURE REQUIREMENTS**

- Terms specified in debt agreements related to:
  - Events of default with finance-related consequences
  - Termination events with finance-related consequences
  - Acceleration clauses



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## SEPARATE PRESENTATION

- Governments should **separate** information in debt disclosures between direct borrowings and direct placements of debt and other debt
  - Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale
  - Other debt includes bonds and similar instruments, which are offered for sale in the public bond markets



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## EXAMPLE – GASB 88

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

|  | Balance<br>12/31/2018 |             | Balance<br>12/31/2019 |                      | Due within<br>One Year |
|--|-----------------------|-------------|-----------------------|----------------------|------------------------|
|  |                       | Increases   | Decreases             |                      |                        |
| <b>Governmental Activities:</b>                    |                       |             |                       |                      |                        |
| General obligation bonds                           | \$ 15,000,000         | \$ -        | \$ 3,000,000          | \$ 12,000,000        | \$ 3,500,000           |
| Notes from direct borrowings and direct placements | 1,750,000             | -           | 250,000               | 1,500,000            | 275,000                |
| <b>Total</b>                                       | <b>\$ 16,750,000</b>  | <b>\$ -</b> | <b>\$ 3,250,000</b>   | <b>\$ 13,500,000</b> | <b>\$ 3,775,000</b>    |
| <b>Governmental Activities:</b>                    |                       |             |                       |                      |                        |
| Notes from direct borrowing                        | \$ 150,000            | \$ -        | \$ 50,000             | \$ 100,000           | \$ 50,000              |



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## EXAMPLE – GASB 88

Changes in long-term obligations for the year ended December 31, 2019, are as follows:

The City's outstanding notes from direct borrowings and direct placements related to governmental activities of \$1,500,000 contain a provision that in an event of default, outstanding amounts become immediately due if the City is unable to make payment. The City's outstanding notes from direct borrowings related to business-type activities of \$100,000 are secured with collateral of an undeveloped lot zoned for commercial use. The outstanding notes from direct borrowings related to business-type activities of \$100,000 contain (1) a provision that in an event of default, the timing of repayment of outstanding amounts become immediately due if pledged revenues during the year are less than 120 percent of debt service coverage due in the following year and (2) a provision that if the City is unable to make payment, outstanding amounts are due immediately. The City's outstanding notes from direct borrowings related to business-type activities of \$100,000 contain a subjective acceleration clause that allows the lender to accelerate payment of the entire principal amount to become immediately due if the lender determines that a material adverse change occurs.

The City also has an unused line of credit in the amount of \$500,000.



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**GASB STATEMENT NO. 91**

*Conduit Debt Obligations*

GASB Statement No. 91 provides a single method of reporting conduit debt obligations and clarifies that these obligations are not government liabilities.



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**HISTORY**

- Conduit debt obligations are debt instrument issues by a state or local government to provide financing for a specific third party
- The specific third part is primarily liable for repaying the debt instrument
  - GASB's existing standards, Interpretation No. 2, *Disclosure of Conduit Debt Obligations*, allows variation in practice among governments that issue conduit debt obligations
  - The variation arose from the option for government issuers either to recognize conduit debt obligations as their own debt or to disclose them



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**GASB 91**

- GASB 91 addresses the variation in practice by:
  - Clarifying what is a conduit debt obligation
  - Eliminating the option for government issuers to recognize conduit debt obligations
  - Broadening the definition of conduit debt obligations
  - Clarifying how government issuers should account for and report conduit debt obligations
  - Enhance note disclosures
- Effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged.



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**DEFINITION**

- A conduit debt obligation is defined as a debt instrument having **all** of the following characteristics:
  - At least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee
  - The issuer and the third-party obligor are not within the same financial reporting entity
  - The third-party obligor receives the proceeds from the debt issuance
  - The third-party obligor is primarily obligated for all debt service payments
  - Not a parity bond of the issuer




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**LEVEL OF COMMITMENT**

- GASB organized conduit debt obligations into three types of commitments:
  - (1) Limited Commitment: Issuer not making any commitment to make payments on the third party's bonds (traditionally the way most conduit debt is authorized)




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**LEVEL OF COMMITMENT**

- (2) Additional Commitment: The issuer agrees to support debt service payments only in the event the third-party obligor is, or will be, unable to do so.
- Moral obligation pledge
- Appropriation pledge
- Financial guarantee
- Pledging its own property, revenue, or other assets as security.




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**LEVEL OF COMMITMENT**

- (3) Voluntary Commitment: Issuer voluntarily agrees to make debt service payments or request an appropriation for such payments, if necessary




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**RECOGNITION AND MEASUREMENT**

- An issuer should not recognize a conduit debt obligation as a liability (in most cases)
- An issuer should recognize a liability associated with an additional commitment to support debt service payments only if qualitative factors indicate that it is more likely than not (50%) that the issuer will support one or more debt service payments for a conduit debt obligation.




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**RECOGNITION AND MEASUREMENT**

- Qualitative factors include:
  - Bankruptcy or financial reorganization
  - Failure to meet rate covenants, failure to meet debt service coverage ratios, or default or delinquency in debt service payments
  - Financial difficulty (ex. significant investment losses, loss of a major revenue source)
  - Termination of the project that was to be the source of funding for debt service payments
  - Litigation




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**RECOGNITION AND MEASUREMENT**

- **Liability Calculation:**
  - The amount recognized for the liability and expense should be measured as the discounted present value of the best estimate of the future outflows (that is, payments to support debt service) expected to be incurred
  - An issuer should recognize a liability and an expense in financial statements prepared using the economic resources measurement focus
  - An issuer should recognize a fund liability and an expenditure, to the extent that the liability is normally expected to be liquidated with expendable available financial resources




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**NOTES TO FINANCIAL STATEMENTS**

- The disclosures of conduit debt obligations should include:
  - A general description of the issuer's conduit debt obligation
  - A general description of the issuer's limited commitment
  - A general description of the issuer's voluntary commitment
  - A general description of the issuer's additional commitment including:
    - The legal authority and limits for extending the commitment
    - The length of time of the commitment
    - Arrangements, if any, for recovering payments from the third-party obligor
  - The aggregate outstanding principal amount of all conduit debt obligations that share the same type of commitment at the end of the reporting period.




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**NOTES TO FINANCIAL STATEMENTS**

- If an issuer has recognized a liability:
  - A brief description of the timing of recognition and measurement of the liability and information about the changes in the recognized liability, including the following:
    - Beginning-of-period balances
    - Increases, including initial recognition and adjustments increasing estimates
    - Decreases, including payments made and adjustments decreasing estimates
    - End-of-period balances
  - Cumulative amounts of payments that have been made on the recognized liability at the reporting date, if any
  - Amounts expected to be recovered from those payments, if any




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**ILLUSTRATION**

*Facts and Assumptions:*

The City has issued education facilities bonds that meet the definition of a conduit debt obligation to finance the construction of new buildings by several charter schools. The schools are not component units of the City. The buildings financed by the bond proceeds are pledged as collateral for the bonds. The charter schools are the obligors of the underlying mortgage loans for those buildings. The bonds are payable solely from payments received from the charter schools on the mortgage loans. The City has not extended any commitments for the debt service payments of those bonds beyond the collateral and the payments on the mortgages from the charter schools of the tax-exempt status of the conduit debt obligations. At June 30, 2019, the bonds have an aggregate outstanding principal amount payable of \$22.5 million, none of which was recognized as a liability by the City.



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**ILLUSTRATION – DISCLOSURE**

*Conduit Debt Obligations with Limited Commitments*

The City has issued education facilities bonds that finance the construction of new buildings by several charter schools. The buildings are pledged as collateral for the bonds. The charter schools are the obligors of the underlying mortgage loans for those buildings. The bonds are payable solely from payments received from the charter schools on those mortgages. In addition, no commitments beyond the collateral, the payments from the charter schools, and maintenance of the tax-exempt status of the conduit debt obligations were extended by the City for any of those bonds. At June 30, 2019, the bonds have an aggregate outstanding principal amount payable of \$22.5 million.



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**QUESTIONS/DISCUSSION**



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## Implementing the new GASB's



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## Recent GASB Standards

- Statement #91
  - Conduit Debt Obligations
  - Effective for periods beginning after December 15, 2021
- Statement # 92
  - Omnibus 2020
  - Effective for periods beginning after June 15, 2021\*
- Statement #93
  - Replacement of Interbank Offered Rates
  - Effective for periods beginning after June 15, 2021\*



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## Recent GASB Standards

- Statement #94
  - Public-Private & Public-Public Partnerships
  - Effective for periods beginning after June 15, 2022
- Statement # 96
  - Subscription Based Information Technology
  - Effective for periods beginning after June 15, 2022
- Statement # 97
  - Component Unit Criteria & IRC 457 Deferred Comp
  - Effective for periods beginning after June 15, 2021



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## GASB Statement No. 91 Conduit Debt Obligations

- Effective for periods beginning after December 15, 2021



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## GASB Statement No. 91

- Defines conduit debt obligation..All characteristics:
  - At least 3 parties involved: issuer, third-party obligor and a debt holder or a debt trustee.
  - The issuer and the third-party obligor are not within the same financial reporting entity.
  - The debt obligation is not a parity bond of the issuer, nor is it cross collateralized with other debt of the issuer.
  - The third-party obligor, or its agent, not the issuer, **ultimately** receives the proceeds from the debt issuance.
  - The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation.



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## GASB Statement No. 91

- Conduit debt with additional conditions
  - An issuer sometimes, separate from the debt, provides explicit and/or implicit conditions guaranteeing payment of the debt
  - A liability is established for such conditions when payment on the condition is more likely than not (#70)
  - Qualitative factors are evaluated at issuance or triggering event to determine if a liability exists



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## GASB Statement No. 91

- Conduit debt with capital asset
  - An issuer sometimes issues conduit debt to finance construction of capital asset for third party obligor, usually private sector entities, to use in third-parties operations with issuer maintaining title to asset.
  - The asset is usually pledged as collateral for the benefit of debt holders.
  - Payments, frequently leases, are structured to make the conduit debt payments.
  - 3 different types defined



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## GASB Statement No. 91

- Arrangements associated with Conduit debt
  1. Third-party obligor receives title to the capital asset after debt is paid
  2. Issuer maintains title after debt is paid and Third-party issuer has exclusive use of asset during the time it is being paid for
  3. Issuer maintains title after debt is paid and third-party issuer has partial use of asset during the time it is being paid for.



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## GASB Statement No. 91

- Arrangements associated with Conduit debt
  - No debt or liability is recorded in any of the three types
  - A capital asset is recorded in second type when the debt is paid off.
  - A capital asset is recorded at inception in third type because it possesses current service capacity to the issuer with a credit to deferred inflow of resources.



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**GASB Statement No. 92**  
Omnibus 2020

- For GASB 73 & 74 effective for periods beginning after June 15, 2020
- Remainder effective for periods beginning after June 15, 2021




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**GASB Statement No. 92**

- What Statements does this effect?
  - GASB 87 Leases
  - GASB 73 & 74 Pensions
  - GASB 83 Asset Retirement Obligations
  - GASB 84 Fiduciary
- Other effected items?
  - Certain inter-entity transfers
  - Measurement of liabilities related to asset retirement obligations
  - Reporting by public entity risk pools – reinsurance
  - Derivative terminology




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**GASB Statement No. 92**

- GASB 87 - issue with term reporting period in the effective date for interim reporting entities; changed to fiscal year beginning after...and all reporting periods after
- GASB 73 & 74 Inter-entity transfer
  - Clarifies paragraph 15 of Statement 48 (gain/loss recog.)
  - Transfer of capital of financial assets between govt employer or nonemployer contributing entity AND a DB pension plan that is within the same reporting entity
    - Treatment of difference paid and the carrying value of assets transferred is as an employer contribution in accordance with:
      - GASB 68 & 75 in the separately issued statements of each reporting entity
      - GASB 67 & 74 in the financial statements of the reporting entity




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## GASB Statement No. 92

- GASB 83
  - Exception to acquisition value granted similar to landfill and pollution remediation (69)
    - The facts and circumstances relating to the liability and
    - Current costs that are estimated to be necessary to satisfy those obligations
    - Relevant because of the logical relationship between liability and the factors upon which obligation is based
- Reinsurance recoveries
  - Paragraph 37 of statement 10 amended to allow recoveries to be reported net or as a reduction of expense
- Derivative
  - Replace terms with derivative instrument(s)



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## GASB Statement No. 93 Replacement of Interbank Offered Rates

- Effective for reporting periods beginning after June 15, 2021



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## GASB Statement No. 93

- Some agreements have variable rate payments or receipts based on an interbank offered rate (IBOR)
- The London IBOR is expected to cease to exist at the end of 2021



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### GASB Statement No. 93

- Amends Statements 40 & 53
  - 53 required elimination of hedge accounting upon changes in the agreement
- Leases – IBOR is replaced with another rate by changing the rate or fallback provisions does not result in a lease modification



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### GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
  - Hedging derivative instrument is amended or replaced to change the reference rate of the variable payment



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### GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
  - The new reference rate essentially equates the original by one of the methods below:
    - Reference rate is multiplied by a coefficient or adjusted by addition or subtraction of a constant to essentially equate the replacement rate to the original
    - An upfront payment is made to essentially equate the replacement rate to the original



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### GASB Statement No. 93

- Exception Criteria – Hedge Accounting continues if (All 4):
  - If replacement of the reference rate is effectuated by ending the original agreement and initiating a new one, those transactions occur on the same date.
  - Other terms that affect changes in fair values and cash flows are the same



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### GASB Statement No. 93

- Term Changes are limited to the following:
  - Frequency with which the rate of variable payment resets
  - Dates on which rate resets
  - Methodology for resetting the rate
  - Dates on which periodic payments are made



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### GASB Statement No. 93

- Upfront payment
  - Recognized as asset or liability and amortized over life of derivative instrument
- Modification of rate is not a termination
- Probability of occurrence of transaction is not affected by replacement of IBOR



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## GASB Statement No. 93

- Appropriate Benchmark rates
  - Interest rate on Treasury obligations of US government
  - EFFR – Effective Federal Funds Rate
  - SOFR – Secured Overnight Financing Rate
  - LIBOR is not an appropriate benchmark



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## GASB Statement No. 94 Public-Private & Public-Public Partnerships PPP

- Effective for reporting periods beginning after June 15, 2022
- Restatement is recommended, but if not practicable report cumulative effect as restatement of beginning net position



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## GASB Statement No. 94

- Public-Private & Public-Public Partnerships (PPP) Defined
  - An arrangement in which a govt (transferor) contracts with an operator to provide public services by conveying control of the right to operate or use an infrastructure or other nonfinancial asset, for a period of time in an exchange or exchange-like transaction



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### GASB Statement No. 94

- Some PPP's are SCA's (all criteria must be met:
  - Transferor conveys to operator the right and related obligation to provide public services through the use and operation of the PPP asset in exchange for significant consideration
  - The operator collects and is compensated by fee from third parties



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### GASB Statement No. 94

- Some PPP's are SCA's (all criteria must be met:
  - Transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom and the rates that can be charged
  - The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end



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### GASB Statement No. 94

- Availability Payment Arrangements (APA)
  - **Govt compensates** an operator for activities that may include designing, constructing, financing, maintaining or operating an underlying infrastructure or other nonfinancial asset for a period of time in an exchange or exchange-like transaction



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**GASB Statement No. 94**

- Availability Payment Arrangements (APA)
  - Payments by the govt are based entirely on the asset's availability for use not third party fees.
  - Availability for use may be based on specified criteria such as physical condition of the asset, construction milestones, or achievement of certain performance measures




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**PPP's & APA's Accounting**

- PPP that meets the definition of a lease in Statement 87, but is not an SCA, applies that guidance.
- Other PPP's Term
  - Period when operator has a noncancellable right to use the underlying asset, plus options to extend by either party if reasonably certain option will be used and options to terminate if reasonably certain option will not be used




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**PPP's & APA's Accounting**

- PPP Term is determined at commencement, factors to consider include:
  - Is there a significant economic incentive or disincentive for the exercise of the option?
  - The history of exercising options to extend or terminate
  - The extent to which the PPP asset is crucial




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**PPP's & APA's  
Accounting**

- PPP Term may be reassessed only if one of the following occur:
  - A party elects to exercise an option even though it was previously determined it would not be
  - A party elects not to exercise an option even though it was previously determined they would
  - An event in the PPP arrangement that requires extension or termination of the PPP takes place



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**PPP's & APA's  
Accounting**

- **PPP Existing Asset**
  - Continue to report asset, depreciation and impairment
    - If agreement requires operator to return asset in same or better condition then do not depreciate
  - Receivable for installment payments if any
  - Deferred inflow



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**PPP's & APA's  
Accounting**

- **PPP New Asset purchased or constructed by operator or existing asset improved AND PPP meets definition of SCA, recognize:**
  - Asset for underlying PPP asset measured at acquisition value when placed in service
  - Asset for improvements made by operator measured at acquisition value when placed in service Also, continue to report underlying asset
  - Receivable for installment payments, if any
  - Deferred inflow of resources



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**PPP's & APA's  
Accounting**

- PPP New Asset purchased or constructed by operator or existing asset improved and PPP does not meet definition of SCA, recognize:
  - A receivable for the underlying asset to be received from operator
    - At operator's estimated carrying value as of the future date of transfer, remeasured if there is a change in the PPP terms
  - Receivable for installment payments, if any
  - Deferred inflow of resources



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**GASB Statement No. 95  
Postponement of Effective Dates**

- Effective date for GASB 87 Leases delayed 18 months also Implementation 2019-3 Leases
- Effective dates for 83, 84, 88, 89, 90, 91, 92, 93 delayed 12 months
- Effective dates for Implementation guides delayed 12 months
  - 2017-3, 2018-1, 2019-1, 2019-2



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**When do we Implement?**

| <b>Statement #</b>             | <b>Effective for Periods beginning after:</b> |
|--------------------------------|---|
| • GASB 87 Leases               | • June 15, 2021*                              |
| • GASB 88 Debt Disclosure      | • June 15, 2019*                              |
| • GASB 89 Capitalized Interest | • December 15, 2020*                          |
| • GASB 90 Majority Equity      | • December 15, 2019*                          |
| • GASB 91 Conduit Debt         | • December 15, 2021*                          |

\* Postponed by GASB 95



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## When do we Implement?

| Statement #                  | Effective for Periods beginning after: |
|------------------------------|--|
| • GASB 92 Omnibus            | • June 15, 2021                        |
| • GASB 93 Interbank Offering | • June 15, 2021                        |
| • GASB 94 Partnerships       | • June 15, 2022                        |
| • GASB 95 Postponement       |  |
| • GASB 96 SBITA              | • June 15, 2022                        |
| • GASB 97 Comp Unit & 457    | • June 15, 2021                        |



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## GASB Statement No. 96 Subscription Based IT Arrangements

- Effective for reporting periods beginning after June 15, 2022



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## GASB Statement No. 96

- Subscription Based IT Arrangements (SBITAs) Defined
  - Contract that conveys control of the right to use another party's (a SBITA vendor) hardware, software, or a combination of both, including IT infrastructure (the underlying hardware or software), as specified in the contract for a period of time in an exchange or exchange-like transaction.



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**GASB Statement No. 96**

- SBITA Contracts Included/Excluded
  - Included: Contracts that contain both a right-to-use hardware or software component and an IT support services component
  - Excluded: Contracts that solely provide IT support services



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**GASB Statement No. 96**

- Subscription Term
  - Period during which a government has a noncancellable right to use the underlying hardware or software, plus the following periods, if applicable:
    - Periods covered by government's or SBITA vendor's option to extend (reasonably certain will exercise)
    - Periods covered by government's or SBITA vendor's option to terminate (reasonably certain will not exercise)



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**GASB Statement No. 96**

- Short term SBITA
  - Contract is maximum of 12 months or less including options to extend
  - Recognize as outflow of resources (expenditure/expense)



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### GASB Statement No. 96

- Fund Statement Accounting
  - Expenditure and Other Financing Source measured like Subscription Liability
  - Subsequent governmental fund subscription payments accounted for with principles for debt service payments on long-term debt



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### GASB Statement No. 96

- Subscription Liability
  - Liability at the present value of payments expected to be made during the term
    - Fixed payments
    - Variable payments that depend on an index or a rate
    - Variable payments that are fixed in substance
    - Payments for penalties for terminating the SBITA
    - Any subscription contract incentives receivable
    - Any other payments reasonably certain of being required based on all relevant factors



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### GASB Statement No. 96

- Subscription Liability
  - Calculate the amortization of the discount on the subscription liability and report that amount as an outflow of resources (for example, interest expense) for the period.
  - Payments made should be allocated first to the accrued interest liability and then to the subscription liability



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**GASB Statement No. 96**

- Intangible right-to-use asset (a capital asset hereinafter referred to as the subscription asset). Asset includes:
  - Initial measurement of the subscription liability
  - Payments made to the SBITA vendor at or before the commencement of the subscription term, less any SBITA vendor incentives
  - Capitalizable implementation costs (Initial Implementation Stage)




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**GASB Statement No. 96**

- Agreements we have
  - AESOP – absence reporting
  - Nutrislice – menu and food service payment system
  - My Payment Plus – student fees
  - Infinite Campus – student software
  - Various textbook software licenses




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**GASB Statement No. 96**

- All agreements are 12 months
- Most agreements will be automatically extended
- My Payment Plus processes all of our payments for an annual fee




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### GASB Statement No. 96

- What qualifies and what does not?
- Does this make sense?
  - Why?
  - Why not?



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### GASB Statement No. 96

- Ownership?
- Why elevate beyond operating expense?



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### Similar Accounting treatment

- Leases
- Service Concession Arrangements
- Subscription based IT Agreements
- PPA & APA



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**Similar Accounting treatment**

- Unnecessary Complications?
- Does this make our financial statements easier to understand?
- Does this add value to accounting?




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**GASB Statement No. 97  
Component Unit Criteria and  
Accounting and Financial  
Reporting for IRC 457 Plans**

- Effective for reporting periods beginning after June 15, 2021




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**Component Unit Criteria**

- When no governing board exists for a legally separate organization
  - Financial accountability for potential CU inclusion if the primary govt performs the duties ordinarily performed by governing board then treat as if voting majority was appointed
- Excludes DC pensions DC OPEB or other employee benefit plan (457)




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### Deferred Compensation Plans

- 457 Plan is classified as either a pension plan or an other employee benefit plan
- If it meets definition in Statement 67 para 51 or Statement 73 para 128 it is a pension plan
- All others are other employee benefit plans



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### Deferred Compensation Plans

- Must meet definition of pension plan - arrangements through which pensions are determined, assets dedicated for pensions are accumulated and managed, and benefits are paid as they come due.
- Reported as a fiduciary activity of the government



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### Deferred Compensation Plans

- Review of 457 Plans and potential inclusion in financial statements
- Necessary as many governments have these as fiduciary funds and now also contribute to employees plan



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## Other Current GASB Projects



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## GASB Projects Process

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
  - Comment period & redeliberate
- Exposure Draft
  - Comment period & redeliberate
- Final Pronouncement



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## Other Current GASB Projects

- Conceptual Framework: Disclosures
  - Exposure Draft being redeliberated
- Conceptual Framework: Recognition
  - Preliminary views redeliberation
- Financial Reporting Model
  - Exposure Draft being redeliberated
- Revenue & Expense Recognition
  - Preliminary Views redeliberation



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**Practice Issues**

- **Compensated Absences**
  - Exposure draft redeliberation
- **Prior Period Adjustments**
  - Exposure draft open until 8/31/21
- **Renaming the CAFR**
  - Exposure draft redeliberation
- **Risks and Uncertainties disclosures**
  - Initial deliberations



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**Pre-Agenda Research**

- Capital Assets
- Going Concern Disclosures
- Interim Financial Reporting
- Nonfinancial Assets



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# CERTAIN ASSET RETIREMENT OBLIGATIONS (ARO'S)

GASB 83



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## EFFECTIVE DATE AND TRANSITION

- The requirements of GASB 83 are effective for reporting periods beginning after June 15, 2019 (CY2020/FY2021).
- Changes should be applied retroactively by restatement financial statements for all prior periods presented.
- As an alternative, the cumulative effect should be reported as a restatement of beginning net position.



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## DEFINITION

- An Asset Retirement Obligation (ARO) is a legally enforceable liability associated with the retirement of a tangible capital asset.
- The retirement of a tangible capital asset encompasses its sale, abandonment, recycling, or disposal in some other manner, however, it does not encompass the temporary idling of a capital asset.



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## INCLUDES

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- Decommissioning of nuclear reactors
- Remove and disposal of wind turbines
- Dismantling and remove of sewage treatment plants
- Removal and disposal of x-ray machines
- Asset retirement obligations (ARO's) arising from contracts or court judgments.



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## EXCLUDES

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- Obligations that arise from selling or otherwise disposing of a tangible capital asset
- Obligations that arise from preparing an asset for alternative use.
- Pollution remediation obligations (GASB 49)
- Obligations associated with maintenance
- Landfill closure/postclosure care (GASB 18)



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## LIABILITY RECOGNITION

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- When incurred and reasonable estimable.
- Incurrence of a liability is manifested by the occurrence of **both** an external obligating event and an internal obligating event resulting from normal operations.



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**EXTERNAL OBLIGATING EVENTS**

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- Approval of federal, state, or local laws or regulations.
- Creation of a legally binding contract.
- Issuance of a court judgment.



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**INTERNAL OBLIGATING EVENT**

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- Contamination resulting from the normal operation of a tangible capital asset.

For non-contamination-related ARO's:

- If based on use, placing the capital asset into operation and consuming a portion of the usable capacity.
- If not based on use, placing the capital asset into operation.
- Permanent abandonment of the capital asset.
- Acquiring a capital asset with an ARO.



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**DOOR RECOGNITION**

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- When an ARO is recognized, a corresponding deferred outflow of resources should also be recognized.
- Exception – Permanent Abandonment – Expense instead



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### INITIAL MEASUREMENT

- Based on relevant laws, regulations, contracts, or court judgments. The legal requirement from laws and regulations should be based on those approved as of the financial reporting date, regardless of their effective dates.
- Based on best estimate of the **current value** of expected outlays to be incurred.



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### SUBSEQUENT MEASUREMENT AND RECOGNITION OF ARO

- At least annually adjust the current value for the effects of inflation or deflation
- At least annually evaluate all relevant factors to determine whether the effect of one or more factors is expected to **significantly** increase or decrease estimated outlay.
- If significant, remeasure ARO.



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### SUBSEQUENT MEASUREMENT AND RECOGNITION OF DOOR

- Reduce as an expense in a systematic and rational manner over a period of time, in one of the following ways:
  - Estimated useful life of the capital asset, or
  - Remaining estimated useful life of the capital asset.



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**GOVERNMENTAL FUNDS**

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Liabilities and expenditures should be recognized for goods and services used for asset retirement activities upon the receipt of those goods and services, to the extent that the amounts are normally expected to be liquidated with expendable available financial resources (i.e. due and payable).

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**NOTE DISCLOSURES**

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- General description of the ARO and associated tangible capital assets, as well as the source of the ARO
- Methods and assumptions used to measure the ARO
- Estimated remaining useful life of the associated tangible capital asset.



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**NOTE DISCLOSURES**

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- How any legally required funding and assurance provisions associated with the ARO are being met
- The amount of assets restricted for payment of the liabilities, if not separately displayed in the financial statements.
- AROs incurred but not recognized because it is not reasonably estimable.



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**AOS CORRESPONDENCE (6/28/21)**

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- Three acceptable approaches to Wastewater for 2020/2021.
- Obtain fact sheet from EPA, once available.
- For now, any applicable audit adjustments should not be considered a control deficiency.
- Governments should have supporting documentation, including legal opinions.



The logo for the Ohio Government Finance Officers Association (GFOA) is located in the bottom right corner of the slide. It features the text "OHIO GFOA" in a bold, serif font, with "OHIO" above "GFOA". Below the text is a circular emblem containing a stylized figure, and the full name "OHIO GOVERNMENT FINANCE OFFICERS ASSOCIATION" is written in a smaller font at the bottom of the emblem.

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# AOS Bulletin 2020-006

## Cash Collection Best Practices



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### AOS Bulletin 2020-006

- Internal controls over cash collections and deposits:
  - Provide the best stewardship of public dollars entrusted to governments
  - Maintains the integrity of the public trust
  - Provides certain audit assurances
- The main items to consider when developing a revenue internal control policy is:
  - Segregation of duties
  - Daily processing and timely deposit
  - Physical security procedures



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### AOS Bulletin 2020-006

- Segregation of duties ensures no one employee is handling all key aspects of a transaction. Reduces the risk of error, misuse, or fraud.
- Timely deposits are governed by ORC 9.38.
  - If the total amount of money received exceeds \$1,000 it must be deposited with the treasurer of the public office or the designated depository on the business day following the day of receipt.
  - If the total amount received is less than \$1,000 and can be properly safeguarded, deposit may be made up to three business days following the date of receipt.
  - Policies for depositing cash must be approved by the legislative authority



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## AOS Bulletin 2020-006

- Physical security safeguards include a safe or other location that is always locked and only accessible by certain individuals, lock boxes and/or locking or tamper evident bags.
- The policy should address appropriate bonding requirements for all individuals who will be handling cash.



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## AOS Bulletin 2020-006

- Daily processing should contain other internal controls for daily collections to ensure the accuracy and completeness of revenue collected, deposited, and posted to the accounting system and should include:
  - A cash drawer reconciliation accounting for start-up cash and sales.
  - A designated official responsible for providing and accounting for start-up cash.
  - Cash drawers should only be used for sales and should not be used for paying expenses.



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## AOS Bulletin 2020-006

- A multi-person process for denomination exchanges including counting and witnessing the exchange.
- If tickets are used, they should be pre-numbered and if possible, distinctly colored for each type of admission.
- A reconciliation of tickets sold to revenue collected should be performed and should be signed by the appropriate parties.
- The cash drawer reconciliation should be performed timely depending on the event and amount of cash received.



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## AOS Bulletin 2020-006

- Overage and shortages should be clearly documented.
- Once the cash drawer reconciliation is completed a deposit which balances to the cash drawer reconciliation should be prepared and deposited in accordance with ORC 9.38 and applicable policies and procedures.
- The reconciliations and other documentation related to the deposit should be provided to the fiscal officer for posting to the accounting system.



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## AOS Bulletin 2020-006

- The fiscal officer should maintain all documentation and ensure the documentation agrees with the bank statement during the monthly reconciliation process.
- A training program should be implemented to ensure all individuals tasked with cash collections are trained on the policies and procedures prior to performing the duties.



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## AOS Bulletin 2020-006

- There is specific guidance for school districts
  - Posting should be in accordance with USAS
  - AOS Bulletin 2013-005 addresses OHSAA Tournament activity
  - AOS Guidelines for Student Activity Programs provides additional consideration for district managed student activities.



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## AOS Bulletin 2020-006

- There is specific guidance for agricultural societies
  - Posting should be in accordance with Uniform Agricultural Societies Accounting System.
  - Ohio Department of Agriculture Fair Redbook for additional considerations related to gambling, wagering, horse racing, and junior fair board activities.
- Other considerations
  - Fiscal Officers should maintain a list of all cash collection points and all events including cancelled and rescheduled to ensure deposits are received for each event and collection point.



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## AOS Bulletin 2020-006

- Fiscal Officers should ensure the governing board adopts a fee schedule and the fees are clearly documented or attached to the reconciliation form prior to the start of the event and provided to individuals working the cash collection point.
- Season passes should be prenumbered and a reconciliation of passes sold to deposits should be performed.
- Outside organizations performing cash collection duties on behalf of the government must agree to adhere to the policies and procedures.
- Unsold tickets and season passes must also be appropriately safeguarded.



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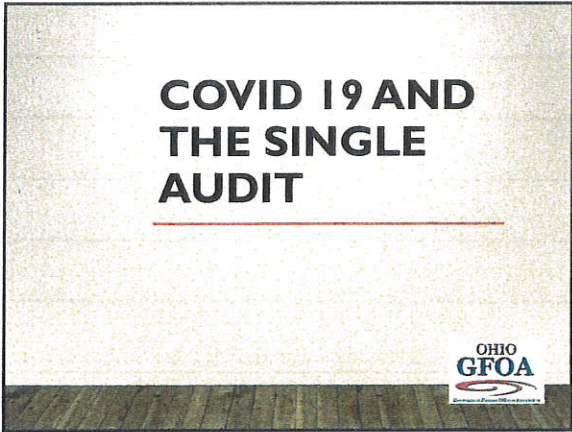
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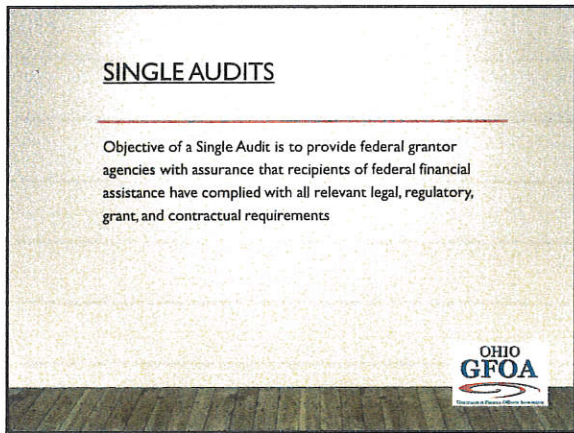
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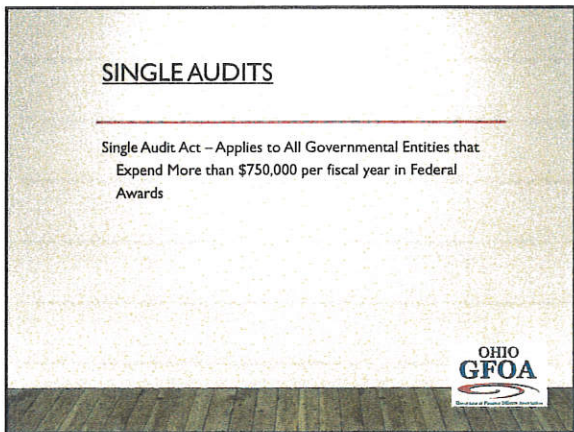
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### COVID 19 IMPACT ON STATE AND LOCAL GOVERNMENTS

- Coronavirus Aid, Relief, and Economic Security (CARES) Act (2020)
- Coronavirus Preparedness and Response Supplemental Appropriations Act (2020)
- Families First Coronavirus Response Act (2020)
- Consolidated Appropriations Act (2020)
- American Rescue Plan Act (2021)



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### CORONAVIRUS STATE AND LOCAL FISCAL RECOVERY FUND - AUDIT GUIDANCE

- Subject to Single Audit and related provisions of Uniform Guidance, including internal controls and subrecipient monitoring
- Special interim, quarterly, and performance reporting requirements regarding use of funds
- AOS recommends assuming all requirements applicable
- OMB Compliance Supplement expected August 2021



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### SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

- Must be based on when the activity related to the Federal award occurs.
- Generally, the activity pertains to events that require the non-Federal entity to comply with Federal statutes, regulations, and the terms and conditions of the Federal awards.



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**AT A MINIMUM, THE SEFA MUST**

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- List individual Federal programs by Federal agency. For a cluster of programs, provide the cluster name, list individual Federal programs within the cluster of programs, and provide the applicable Federal agency name.
- For Federal awards received as a subrecipient, the name of the pass-through entity and identifying number assigned by the pass-through entity must be included.



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**AT A MINIMUM, THE SEFA MUST**

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- Provide total Federal awards expended for each individual Federal program and the CFDA number or other identifying number when the CFDA information is not available ([www.beta.sam.gov](http://www.beta.sam.gov)). For a cluster of programs also provide the total for the cluster.
- Include the total amount provided to subrecipients from each Federal program.



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**SEFA NOTE DISCLOSURES**

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- Must describe significant accounting policies used in preparing the schedule (i.e. basis of accounting)
- Must note whether or not the auditee elected to use the 10% de minimis cost rate.
- For loan or loan guarantee programs, must disclose the balances outstanding at the end of the audit period.



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**SEFA PREPARATION TIPS**

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- Scan detailed receipt and expenditure ledgers and inquire with similar entities to ensure accuracy/completeness of federal programs
- Obtain copies of grant agreements to ensure proper classification (state vs. federal)
- Track each federal program from start to finish
- Investigate significant variances with prior year
- AOS SEFA Completeness Guide and other resources ([www.ohioauditor.gov](http://www.ohioauditor.gov))



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**OTHER AUDIT CONSIDERATIONS**

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- Internal control documentation
- Procurement policies
- OMB Compliance Supplement (August 2021)



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**FEDERAL PROCUREMENT**

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- Non-federal entity must use its own documented procurement procedures, provided they conform with federal guidelines and Uniform Guidance



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**PROCUREMENT RECORDS**

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- Detailed history of procurement
- Rationale for method of procurement
- Selection of contract type
- Contractor selection or rejection
- Basis for contract price



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**ACCEPTABLE PROCUREMENT METHODS**

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- Micro Purchases
- Small Purchases
- Sealed Bids
- Competitive Proposals
- Noncompetitive Proposals



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**MICRO PURCHASES**

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- Purchases of \$10,000 or less (threshold set by Federal Acquisition Regulations and subject to change)
- No need to solicit competition
- Must consider the cost to be reasonable
- Must, to the extent practicable, distribute these purchases equitably among qualified suppliers.



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### SMALL PURCHASES

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- Purchases greater than micro purchase threshold (currently \$10,000) and less than Simplified Acquisition Threshold (SAT) (currently \$250,000)
- Price or rate quotations must be obtained from an adequate number of qualified sources
- Written procurement procedures to define number and methods for obtaining quotes



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### SEALED BIDS

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- Purchases greater than SAT (currently \$250,000)
- Preferred method for construction contracts
- Must solicit from an adequate number of know suppliers
- Must be publicly advertised
- Invitation to bids and opening bids



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### COMPETITIVE PROPOSALS

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- Purchases greater than SAT (currently \$250,000)
- Requirements for requests for proposals (must be publicized)
- Must be adequate number of qualified sources
- Written procedures for conducting technical evaluations and for soliciting recipients.
- Qualifications-based procurement



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### NONCOMPETITIVE PROPOSALS

- Must meet one of the following conditions:
  - Single source
  - Emergency
  - Written approval/authorization
  - Competition inadequate after soliciting proposals



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### CONTRACT COST AND PRICE

- Must perform a cost or price analysis in connection with every procurement action in excess of the SAT (currently \$250,000)
- Must negotiate profit as a separate element of the price for each contract in which there is no price competition, and in all cases where cost analysis is performed
- Cost plus a percentage of cost and percentage of construction costs methods of contracting must not be used



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### COMMON ISSUES

- No documentation to justify the method of procurement selected.
- Lack of documentation on quotes received
- No written procedures
- Policy adopted however not communicated or followed

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## OMB ADMINISTRATIVE RELIEF EXTENDED DUE DATES

| Fiscal Year End   | Normal Due Date    | Extended Due Date  |
|-------------------|--------------------|--------------------|
| December 31, 2020 | September 30, 2021 | March 31, 2022     |
| June 30, 2021     | March 31, 2022     | September 30, 2022 |



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UPDATE ON FINANCIAL REPORTING MODEL IMPROVEMENTS



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FINANCIAL REPORTING MODEL TIMELINE

- Research started in 2013
- Preliminary Views comment period September 2018 – February 2019 w/ opposing views
- Approved Exposure Draft awaiting issuance
- Comment period July – Feb 2021
- Public hearings March & April 2021
- Current redeliberation thru Jan 2022
- Draft of new statement May 2022



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FINANCIAL REPORTING MODEL SCOPE

- Management Discussion & Analysis
  - Explore options to enhance
  - Consider elimination of some boilerplate items
  - Clarify guidance around currently known facts that effect finances



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**FINANCIAL REPORTING MODEL  
SCOPE**

- Major Funds
  - Explore options to provide more data on debt service funds
- Government Wide Financial Statements
  - Explore alternative format for statement of activities
  - Require cash flows statement?
  - Schedule of Govt. Activities by natural classification?



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**FINANCIAL REPORTING MODEL  
SCOPE**

- Government Fund Financial Statements
  - Explore conceptually consistent measurement focus and basis of accounting
  - Consider format of statements
- Proprietary Fund Statements
  - Explore definition of operating



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**FINANCIAL REPORTING MODEL  
SCOPE**

- Budgetary Comparisons
  - Basic financial statements or RSI?
  - Which variances should be reported?



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**FINANCIAL REPORTING MODEL  
PRELIMINARY VIEWS**

- 1,800 Webex Participants wanting more info
- 150 responses
- 3 public hearings
- 2 user forums



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- MD&A
  - Desire more thoroughness in analysis of year to year changes
  - Present so as to avoid unnecessary duplication
  - Remove requirement for disclosure of infrastructure assets using modified basis



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- MD&A
  - Budgetary variance discussion to be presented in RSA not in MD&A
  - Should include charts, graphs and tables when appropriate
  - New illustration for new financial statements



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- MD&A
  - Currently known facts, decisions....with significant effect on finances to include:
    - Trends in economic data
      - Population growth
      - Customer base
      - Unemployment rate
    - Action regarding postemployment benefits, capital improvement plans, and long term debt




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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- MD&A
  - Currently known facts, decisions....with significant effect on finances to include:
    - Details of subsequent year's approved budget
      - Changes to amount available for appropriation
      - Changes in planned spending
      - Expected changes in fund balance
    - Information regarding actions by other parties that effect the government(legislation, litigation)




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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Major Funds
  - Current reporting of Debt is sufficient
  - Cash Flow Statement is from alternative views standpoint and not part of preliminary views




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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Government wide financial statements
  - Schedule of Governmental Activities Expenses by Function and Natural Classification – Eliminated due to Cost vs Benefit
  - Cash Flow Statement is from alternative views standpoint and not part of preliminary views
  - Special Revenue funds changed to Special Resources funds



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Government Fund Financial Statements
  - Current financial resources , total financial resources and economic resources should not be used in governmental funds
  - Short Term financial resources to be used with decisions to be made regarding which views to include
  - Eliminates nonspendable fund balance
  - Remain part of basic financials



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus
  - Short term transactions recognized when they occur
  - Long Term transactions recognized when they are due
  - Does not treat assets the same as liabilities and needs greater clarity



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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
  - Short term transactions recognized when cash is expected to be received within one year from financial statements
  - Long Term transactions recognized when cash is expected to be paid within one year from financial statements
  - Replace concept of "normally"




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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
  - Financial assets would include principal of receivables including notes to the extent due in the next year




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**FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS**

- Short Term Financial Resources Measurement Focus (Alternative)
  - Financial liabilities would include the following to the extent due in the next year
    - Principal of GO and Long Term debt
    - Compensated absences
    - Claims and judgements
    - Tax and revenue anticipation notes




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FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS

- Short Term Financial Resources Measurement Focus (Alternative)
  - Normally replaced with:
    - Stated or contractual maturities of financial assets and liabilities
    - Best estimate of periods of receipt or payment if there are no stated or contractual maturities
  - Less ambiguity and more consistency
    - Example paying off long term debt early



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FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS

- Proprietary fund statements
  - Operating
    - Activities other than nonoperating
  - Nonoperating
    - Subsidies received and provided
    - Financing activities
    - Investment activities
    - Disposal of assets
  - New subtotal for operating income (loss) and noncapital subsidies



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FINANCIAL REPORTING MODEL  
TENTATIVE DECISIONS

- Budgetary Comparisons
  - Will be RSI
  - Required variances
    - Final budget to actual
    - Original budget to final budget
  - Discussion of changes as notes to budgetary comparisons



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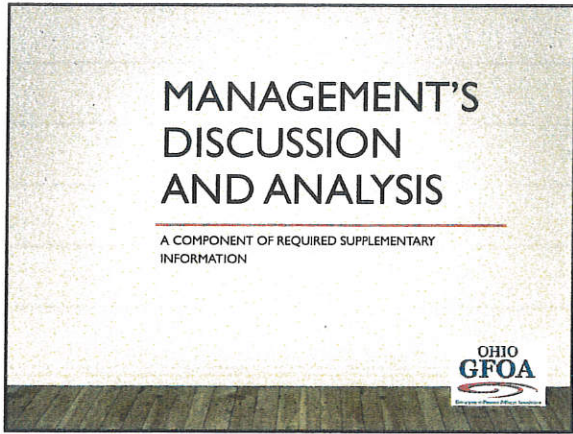
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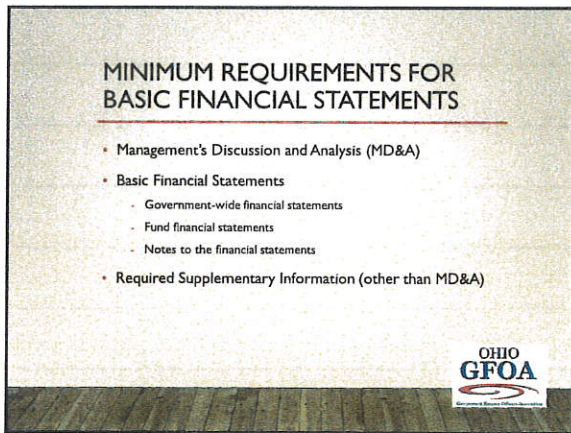
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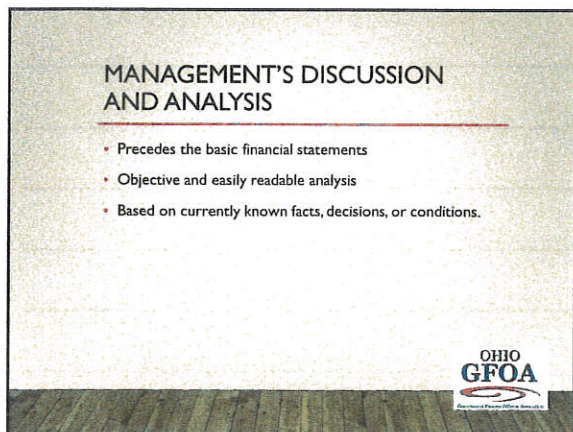
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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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- Focus on the primary government.
- Distinguish between primary government and component units.
- Discussion of component units a matter of professional judgment and should be based on significance.



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## MD&A REQUIREMENT #1

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A brief description of the basic financial statements, including the relationships of the statements to each other, and the **significant differences** in the information they provide.



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## MD&A REQUIREMENT #2

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Condensed financial information derived from **government-wide** financial statements comparing current year to the prior year:

- Total assets, distinguishing between capital and other assets
- Total deferred outflows of resources
- Total liabilities, distinguishing between long-term liabilities and other liabilities
- Total deferred inflows of resources
- Total net position, distinguishing between NICA, restricted and unrestricted



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### MD&A REQUIREMENT #2

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Condensed financial information derived from **government-wide** financial statements comparing current year to the prior year:

- Program revenues
- General revenues
- Total revenues
- Program expenses
- Total expenses



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### MD&A REQUIREMENT #2

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Condensed financial information derived from **government-wide** financial statements comparing current year to the prior year:

- Contributions
- Special and extraordinary items
- Transfers
- Change in net position
- Ending net position



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### MD&A REQUIREMENT #3

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An analysis of overall financial position and results of operations to assist users in assessing whether financial position has improved or deteriorated as a result of the year's operations.



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**MD&A REQUIREMENT #4**

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An analysis of balances and transactions of individual funds.



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**MD&A REQUIREMENT #5**

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An analysis of significant variations between original and final budget amounts and between final budget amounts and actual budget results for the general fund.



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**MD&A REQUIREMENT #6**

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A description of significant capital asset and long-term debt activity during the year, including a discussion of commitments made for capital expenditures, changes in credit ratings, and debt limitations that may affect the financing of planned facilities or services.



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### MD&A REQUIREMENT #7

A discussion by governments that use the modified approach to report some or all of their infrastructure assets including:

- Significant changes in assessed conditions
- How the current assessed condition compares with the condition level established
- Any significant differences between estimated and actual annual amount to maintain/preserve assets



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### MD&A REQUIREMENT #8

A description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.



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**GASB's Other Projects & Exposure Drafts**



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**GASB Projects Process**

- Pre-Agenda Research
- Add to Agenda
- Deliberations
- Invitation to Comment
- Preliminary Views
  - Comment period & redeliberate
- Exposure Draft
  - Comment period & redeliberate
- Final Pronouncement



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**Other Current GASB Projects**

- **Conceptual Framework: Disclosures**
  - Exposure Draft being redeliberated
- **Conceptual Framework: Recognition**
  - Exposure Draft being redeliberated
- **Financial Reporting Model**
  - Exposure Draft being redeliberated
- **Revenue & Expense Recognition**
  - Preliminary Views redeliberation



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**Practice Issues**

- **Compensated Absences**
  - Exposure draft redeliberation
- **Prior Period Adjustments**
  - Exposure draft open until 8/31/21
- **Renaming the CAFR**
  - Exposure draft redeliberation
- **Risks and Uncertainties disclosures**
  - Initial deliberations




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**Pre-Agenda Research**

- Capital Assets
- Going Concern Disclosures
- Interim Financial Reporting
- Nonfinancial Assets




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**Documentation of Process**

[www.gasb.org](http://www.gasb.org)

The background and current status for each project is found on the "Projects" tab on the home page.




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**Exposure Drafts  
Coming Soon...**

- Revenue & Expense Recognition
  - Due June 2023
- Risks & Uncertainties
  - Due January 2022



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**Pre-Agenda Research**

- Capital Assets
- Going Concern Disclosures omg?
- Interim Financial Reporting omg?
- Nonfinancial Assets



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**Prior Period Adjustments**

- Exposure draft currently outstanding
- Comment period through Aug 31, 2021
- ED – Accounting Changes & Error Corrections



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## Accounting Changes and Error Corrections

- 3 types of Accounting Changes
  - Change in Accounting Principle
  - Change in Accounting Estimate
  - Change to or within the Financial Reporting Entity



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## Accounting Changes and Error Corrections

- Change in Accounting Principle
  - Change from one GAAP principle to another
  - Implementation of new pronouncement
  - Restate retroactively for all periods presented it practicable
    - If not, report restatement of beginning net position, fund balance or fund net position as applicable



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## Accounting Changes and Error Corrections

- Change in Accounting Estimate
  - Change in estimate is a result of a change in circumstance, new information, more experience or methodology
  - Report prospectively in the reporting period in which the change occurs.



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## Accounting Changes and Error Corrections

- Change in Reporting Entity
  - Addition or removal of a fund that results from movement of resources within the primary government including blended CU's.
  - Change in the fund presentation as major or nonmajor
  - Change in presentation of CU.



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## Accounting Changes and Error Corrections

- Change in Reporting Entity
  - Addition or removal of a CU from reporting entity.
    - Unless acquisition, merger or transfer of operations, as defined by #69, creates the addition or removal pursuant to #90 Majority Equity Interests.



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## Accounting Changes and Error Corrections

- Change in Reporting Entity
  - Report by adjusting beginning net position, fund balance or fund net position as applicable as if the change occurred as of beginning of the reporting period



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## Accounting Changes and Error Corrections

- Error Correction
  - Mistake in math, application of accounting principle or misuse of facts that existed at time statements were issued.
  - Change from non GAAP to GAAP.
  - Retroactive restatement for all periods presented.



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## First Time Adoption of GAAP by GASB Financial Reporting Framework

- Not an Accounting Change
- Not an Error



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## PROJECT PAGES

### **Prior-Period Adjustments, Accounting Changes, and Error Corrections— Reexamination of Statement 62**

Project Description: The objective of this project is to improve the accounting and financial reporting for prior-period adjustments, accounting changes, and error corrections in Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*. The project will fully reexamine the existing standards to address issues related to (1) inconsistency in practice, (2) confusion about and difficulty applying regarding the requirements, and (3) the usefulness of the related disclosures.

Status: Exposure Draft Comment Period

- › [Background](#)
- › [Accounting and Financial Reporting Issues](#)
- › [Project History](#)
- › [Current Developments](#)
- › [Work Plan](#)
- › [Recent Minutes](#)
- › Minutes Archive
- › [Tentative Board Decisions to Date](#)
- › [Project staff](#):
  - [Emily Paul](#) (consultant)
  - [Janeen Hathcock](#)
  - [Ken Schermann](#) (consultant)
  - [Ryan Summers](#)
  - [Elizabeth Frazier](#)

### **PRIOR-PERIOD ADJUSTMENTS, ACCOUNTING CHANGES, AND ERROR CORRECTIONS— PROJECT PLAN**

Background: Guidance on accounting for prior-period adjustments, accounting changes, and error corrections historically has been based on several sources of accounting literature, including APB Opinion No. 9, *Reporting the Results of Operations, Part 1—Net Income and the Treatment of Extraordinary Items and Prior Period Adjustments*; FASB Statement No. 16, *Prior Period Adjustments*; APB Opinion No. 20, *Accounting Changes*; and FASB Interpretation No. 20, *Reporting Accounting Changes under AICPA Statements of Position—an interpretation of APB Opinion No. 20*. That disparate guidance was brought into the GASB literature by Statement 62 and remains largely unchanged.

Statement 62 establishes accounting and financial reporting requirements for prior-period adjustments broadly. Statement 62 also stipulates the treatment of changes in (1) accounting principle, (2) accounting estimate, and (3) the reporting entity. Lastly, Statement 62 requires that corrections of errors in previously issued financial statements should be reported as prior-period adjustments.

The results of the pre-agenda research and the review of relevant technical inquiries indicate that prior-

period adjustments, accounting changes, and error corrections generally are widespread among governments. This issue is relevant to a broad number of governments because those changes, such as in accounting principle or estimate, occur in the regular course of accounting and financial reporting. The magnitude of prior-period adjustments, accounting changes, and error corrections vary, but they have the potential to be significant. The pre-agenda research also indicated inconsistencies in practice in the accounting and financial reporting for prior-period adjustments, accounting changes, and error corrections by preparers and auditors.

Information about prior-period adjustments, accounting changes, and error corrections is used by financial statement users in performing analyses and making decisions. In the pre-agenda research, user interviews were conducted to evaluate how users currently use or would use information related to this topic. Many users who were interviewed reported that this information is used to better understand and explain the nature of the changes that have occurred and to make adjustments to facilitate comparability of prior-year financial statements and comparability across governments. Some users indicated that the information is a direct input into quantitative analyses, and others reported using it for qualitative assessments of management, risk, and overall financial health. Based on the manner in which users utilize the information, the pre-agenda research indicated that users would benefit from greater comparability and consistency.

Accounting and Financial Reporting Issues. The following issues would be considered:

- › Consideration of the types of events that constitute the different types of prior-period adjustments, accounting changes, and error corrections
- › Consideration of the relationship between the existing requirements for prior-period adjustments, accounting changes, and error corrections and other GASB requirements; for example, with requirements for changes in assumptions associated with postemployment benefit measurements and with requirements in Statement No. 69, *Government Combinations and Disposals of Government Operations*
- › Clarification of terminology regarding reporting of accounting changes and error corrections (for example, terms including “restatement,” “reclassification,” and “prior-period adjustment”)
- › Usefulness of the disclosure requirements associated with each type of accounting change and error correction
- › Interaction between the general requirements for accounting changes and the specific transition provisions for implementation of individual pronouncements
- › Consideration of whether display requirements should be established.

Project History:

- › Pre-agenda research approved: August 2018
- › Consultative group appointed? No
- › Research results reported to the Board: November 2019
- › Added to the current technical agenda: December 2019
- › Deliberations began: February 2020
- › Exposure Draft approved: May 2021
- › Comment period: June 2021–August 2021

Current Developments: In May, the Board approved the issuance of an Exposure Draft, *Accounting Changes and Error Corrections*. The comment period ends August 31, 2021.

Work Plan:



Board Meetings

Topics to Be Considered

|  |   |
|--|---|
| <u>June–August 31, 2021:</u>             | Comment period.   |
| <u>October 11, 2021–<br/>March 2022:</u> | Redeliberate issues based on respondent feedback.                   |
| <u>April 2022:</u>                       | Review preballot draft of a final Statement.                        |
| <u>May 2022:</u>                         | Review ballot draft of a final Statement and consider for approval. |

**PRIOR PERIOD ADJUSTMENTS, ACCOUNTING CHANGES, AND ERROR CORRECTIONS—  
RECENT MINUTES**

**Minutes of Meetings, May 20–21, 2021**

The Board reviewed a ballot draft of the Exposure Draft of a proposed Statement, Accounting Changes and Error Corrections, and discussed clarifying edits. The Board then voted unanimously to approve the issuance of the Exposure Draft.

**Minutes of Meetings, April 6–7, 2021**

The Board reviewed a preballot draft of an Exposure Draft of a proposed Statement, *Accounting Changes and Error Corrections*, and discussed clarifying edits. The Board then agreed to move forward with a ballot draft of an Exposure Draft of a proposed Statement.

**Minutes of Meetings, February 24–26, 2021**

The Board continued deliberations on the Prior-Period Adjustments, Accounting Changes, and Error Corrections project by reviewing a draft of the Standards section of an Exposure Draft and discussing clarifying edits. The Board agreed that a preballot draft of an Exposure Draft should be prepared for discussion at the April 2021 Board meeting.

Additionally, the Board discussed considerations related to benefits and costs associated with the proposed requirements. The Board tentatively decided that the expected benefits associated with the proposed requirements justify the perceived costs of implementation and ongoing compliance with the resulting accounting and financial reporting standards.

Finally, the Board discussed the length of the comment period for an Exposure Draft. The Board tentatively agreed that the comment period should be approximately 90 days and should end on August 31, 2021.

**Minutes of Meetings, January 12–14, 2021**

The Board continued deliberations on the Prior-Period Adjustments, Accounting Changes, and Error Corrections project by discussing issues related to the presentation of prior-period information in management's discussion and analysis (MD&A), required supplementary information (RSI), and supplementary information (SI); definition of and requirements for the first-time adoption of generally accepted accounting principles (GAAP); and interim reporting requirements for a change in accounting principle.

The Board first discussed how prior-year information should be presented in MD&A, other RSI, or SI.

For reporting periods that are included in the financial statements, the Board tentatively decided to propose that information for those periods be presented in MD&A, other RSI, and SI consistent with how that information is presented in the financial statements. For prior reporting periods that are not included in the financial statements but that are presented in MD&A, other RSI, or SI, the Board tentatively decided to propose that information for those prior periods not be restated in MD&A, other RSI, or SI for changes in accounting principle (including the implementation of a new pronouncement) or changes to or within the reporting entity. However, the Board tentatively decided to propose that information for those prior periods be restated in MD&A, other RSI, or SI for corrections of errors. The Board also tentatively decided to propose that if prior-year information presented in MD&A, other RSI, or SI is not comparable due to an accounting change, an explanation as to why the prior-year information is not comparable be included. The Board tentatively agreed that the explanation in MD&A should include a reference to the related note disclosure in the basic financial statements.

Next, the Board tentatively decided to propose that for changes in accounting principle that do not have an effect on net position or fund balance but do result in a reclassification of accounts, amounts be reclassified in prior periods presented, if practicable. Additionally, the Board tentatively decided to propose that for corrections of errors that do not have an effect on net position but do result in a reclassification of accounts, amounts also be reclassified in prior periods presented. For those reclassifications of accounts, the Board tentatively decided to propose that the relevant note disclosures for changes in accounting principle or error corrections, as applicable, include those reclassifications.

The Board then discussed the category of first-time adoption of GAAP. The Board tentatively decided to propose that a first-time adoption of GAAP include circumstances in which a government asserts for the first time that its basic financial statements are prepared in accordance with GAAP established by the GASB. The Board tentatively decided to propose that a clarification be provided to indicate that a first-time adoption of GAAP is not considered a change in accounting principle or the correction of an error. The Board also tentatively decided that further requirements pertaining to this category not be established within the context of this project.

Next, the Board discussed the relationship between the proposed requirements resulting from this project and interim reporting. The Board tentatively decided that requirements related to how a change in accounting principle should be reported in interim periods should not be established within the context of this project.

To conclude the deliberations, the Board discussed proposed requirements regarding effective date and transition provisions. The Board tentatively decided to propose that the proposed requirements resulting from this project be applied prospectively. Furthermore, the Board tentatively decided to propose that language be included in the transition provisions to clarify that existing transition provisions are not modified by the proposed requirements. Finally, the Board tentatively decided to propose that the proposed requirements become effective for accounting changes or error corrections made in reporting periods beginning after June 15, 2023, and that earlier application be encouraged.

### **Minutes of Meetings, December 1–3, 2020**

The Board continued deliberations of the Prior-Period Adjustments, Accounting Changes, and Error Corrections project by discussing disclosure requirements for accounting changes and error corrections. First, the Board tentatively decided to propose that the aggregated amount of adjustments to/restatements of beginning balances be separately displayed by reporting unit on the face of the basic financial statements. The Board then tentatively decided to propose that if not separately displayed on the face of the financial statements, governments disclose in the notes to financial statements a reconciliation between the beginning balances as previously reported and beginning balances as adjusted or restated by type and event (if more than one event of the same type occurs during the period) by reporting unit in a tabular format.

For changes in accounting principle other than the implementation of a new pronouncement, the Board tentatively decided to propose that, in addition to the quantitative effect on beginning balances that is

proposed to be disclosed as part of the reconciliation disclosure discussed previously, disclosures for this category include: (a) the nature of the change in accounting principle, including a description of the line items affected and (b) the reason for the change in accounting principle, including an explanation of why the change in accounting principle is preferable. The Board also tentatively decided to propose that if the government does not restate prior periods presented because it is impracticable to do so, disclosure of the reason why the restatement was impracticable be included to the notes to financial statements. Furthermore, the Board tentatively decided to propose that in the absence of specific transition provisions, the disclosure requirements for a change in accounting principle apply to the implementation of a new pronouncement, except for the disclosure of the reason for the implementation of the new pronouncement (including the explanation of why the implementation of a new pronouncement is preferable).

Next, the Board tentatively decided to propose that disclosures relating to a GASB pronouncement that has been issued but is not yet effective not be required.

For changes to or within the reporting entity, the Board tentatively decided to propose that, in addition to the quantitative effect on beginning balances that is proposed to be disclosed as part of the reconciliation disclosure discussed previously, the nature of and reason for the change to or within the reporting entity be disclosed.

For correction of an error, the Board tentatively decided to propose that, in addition to the quantitative effect on beginning balances that is proposed to be disclosed as part of the reconciliation disclosure discussed previously, disclosure for this category include: (a) the nature of the error, including a description of the line items affected and the periods that the error affected and (b) the effect of the error correction on the change in net position, fund net position, or fund balance, as applicable, of the prior period.

Next, the Board tentatively decided to propose that disclosures be made in the period that the change occurred or, in the case of an error, in the period that the error was discovered and corrected. Additionally, the Board tentatively decided to propose that if a disclosure first appears in an interim report, the disclosure also be made in the annual report for the year in which the change was made. Furthermore, the Board tentatively decided to propose that for comparative financial statements, for changes in accounting principle and corrections of errors for which the prior period presented was restated, subsequent annual reports not repeat the disclosure.

Next, the Board discussed clarification regarding the change in accounting estimate and change in measurement methodology categories. The Board tentatively decided to propose that accounting estimates are amounts that are recognized or disclosed in the financial statements for which the measurement is subject to significant uncertainty. Furthermore, the Board tentatively decided to propose that data, assumptions, and measurement methodologies be described as inputs to accounting estimates (an output).

For all changes in accounting estimates (including those resulting from changes in measurement methodology) the Board tentatively decide to propose that disclosures be limited to those changes that have a significant effect on financial statements. Additionally, the Board tentatively decided to propose that for all changes in accounting estimate that have a significant effect on the financial statements, the nature of the change in accounting estimate, including a description of the line items affected, be disclosed. Lastly, the Board tentatively decided to propose that for changes in accounting estimates that have a significant effect on the financial statements that result from a change in measurement methodology, the reason for the change in measurement methodology, including an explanation of why the change in measurement methodology is preferable, be disclosed.

#### **Minutes of Meetings, October 20–22, 2020**

The Board continued deliberations of the Prior-Period Adjustments project by first discussing the scope of the category related to the reporting entity, hereinafter referred to as *changes to or within the*

*reporting entity*. The Board tentatively decided to propose that intra-entity events or transactions with blended component units that result in the addition or removal of a fund or reporting unit be reported as changes to or within the reporting entity in the financial statements of the reporting entity. Additionally, the Board tentatively decided to propose that intra-entity events or transactions with discretely presented component units that result in the addition or removal of a fund or reporting unit be reported as events or transactions with external entities. Finally, the Board tentatively decided to propose that the adjustment to beginning balances to report a change to or within the reporting entity occur *as of* the beginning of the year.

The Board tentatively decided to propose that the proposed accounting requirements for all accounting changes and error corrections be applicable to governmental funds, proprietary funds, governmental activities, and business-type activities.

Then, the Board discussed accounting requirements for each category of accounting change or error correction. For a change in accounting principle, the Board tentatively decided to propose that changes be reported retroactively by restating prior periods presented, if practicable. If restatement of prior periods is not practicable, the Board tentatively decided to propose that the cumulative effect of the change be reported as an adjustment to the beginning balance of the earliest period restated. Also, the Board tentatively decided that the meaning of *if practicable* should not be expanded to be more specific. Additionally, the Board tentatively decided to propose that the proposed accounting requirements for changes in accounting principle apply to the implementation of a new pronouncement in the absence of specific transition provisions.

For a change in accounting estimate, the Board tentatively decided to propose that, in the absence of other literature, the effect of the change in accounting estimate be reported prospectively in (a) the period of change if the change affects that period only or (b) the period of change and future periods if the change affects both.

Similarly, for a change in measurement methodology used to determine an estimate, the Board tentatively decided to propose that a change be accounted for prospectively in the same manner as a change in estimate.

Additionally, the Board tentatively decided to propose that events that meet the descriptions of both a change to or within the reporting entity and a change in accounting principle be reported as a change to or within the reporting entity.

Next, for a correction of an error in previously issued financial statements, the Board tentatively decided to propose that a correction be accounted for retroactively by restating financial statements for all prior periods presented. If only single-period financial statements are presented, the Board tentatively decided to propose that an error correction be accounted for by restating beginning net position, fund net position or fund balance, as applicable, for the cumulative effect of the error correction. The Board also tentatively decided to propose that no practicability exceptions regarding restatement of prior periods presented be included for a correction of an error in previously issued financial statements.

Finally, the Board discussed terminology to be used related to accounting changes and error corrections. The Board tentatively decided to propose that the term *retroactive* (rather than *retrospective*) be used in the context of this project.

### **Minutes of Meetings, September 8–10, 2020**

The Board continued deliberations on the categories of accounting changes by discussing the category of changes in reporting entity. The Board discussed the scope of the existing category and whether that scope should be expanded to address more events than are addressed by existing literature. Regarding the scope of the category, the Board first tentatively agreed to propose that a category developed by this project exclude changes resulting from acquisitions, transfers of operations, or mergers with entities



that are not part of the reporting entity. To further evaluate the scope, the Board then discussed the accounting that should be applied to events addressed by a category developed by this project and tentatively agreed to propose that events addressed by this category should be reported as an adjustment to beginning balance, rather than as a restatement of prior periods presented or a flow in the period of the change. Finally, the Board discussed the specific events that should be addressed by a category developed by this project and tentatively agreed to propose that this category address additions or removals of funds, reporting units, or legally separate entities that do not result from an acquisition, transfer of operations, or merger with an entity that is not part of the reporting entity.

[Minutes Archive](#)

**PRIOR PERIOD ADJUSTMENTS, ACCOUNTING CHANGES, AND ERROR CORRECTIONS—  
TENTATIVE BOARD DECISIONS TO DATE**

The Exposure Draft of a proposed Statement, *Accounting Changes and Error Corrections*, was approved in May 2021.





## Exposure Draft

May 20, 2021

Comments Due: August 31, 2021

Proposed Statement  
of the Governmental Accounting Standards Board

## Accounting Changes and Error Corrections

an amendment of GASB Statement No. 62

This Exposure Draft of a proposed Statement of Governmental Accounting Standards is issued by the GASB for public comment. Written comments should be addressed to:

Director of Research and Technical Activities  
Project No. 32-1

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Governmental Accounting Standards Board

# ACCOUNTING CHANGES AND ERROR CORRECTIONS

## WRITTEN COMMENTS

**Deadline for submitting written comments:** August 31, 2021

**Requirements for written comments.** Comments should be addressed to the Director of Research and Technical Activities, Project No. 32-1, and emailed to [director@gasb.org](mailto:director@gasb.org).

## OTHER INFORMATION

**Public hearing.** The GASB has not scheduled a public hearing on the issues addressed in this Exposure Draft.

**Public files.** Written comments will become part of the GASB's public file and are posted on the GASB's website.

This Exposure Draft may be downloaded from the GASB's website at [www.gasb.org](http://www.gasb.org).

Final GASB publications may be ordered at [www.gasb.org](http://www.gasb.org).

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## **Notice to Recipients of This Exposure Draft**

The Governmental Accounting Standards Board (GASB) is responsible for (1) establishing and improving standards of state and local governmental accounting and financial reporting to provide useful information to users of financial reports and (2) educating stakeholders—including issuers, auditors, and users of those financial reports—on how to most effectively understand and implement those standards.

The due process procedures that we follow before issuing our standards and other communications are designed to encourage broad public participation in the standards-setting process. As part of that due process, the GASB is issuing this Exposure Draft setting forth proposed standards that would address the accounting and financial reporting for accounting changes and error corrections.

We invite your comments on all matters in this proposed Statement. Because this proposed Statement may be modified before it is issued as a final Statement, it is important that you comment on any aspects with which you agree as well as any with which you disagree. To facilitate our analysis of comment letters, it would be helpful if you explain the reasons for your views, including alternatives that you believe the GASB should consider.

All responses are distributed to all Board members and to staff members assigned to this project, and comments are considered during the deliberative process leading to a final Statement. In deciding on changes in accounting and financial reporting standards, the GASB also takes into consideration the expected benefits and the perceived costs associated with the changes. Only after the Board is satisfied that all alternatives have adequately been considered, and modifications have been made as considered appropriate, will a vote be taken to issue a final Statement. A majority vote of the Board is required for adoption.

## Summary

The primary objective of this proposed Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This proposed Statement would define *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and would describe the transactions or other events that constitute those changes. As part of those descriptions, for (1) a change in accounting principle and (2) a change in accounting estimate that results from a change in measurement methodology, the new principle or methodology would be required to be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability would be based on the qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability. This proposed Statement also would address corrections of errors in previously issued financial statements. This proposed Statement would describe the first-time adoption of the U.S. generally accepted accounting principles established by the GASB as the adoption of a new financial reporting framework, not as an accounting change or error correction.

This proposed Statement would prescribe the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This proposed Statement would require that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. This proposed Statement also would establish display requirements by requiring the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, to be displayed by reporting unit in the financial statements.

This proposed Statement would require disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects of each accounting change and error correction would be required to be disclosed in a tabular format by reporting unit to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this proposed Statement would address how information for prior periods that is affected by a change in accounting principle or error correction would be presented in required supplementary information and supplementary information. For periods that are not presented in the basic financial statements but for which information is presented in required supplementary information or supplementary information, information would be required to be restated in required supplementary information and supplementary information for error corrections but not for changes in accounting principles.

## **Effective Date and Transition**

The requirements of this proposed Statement would be effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023. Earlier application would be encouraged.

## **How the Changes in This Proposed Statement Would Improve Financial Reporting**

The requirements of this proposed Statement would improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which would result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information would be provided to financial statement users. In addition, the proposed display and note disclosure requirements would result in more decision useful, understandable, and comprehensive information for users about accounting changes and error corrections.

## **How the Board Considered Costs and Benefits in the Development of This Proposed 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 of implementing this proposed Statement—more understandable, reliable, relevant, consistent, and comparable information about accounting changes and error corrections—are significant and justify the perceived costs of implementation and ongoing compliance.

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.

**Proposed Statement of the Governmental Accounting Standards Board**  
**Accounting Changes and Error Corrections**  
**an amendment of GASB Statement No. 62**  
**May 20, 2021**

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**Proposed Statement of the Governmental Accounting Standards Board**  
**Accounting Changes and Error Corrections**  
**an amendment of GASB Statement No. 62**

**May 20, 2021**

**INTRODUCTION**

1. The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

**STANDARDS OF GOVERNMENTAL ACCOUNTING AND  
FINANCIAL REPORTING**

**Scope and Applicability of This Statement**

2. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements. The requirements of this Statement apply to the financial statements of all state and local governments.

3. This Statement supersedes Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 58–89, and *Implementation Guide No. 2015-1*, Questions 1.57.2, 4.38.3, 4.38.4, 7.22.16, 7.22.17, 7.104.17, and 10.20.5. This Statement amends Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, paragraph 11; Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs*, paragraph 14; Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, paragraph 112; Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, paragraph 14; Statement 62, paragraphs 50, 53, 94, 209, and 361; Statement No. 69, *Government Combinations and Disposals of Government Operations*, paragraph 43; Statement No. 79, *Certain External Investment Pools and Pool Participants*, paragraph 7; and *Implementation Guide 2015-1*, Questions 3.28.1, 7.14.4, 7.55.7, and Z.51.26.



## **Classification**

### **Accounting Changes**

4. Accounting changes are (a) changes in accounting principles, (b) changes in accounting estimates, and (c) changes to or within the financial reporting entity.

#### ***Change in Accounting Principle***

5. Once adopted, an accounting principle should be applied consistently to account for and report transactions and other events of a similar type, except as described in this paragraph. A change in accounting principle results from either:

- a. A change from one generally accepted accounting principle to another generally accepted accounting principle that is justified on the basis that the newly adopted accounting principle is preferable to the accounting principle applied before the change. The qualitative characteristics of financial reporting—understandability, reliability, relevance, timeliness, consistency, and comparability—should be the basis for determining whether a new accounting principle would be preferable.
- b. The implementation of new authoritative accounting or financial reporting pronouncements (hereafter referred to as new pronouncements).

6. A change in accounting principle is the application of an accounting principle to transactions or other events of a similar type that is different from the accounting principle previously applied to those transactions or other events. Therefore, the initial adoption and application of an accounting principle to transactions or other events that (a) are clearly different in substance from those previously occurring, (b) are occurring for the first time, or (c) were previously insignificant in their effect is not a change in accounting principle. A change from (1) applying an accounting principle that is *not* generally accepted to transactions or other events that previously were significant to (2) applying a generally accepted accounting principle to those transactions or other events is an error correction. (See paragraphs 12 and 13.)

#### ***Change in Accounting Estimate***

7. Accounting estimates are outputs determined based on inputs such as data, assumptions, and measurement methodologies. As outputs, accounting estimates are amounts subject to measurement uncertainty that are recognized or disclosed in the basic financial statements. A *change* in an accounting estimate results from changes to the inputs of that estimate. Changes to inputs result from a change in circumstance, new information, or more experience.

8. A change in an accounting estimate that results from a change in the measurement methodology that is used to determine that estimate should be justified on the basis that the change in measurement methodology is preferable to the measurement methodology used before the change. The qualitative characteristics of financial reporting—understandability,

reliability, relevance, timeliness, consistency, and comparability—should be the basis for determining whether a new measurement methodology would be preferable.

### ***Change to or within the Financial Reporting Entity***

9. Changes to or within the financial reporting entity result from:
  - a. The addition or removal of a fund that results from the movement of resources within the primary government, including its blended component units
  - b. A change in the fund presentation as major or nonmajor
  - c. Except as described in paragraph 10, the addition of a component unit to the financial reporting entity or removal of a component unit from the financial reporting entity
  - d. A change in the presentation (blended or discretely presented) of a component unit.
10. Acquisitions, mergers, or transfers of operations (as defined by Statement 69) that result in the addition or removal of a discretely presented component unit and component units reported pursuant to Statement No. 90, *Majority Equity Interests*, should not be considered changes to or within the financial reporting entity, as described by paragraph 9.
11. Transactions or other events that could be classified as either a change in accounting principle in accordance with paragraph 5a or a change to or within the financial reporting entity should be considered a change to or within the financial reporting entity.

### **Correction of an Error in Previously Issued Financial Statements**

12. An error results from mathematical mistakes, mistakes in the application of accounting principles, or oversight or misuse of facts that existed at the time the financial statements were issued about conditions that existed as of the financial statement date. Facts that existed at the time the financial statements were issued are those facts that could reasonably be expected to have been obtained and taken into account at that time about conditions that existed as of the financial statement date.
13. A change from (a) applying an accounting principle that is *not* generally accepted to transactions or other events that previously were significant to (b) applying a generally accepted accounting principle to those transactions or other events is an error correction.

### **First-Time Adoption of the U.S. Generally Accepted Accounting Principles Established by the GASB Financial Reporting Framework**

14. The first-time adoption of U.S. generally accepted accounting principles established by the GASB (hereafter referred to as U.S. GAAP) is an adoption of a new financial reporting framework whereby a government asserts for the first time that its basic financial statements are prepared in accordance with U.S. GAAP. The first-time adoption of U.S. GAAP as a financial reporting framework is neither an accounting change nor an error correction.

## **Accounting and Financial Reporting for Accounting Changes and Error Corrections**

### **Change in Accounting Principle**

15. The requirements in paragraphs 16–19 apply in the absence of other specific requirements that address how a change in accounting principle should be reported.

16. A change in accounting principle should be reported retroactively by restating financial statements for all prior periods presented, if practicable. The cumulative effect, if any, of the change to the newly adopted accounting principle on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of applying the newly adopted accounting principle.

17. If restatement of all prior periods presented is not practicable, the cumulative effect, if any, of applying the newly adopted accounting principle should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period restated (that is, for the earliest period for which it is practicable to apply the newly adopted accounting principle).

### ***Notes to Financial Statements***

18. A government should disclose the following in notes to financial statements for each change in accounting principle:

- a. The nature of the change in accounting principle, including identification of the financial statement line items (excluding totals and subtotals) affected
- b. Except for the implementation of a new pronouncement, the reason for the change in accounting principle, including an explanation of why the newly adopted accounting principle is preferable
- c. If prior periods presented are not restated because it is not practicable to do so, the reason why the restatement is not practicable.

19. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

### **Change in Accounting Estimate**

20. The requirements in paragraphs 21 and 22 apply in the absence of other specific requirements that address how a change in accounting estimate should be reported.

21. A change in accounting estimate, as described in paragraph 7, should be reported prospectively by recognizing the change in accounting estimate in the reporting period in which the change occurs.

### *Notes to Financial Statements*

22. A government should disclose the following in notes to financial statements for each significant change in accounting estimate:

- a. The nature of the change in accounting estimate, including identification of the financial statement line items (excluding totals and subtotals) affected
- b. If the change in accounting estimate results from a change in measurement methodology, the reason for the change in measurement methodology, including an explanation of why the new measurement methodology is preferable.

### **Change to or within the Financial Reporting Entity**

23. A change to or within the financial reporting entity should be reported by adjusting beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period.

### *Notes to Financial Statements*

24. A government should disclose in notes to financial statements the nature of and reason for each change to or within the financial reporting entity.

25. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

### **Correction of an Error in Previously Issued Financial Statements**

26. A correction of an error in previously issued financial statements should be reported retroactively by restating financial statements for all prior periods presented. The cumulative effect of the error correction on periods prior to those presented should be reported as a restatement of beginning net position, fund balance, or fund net position, as applicable, of the earliest period presented. Each individual prior period presented should be restated to reflect the period-specific effects of correcting the error.

### *Notes to Financial Statements*

27. A government should disclose the following in notes to financial statements for each error correction:

- a. The nature of the error and its correction, including the periods affected by the error and identification of the financial statement line items (excluding totals and subtotals) affected by the correction
- b. The effect of the error correction on the change in net position, fund balance, or fund net position, as applicable, of the prior period.

28. In addition, the effects on beginning net position, fund balance, or fund net position, as applicable, should be disclosed as required by paragraph 32.

## **Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction**

29. For a change in accounting principle that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, amounts should be reclassified in all prior periods presented, if practicable. In such circumstances, the disclosures required by paragraphs 18a and 18b should be included in notes to financial statements. If amounts are not reclassified in prior periods presented because it is not practicable to do so, the reason why it is not practicable also should be disclosed.

30. For an error correction that does not have an effect on beginning net position, fund balance, or fund net position but that results in a reclassification in the financial statements, amounts should be reclassified in all prior periods presented. In such circumstances, the disclosures required by paragraph 27a should be included in notes to financial statements.

### **Other Financial Reporting Requirements**

#### ***Display in the Financial Statements***

31. The aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, should be displayed for each reporting unit.<sup>1</sup>

#### ***Notes to Financial Statements***

32. A government should disclose in notes to financial statements the effects on beginning net position, fund balance, or fund net position, as applicable, of the earliest period restated for the following that occurred during the period: (a) each change in accounting principle (including the implementation of new pronouncements that result in restatement, even if there are specific transition provisions in other pronouncements), (b) each change to or within the financial reporting entity, and (c) each error correction. Those effects should be disclosed in a tabular format that reconciles beginning balances as previously reported to beginning balances as adjusted or restated for each reporting unit. If the government has separately displayed in the financial statements the effects of *each* accounting change or error correction by reporting unit, those effects need not be repeated in notes to financial statements.

33. The note disclosures required by this Statement should correspond to the reporting units. Except for the note disclosure required by paragraph 32, disclosure by reporting unit is subject to the requirements in paragraph 63 of Statement No. 14, *The Financial Reporting Entity*, as amended. Information that is the same for more than one reporting unit should be combined in a manner that avoids unnecessary duplication.

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<sup>1</sup>For purposes of the requirements in paragraphs 31–33, each separate column in the basic financial statements, except for the total columns, is a reporting unit.



34. The note disclosures required by this Statement should be made in the reporting period in which the accounting change occurs or in the reporting period in which the error is discovered and corrected. If a note disclosure is included in interim financial statements, that disclosure also should be included in the related annual financial statements. For comparative financial statements, if the prior periods presented were restated in the period in which the accounting change occurred or the error was discovered and corrected, subsequent annual financial statements need not repeat the disclosures.

***Required Supplementary Information and Supplementary Information***

35. For prior reporting periods that are presented in the basic financial statements, information for those prior periods that is presented in required supplementary information (including management’s discussion and analysis [MD&A]) or supplementary information should be consistent with the manner in which the information for those periods is presented in the basic financial statements.

36. For prior reporting periods that are not presented in the basic financial statements but that are presented in required supplementary information (including MD&A) or supplementary information, information for those prior periods that is presented in required supplementary information or supplementary information should not be restated for changes in accounting principles but should be restated for error corrections.

37. If prior-period information presented in required supplementary information or supplementary information is not consistent with current-period information as a result of an accounting change, an explanation of why the information is not consistent should be provided. In MD&A, that explanation should include a reference to the related note disclosure in the basic financial statements.

**EFFECTIVE DATE AND TRANSITION**

38. The requirements of this Statement are effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023. Earlier application is encouraged.

39. This Statement does not change the transition provisions of any existing GASB pronouncements, including those that are being implemented as of the effective date of this Statement.

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

## Appendix A

### BACKGROUND

A1. Prior to the issuance of this Statement, the requirements of GASB Statement 62, as amended, addressed the accounting and financial reporting for prior-period adjustments, accounting changes, and error corrections. Those requirements primarily were based on Accounting Principles Board Opinion No. 20, *Accounting Changes*, and FASB Statement No. 16, *Prior Period Adjustments*, issued in 1971 and 1977, respectively. Some minor modifications were made to those requirements when they were incorporated into Statement 62 to adjust for inconsistencies with other GASB literature in place at that time; however, the requirements remained largely unchanged since their initial issuance.

A2. In August 2018, the Board added a pre-agenda research activity to its technical plan to reexamine the effectiveness of the requirements of Statement 62, as amended, related to prior-period adjustments, accounting changes, and error corrections. The pre-agenda research consisted of a literature review, separate surveys of preparers and auditors, and interviews with users. In addition, previous pre-agenda research reexamining existing note disclosure requirements encompassed disclosures about prior-period adjustments, accounting changes, and error corrections.

A3. Those pre-agenda research activities identified certain issues regarding the understanding and application of the requirements of Statement 62. Specifically, the pre-agenda research identified (a) issues related to the classification of transactions or other events among the categories of accounting changes and error corrections and (b) diversity in practice regarding the disclosures in notes to financial statements. The pre-agenda research also identified information users find valuable about accounting changes and error corrections. Feedback on preliminary results of the pre-agenda research was provided by members of the Governmental Accounting Standards Advisory Council (GASAC) at their October 2019 meeting.

A4. In December 2019, the Board added a project to the practice-issue portion of its current technical agenda. Board deliberations began in February 2020. Feedback on the project was provided by members of the GASAC 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 addresses accounting and financial reporting for accounting changes and error corrections. As part of its deliberations, the Board considered the requirements of Statement 62, including the categories those requirements addressed: prior-period adjustments, change in accounting principle, change in accounting estimate, change in the reporting entity, and correction of an error in previously issued financial statements. The Board decided to retain categories for changes in accounting principles, changes in accounting estimates, and error corrections, with further clarification about the transactions and other events that compose those categories and the distinctions between the categories, as discussed in paragraphs B6–B14.

B3. The Board concluded that the changes in reporting entity category in Statement 62 should be expanded to address not only changes in the legally separate entities that compose the financial reporting entity but also additions or removals of funds resulting from the movement of primary government resources and changes in fund and component unit presentations. The Board believes that expansion more fully considers the governmental financial reporting model and addresses certain transactions or other events that were not previously addressed by GASB literature, such as the reclassification of a fund, for example, from a major enterprise fund to a major special revenue fund. To signal a change in the scope of the category, the Board concluded that the name of the category should be modified to *changes to or within the financial reporting entity*. Paragraphs B10–B12 more fully discuss the Board's conclusions related to the transactions or other events that compose that category.

B4. Regarding a separate category for prior-period adjustments, the Board concluded that such a category would be duplicative of other categories. The prior-period adjustments category in GASB Statement 62 originated from FASB Statement 16. However, no formal criteria for the transactions or events that make up the category of prior-period adjustments was brought forward to GASB literature; Statement 62 only explicitly provides that error corrections be reported as prior-period adjustments. In addition, the pre-agenda research for the project that led to this Statement indicated that the term *prior-period adjustment* generally is used broadly to refer to any transaction or other event that results in an adjustment to or restatement of prior periods. That is, the term often is used to describe a method of recognition rather than a type of transaction or other event; thus, when used in

that manner, the term is applicable to any transaction or other event that is reported retroactively (including changes in accounting principles). The Board believes that the categories in this Statement will appropriately address the transactions or other events that should result in an adjustment to or restatement of prior periods. Therefore, the Board concluded that the separate category for prior-period adjustments in Statement 62 should be eliminated in order to remove redundancy and alleviate confusion in practice.

B5. The Board also considered whether this Statement should address the first-time adoption of the U.S. GAAP financial reporting framework. The Board concluded that to facilitate an understanding of the other categories, this Statement should clarify that the adoption of U.S. GAAP as a new financial reporting framework is not an accounting change or an error correction. However, the Board decided that establishing accounting and financial reporting requirements for the first-time adoption of U.S. GAAP would go beyond the objectives of this project.

## **Classification**

### **Accounting Changes**

B6. The Board considered the types of transactions or other events that constitute each type of accounting change to assist in the development of the descriptions of each category. Those considerations are described in paragraphs B7–B12.

### ***Change in Accounting Principle***

B7. The Board determined that a change in accounting principle results from circumstances in which (a) a government chooses to apply a different accounting principle than that previously used and (b) a government implements a new pronouncement. Regarding (a), the Board considered the circumstances in which it would be appropriate for a government to apply a different accounting principle. The Board affirmed the conclusion in Statement 62 that a government should change its accounting principle only on the basis that the new generally accepted accounting principle is preferable. The Board concluded that preferability should be based on the qualitative characteristics of information in financial reporting. Use of the same accounting principles over multiple reporting periods supports the qualitative characteristic of consistency; consequently, reduced consistency is inherent in changing accounting principles. Therefore, the Board believes that to conclude that a new accounting principle would be preferable, that accounting principle would need to result in information that better satisfies other qualitative characteristics (understandability, reliability, relevance, timeliness, or comparability), such that collectively, the qualitative characteristics are enhanced. Regarding (b), the Board does not believe further justification is necessary because the issuance of those pronouncements implies that the new accounting principles are preferable and constitutes sufficient support for making the change.

### ***Change in Accounting Estimate***

B8. For purposes of this Statement, the Board concluded that an accounting estimate is an amount subject to measurement uncertainty that is recognized or disclosed in the basic financial statements. In addition, this Statement clarifies that accounting estimates are *outputs*, which are determined based on inputs such as data, assumptions, or measurement methodologies. The Board acknowledges that the term *accounting estimate* is used more broadly in Statement 62 to refer to both outputs and inputs. The Board believes that the delineation between outputs and inputs helps to clarify the accounting and financial reporting for changes in accounting estimates, as discussed further in paragraphs B22 and B23.

B9. The Board believes it is important that there be clear distinctions between the types of accounting changes. In addition to the foundational notion that an accounting estimate is subject to measurement uncertainty, the Board believes that a defining characteristic of a change in accounting estimate is that it ultimately results from a change in circumstance, new information, or more experience. The Board also determined that a change in accounting estimate that results from a change in measurement methodology (for example, a change in valuation technique) is similar in some respects to a change in accounting principle and noted that Statement 62 considered a change in accounting estimate that is effected by a change in accounting principle to be a change in accounting estimate for purposes of accounting and financial reporting. Because of the similarities, the Board determined that a change in accounting estimate that results from a change in measurement methodology should be justified on the basis that the new measurement methodology is preferable. Consistent with its decisions regarding changes in accounting principles, the Board believes that preferability is based on whether the new measurement methodology better satisfies the qualitative characteristics of financial reporting. The Board acknowledges that requiring such a justification is a change from Statement 62 but believes that it will enhance consistency by limiting the frequency of changes. The Board also considered how to differentiate between a change in accounting estimate and an error correction. The Board determined that the distinction is that for an error correction, the government *should have known* facts at the time the financial statements were issued about conditions that existed as of the financial statement date; that is, those facts could reasonably be expected to have been obtained and taken into account (as discussed further in paragraph B13).

### ***Change to or within the Financial Reporting Entity***

B10. As previously discussed, the Board determined that the transactions or other events that compose this type of accounting change should be expanded from those in Statement 62. Accordingly, changes to or within the financial reporting entity include (a) changes in the legally separate entities that compose the financial reporting entity, (b) changes in the funds that compose the fund structure of the primary government, and (c) changes in the presentation of funds (as major or nonmajor) and component units (as blended or discretely presented). The Board believes that addressing changes in funds supports a “bottom-up” approach, which is consistent with how financial statements are prepared. Furthermore, as



previously discussed, the Board believes that including fund reclassifications as part of this category addresses an identified practice issue.

B11. The Board did not broadly reconsider the requirements of other Statements (primarily Statements 69 and 90) that address transactions or other events that might result in a change to (a) the legally separate entities that compose the financial reporting entity or (b) the funds that compose the fund structure of the primary government. However, the Board specifically considered the relationship between the requirements of this Statement and those Statements and concluded that because of the expanded scope of the category, amendments were necessary to Statement 69. Specifically, the Board believes that because blended component units are so intertwined with the primary government, transactions or other events with a blended component unit that result in the addition or removal of a fund or component unit (including a transfer of operations from the primary government that results in a new blended component unit) should be reported in the same manner as other events that occur within the primary government that result in the addition or removal of a fund. In contrast, the Board believes that discretely presented component units maintain a greater degree of separation from the primary government, and, therefore, this Statement does not consider transactions or other events with discretely presented component units (including a transfer of operations from the primary government that results in a new discretely presented component unit) to be changes to or within the financial reporting entity for purposes of applying this Statement. The Board believes that conclusion is consistent with the general concepts related to the relationship of the primary government to its blended and discretely presented component units established in Statement 14, as amended. As a result, although Statement 69 continues to apply to the separately issued financial statements of a blended component unit, the Board concluded that this Statement should address how transactions or other events with blended component units should be reported in the reporting entity's financial statements.

B12. In considering the differences between types of accounting changes, the Board believes that a change to or within the financial reporting entity generally reflects a change in circumstance, whereas a change in accounting principle reflects the application of different accounting or financial reporting to the same circumstance. However, the Board acknowledges the potential for an overlap between changes in accounting principles and changes to or within the financial reporting entity. For example, in most cases, a government reports funds as major or nonmajor based on the quantitative analysis that determines the major funds, as required by Statement 34, as amended. If a major fund becomes a nonmajor fund because it no longer meets the quantitative threshold, the Board views that change as a change in circumstance. However, in other cases, a government may voluntarily choose to report a fund as major even though it does not meet the quantitative threshold. In that case, if the government subsequently chooses to report that fund as nonmajor, the circumstance has not changed; rather, the government's policy regarding which funds it voluntarily chooses to report as major has changed. To alleviate confusion and reduce inconsistency in practice, the Board decided that this Statement should specify that except for changes resulting from the implementation of a new pronouncement, a change that could meet the description of both categories should be reported as a change to or within the financial reporting entity, regardless of whether the change was due to a change in the government's policies or a change in circumstance.

## **Correction of an Error in Previously Issued Financial Statements**

B13. The Board generally carried forward the description of a correction of an error in previously issued financial statements from Statement 62. As previously discussed, the Board acknowledges the need to differentiate between a change in accounting estimate and an error correction. The Board believes that an error occurs when a government *should have known* facts at the time the financial statements were issued about conditions that existed as of the financial statement date, whereas a change in accounting estimate results from *new* developments (a change in circumstance, new information, or more experience). This Statement emphasizes that point, which the Board believes will assist preparers and auditors in making determinations regarding the appropriate classification of a transaction or other event.

## **First-Time Adoption of the U.S. GAAP Financial Reporting Framework**

B14. As discussed in paragraph B5, the Board decided to include a description of a first-time adoption of the U.S. GAAP financial reporting framework primarily to indicate that the initial adoption of that framework is not an accounting change or an error correction. The Board believes that accounting changes represent changes within the U.S. GAAP financial reporting framework. On the other hand, the Board believes that a correction of an error represents an individual instance in which a transaction or other event previously was not reported appropriately in accordance with U.S. GAAP. As such, the Board does not believe that the first-time adoption of U.S. GAAP as a financial reporting framework satisfies either of those descriptions because the intent of the first-time adoption category is to address those circumstances in which a government is adopting a new financial reporting framework (U.S. GAAP) altogether, not circumstances in which a government changes or appropriately applies individual accounting principles. Accordingly, the Board concluded that the first-time adoption of U.S. GAAP centers on a government's assertion that the basic financial statements are prepared in accordance with U.S. GAAP. That is, the Board believes that if a government has asserted that its basic financial statements are prepared in accordance with U.S. GAAP (regardless of the audit opinion received on those financial statements), any changes made subsequent to that assertion to report in accordance with U.S. GAAP would not be considered a first-time adoption of the U.S. GAAP financial reporting framework. As previously discussed, the Board concluded that establishing requirements regarding how to adopt U.S. GAAP for the first time was outside the scope of the project that led to this Statement.

## **Accounting and Financial Reporting for Accounting Changes and Error Corrections**

B15. The requirements of Statement 62 related to accounting changes and error corrections applied only to governmental activities, business-type activities, and proprietary funds. The Board is not aware of any conceptual or practical reasons that the requirements for accounting changes and error corrections should not be applicable to governmental funds (to the extent that the change or error affects amounts reported in accordance with the measurement focus and basis of accounting for governmental funds) or fiduciary funds and believes that such accounting and financial reporting provides better information for a user

of those fund financial statements. By requiring that the standards for accounting changes and error corrections also be applied to governmental and fiduciary funds, the Board believes that this Statement resolves a significant shortcoming of Statement 62.

### **Change in Accounting Principle**

B16. The Board concluded that a change in accounting principle should be reported retroactively by restating all prior periods presented, if practicable, primarily because the effect of a change in accounting principle is not attributable to the current period and, therefore, should not be reported in current-period flows. In addition, the Board believes that retroactive application enhances consistency because the financial statements are presented as if the newly adopted principle had been applied in prior periods. For governments that present more than a single period, the Board recognizes that there may be circumstances in which the information necessary to restate all prior periods presented would not be obtainable. Therefore, the Board concluded that if prior periods are presented, those periods should be restated, if practicable. The phrase *if practicable* has been used in other GASB standards with respect to transition provisions in a similar context as used in this Statement. 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*. Consistent with that decision, the Board also concluded that if it is not practicable to restate all prior periods presented, the reason why it is not practicable should be disclosed.

B17. The Board acknowledges that Statement 62 previously required that only the beginning balances of the current period be restated with certain disclosures to show pro forma amounts of what prior periods would have been if the newly adopted accounting principle had been applied. The Board believes that restating prior periods presented, if practicable, better supports consistency than pro forma disclosures. The Board also believes that the requirements of this Statement will be better understood by preparers and auditors.

B18. This Statement generally carries forward from Statement 62 the requirement to disclose in notes to financial statements the nature of and justification for a change in accounting principle and clarifies what those disclosures should include. The Board decided that the disclosure about the nature of the change in accounting principle should identify the financial statement line items affected to provide users with more relevant and understandable information, particularly in cases in which the effects of the change in accounting principle are not readily apparent. In addition, this Statement carries forward the requirement to disclose the effect of a change in accounting principle on beginning balances; however, as discussed in paragraph B31, the Board concluded that information should be disclosed as part of a comprehensive note that provides information about the effects of all adjustments and restatements to beginning balances.

B19. The Board also considered whether other quantitative information about the effects of a change in accounting principle should be disclosed in notes to financial statements, including certain note disclosures required by Statement 62 regarding (a) the effects on prior-period flows statements as if the newly adopted accounting principle had been applied during those prior periods and (b) the effects on current-period flows statements as if the

newly adopted accounting principle had not been adopted. The Board was not convinced that such information is essential and generally believes the expected benefits of that information do not justify the perceived costs of providing it. Therefore, the Board determined that those disclosure requirements should not be carried forward to this Statement.

### ***Implementation of a New Pronouncement***

B20. The Board concluded that because the implementation of a new pronouncement is a change in accounting principle, the accounting and financial reporting requirements of this Statement for a change in accounting principle should apply to the implementation of a new pronouncement in the absence of specific transition provisions. The Board acknowledges that such an approach establishes retroactive application as the default transition method for new pronouncements. However, the Board noted that establishing transition provisions in future pronouncements that differ from the default requirements for a change in accounting principle is not precluded, and the Board generally expects that transition provisions will continue to be considered individually for each new pronouncement to develop the most appropriate requirements for those specific circumstances.

B21. The Board also considered whether information about newly issued GASB pronouncements that are not yet effective should be disclosed. The Board generally believes that broad information about the pronouncements issued by GASB is not especially useful and noted that in some cases, that information may be considered general or educational information that is not specific to the government. Consequently, the Board considered whether to require disclosure of information about a new pronouncement that is specific to the government—for example, the expected effects, if known and reasonably estimable, of a new pronouncement. The Board was concerned that such a requirement would result in either (a) the incurrence of significant additional costs to obtain the information necessary to make such a disclosure or (b) a boilerplate disclosure that the effects were not known or reasonably estimable. As such, the Board was not convinced that the information is essential or that its expected benefits justify the perceived costs.

### **Change in Accounting Estimate**

B22. The Board carried forward the requirement in Statement 62 that a change in accounting estimate be reported prospectively. The Board continues to believe that prospective accounting treatment is appropriate because a change in accounting estimate is the result of a change in circumstance, new information, or more experience. As previously discussed, the Board believes that differentiating accounting estimates as outputs from the inputs that result in a change in accounting estimate clarifies the resultant accounting and financial reporting. In addition, the Board recognizes that other authoritative literature may specify how a change in accounting estimate should be reported, for example, reporting a change in the pension liability in accordance with Statement No. 68, *Accounting and Financial Reporting for Pensions*, as amended. Accordingly, the Board concluded that the requirements of this Statement for a change in accounting estimate apply only in the absence of other specific requirements regarding how to account for and report the change.



B23. The Board determined that information about the nature of the change in accounting estimate, including identification of the financial statement line items affected, is essential based on feedback from users who participated in the pre-agenda research and, therefore, should be disclosed in notes to financial statements. In addition, as previously discussed, the Board determined that a change in accounting estimate that results from a change in measurement methodology should be justified on the basis that the new measurement methodology is preferable. Accordingly, the Board decided that for changes in estimates resulting from changes in measurement methodologies, a government should disclose the reason for the change, including an explanation of why the new measurement methodology is preferable, to provide users with information about why the change was made so that they are able to appropriately incorporate the estimates into their analyses. Furthermore, the Board recognizes that there are many estimates in the financial statements and, therefore, decided to emphasize that the note disclosures for a change in accounting estimate should be made only in circumstances in which the change is significant.

### **Change to or within the Financial Reporting Entity**

B24. The Board concluded that a change to or within the financial reporting entity should be reported by adjusting beginning balances of the current period. In contrast to a change in accounting principle, the Board believes that prior periods should not be restated for a change to or within the financial reporting entity because, as previously discussed, the Board believes that a change to or within the financial reporting entity generally reflects a change in circumstance, whereas a change in accounting principle reflects the application of different accounting and financial reporting to the same circumstance.

B25. The Board determined that information about the nature of and reason for the change to or within the financial reporting entity is essential to users for (a) understanding the transaction or other event that occurred and (b) utilizing the information disclosed about the quantitative effect of the change on beginning balances (as discussed in paragraph B31).

### **Correction of an Error in Previously Issued Financial Statements**

B26. The Board carried forward the requirement in Statement 62 that an error correction be accounted for retroactively by restating all prior periods presented (to the extent affected by the error). The Board believes that the effects of the error are not attributable to the current period and, therefore, should not be reported in current-period flows. The Board considered whether a practicability exception to restating prior periods presented should be permitted; however, it determined that it would be misleading to present prior periods that include known errors that have not been corrected.

B27. This Statement generally carries forward the note disclosure requirements in Statement 62 related to descriptive information (the nature of the error and its correction), with additions that the disclosure should include identification of the financial statement line items affected and the periods affected by the error. Similar to its decisions regarding a change in accounting principle and a change in accounting estimate, the Board believes that including identification of the line items affected will provide users with essential information for making decisions or assessing accountability. Regarding the periods



affected by the error, based on feedback provided by users in the pre-agenda research, the Board believes that disclosure will provide valuable information related to the nature of the error, which may affect how a user views the error for purposes of making decisions or assessing accountability.

B28. The Board also decided to carry forward from Statement 62 the quantitative note disclosures about the effect of the error correction on (a) beginning net position, fund balance, or fund net position, as applicable (as discussed further in paragraph B31) and (b) the prior period's change in net position, fund balance, or fund net position, as applicable. The Board believes that information about the quantitative effects of the error correction is essential because it informs users about the magnitude of the error, which may affect users' analyses for making decisions or assessing accountability.

### **Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or an Error Correction**

B29. This Statement specifically addresses reclassifications that result from a change in accounting principle or an error correction. The Board's intent in addressing those circumstances is to reduce diversity in practice by clarifying that even if a change in accounting principle or an error correction does not result in a restatement of beginning balances (for example, an error in classification in the statement of cash flows), prior periods presented should reflect the reclassified amounts and governments should include the applicable note disclosures. The Board believes that including a practicability exception for reclassifications resulting from a change in accounting principle but not for an error correction is consistent with its decisions related to each of those categories.

### **Other Financial Reporting Requirements**

#### ***Display***

B30. The Board considered whether to establish display requirements related to accounting changes and error corrections that have an effect on beginning net position. Feedback in the pre-agenda research indicated diversity in practice regarding display in the financial statements of accounting changes and error corrections, and, therefore, the Board believes that establishing display requirements will enhance comparability across governments. In addition, the Board believes that, in many cases, presenting the aggregate amount of the adjustments and restatements by reporting unit in the financial statements will facilitate users' understanding of the magnitude of the effects of accounting changes and error corrections and allow them to more easily determine whether they need to obtain additional information.

#### ***Notes to Financial Statements***

B31. This Statement requires the effects on beginning balances for each accounting change or error correction to be disclosed by reporting unit in a tabular format that reconciles beginning balances as previously reported to beginning balances as restated. The Board noted that the effects on beginning net position generally were required to be disclosed by

Statement 62; however, it believes that the note disclosure required by paragraph 32 of this Statement will provide users with a comprehensive explanation of the aggregate amount of adjustments and restatements that is displayed in the financial statements in a more understandable and useful format.

B32. In addition, the Board considered the periods in which the note disclosures required by this Statement should be made. The Board determined that the disclosures should be made in the period of the change or error correction and need not be repeated in subsequent periods. The Board considered whether this Statement should prohibit disclosure in subsequent periods about accounting changes and error corrections that occurred in prior periods but decided that because the financial statements are the government's responsibility, it would be inappropriate to prohibit a note disclosure, unless that information is inappropriate for notes to financial statements as described in Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*. The Board also concluded that, for understandability, consistency, and comparability, if a note disclosure is first made in interim financial statements, the note disclosure also should be made in the related annual financial statements.

B33. This Statement also requires that information be disclosed by reporting unit in notes to financial statements. To mitigate costs associated with this requirement and enhance understandability, the Board concluded that in circumstances in which the information to be disclosed is the same for more than one reporting unit, that information should be combined to avoid unnecessary duplication.

### ***Required Supplementary Information and Supplementary Information***

B34. Because this Statement requires changes in accounting principles and error corrections to be reported retroactively by restating prior periods presented, the Board believes that it is necessary for this Statement to provide guidance on how information affected by changes in accounting principles or error corrections should be reported in required supplementary information and supplementary information, which may present information for more prior periods than the basic financial statements.

B35. For prior reporting periods that are presented in the basic financial statements, the Board believes that the presentations in required supplementary information and supplementary information for those periods should be the same as the amounts recognized in the financial statements for consistency throughout the report. For prior reporting periods that are *not* presented in the basic financial statements but are presented in required supplementary information or supplementary information, the Board acknowledges that presenting restated information for changes in accounting principles would enhance consistency of the reported information across periods. However, the Board does not believe that the expected benefits of restating information for changes in accounting principles, including for the implementation of new pronouncements, for purposes of required supplementary information or supplementary information would justify the perceived costs of doing so. Therefore, the Board concluded that information for prior periods affected by a change in accounting principle should not be restated in required supplementary

information or supplementary information. By contrast, the Board believes that it would be inappropriate to knowingly include misstated information that has not been corrected. Therefore, the Board concluded that information for prior periods should be restated in required supplementary information and supplementary information for error corrections.

B36. This Statement also requires that an explanation be provided in circumstances in which information presented in required supplementary information or supplementary information for prior periods is not consistent with information for the current period to inform users about their ability to make comparisons to prior periods.

### **Considerations Related to Benefits and Costs**

B37. 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 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.

B38. 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.

B39. 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.

B40. The Board believes that the requirements of this Statement that clarify the transactions or other events that constitute (a) the different types of accounting changes and (b) error corrections will produce significant benefits by reducing confusion and diversity in practice among preparers and auditors, thereby increasing the understandability, reliability, relevance, consistency, and comparability of the information to users. For example, the category of changes to or within the financial reporting entity addresses reclassifications of funds—events for which guidance did not previously exist in GASB literature. Furthermore,

the requirements of this Statement will provide more useful and understandable information through clearer display in the financial statements and enhanced note disclosure requirements.

B41. Regarding the perceived costs, the Board believes that to a certain extent, the requirements of this Statement may mitigate costs through enhanced clarity of the requirements themselves—that is, the Board believes that in many cases, the requirements of this Statement may be less challenging to apply than the requirements of Statement 62. In addition, as discussed in paragraph B19, the Board concluded that certain note disclosure requirements in Statement 62 should not be carried forward to this Statement because it was not convinced that the expected benefits justify the perceived costs. The Board acknowledges that this Statement includes certain new note disclosures (such as the reconciliation table and other descriptive information about accounting changes and error corrections) and requires that the note disclosures generally should be presented by reporting unit. As a result, the Board believes that there may be some costs associated with disclosing that new information or presenting information by reporting unit, particularly in reporting periods in which more than one accounting change or error correction has occurred. However, the Board generally believes that the costs associated with those disclosures are related more to compiling and presenting the information. The Board generally believes that the information should be obtainable. Furthermore, the Board noted that this Statement indicates that information should be combined in certain circumstances to avoid unnecessary duplication. Therefore, the Board believes that those costs may decrease over time as governments gain more experience with the requirements. Lastly, the Board believes that the prospective transition provisions of this Statement will alleviate costs associated with implementation of the requirements.

### **Effective Date and Transition**

B42. The requirements of this Statement are effective for accounting changes and error corrections made in reporting periods beginning after June 15, 2023. Regarding transition provisions, the Board concluded that the expected benefits of retroactive application do not justify the perceived costs. Specifically, the Board acknowledges that accounting changes and error corrections generally are not recurring, and, therefore, the primary benefit typically provided by a retroactive transition approach—consistency—is not as significant, whereas the costs of a retroactive approach may be significant. Accordingly, the Board decided that prospective application of the requirements is appropriate. Furthermore, the Board believes that the effective date provides sufficient time for education about the new requirements. The Board also noted that some governments may wish to implement the guidance earlier than the effective date, which this Statement encourages.

## Appendix C

### ILLUSTRATIONS

C1. This appendix illustrates the requirement in paragraph 32 of this Statement regarding the effects on beginning balances of accounting changes and error corrections. The facts assumed 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. Application of the provisions of this Statement may require assessment of facts and circumstances other than those illustrated here. In some instances, amounts that may be considered immaterial are used to illustrate specific requirements or alternatives. No inferences about determining materiality should be drawn from these illustrations.

Illustrations 1 and 2 use the same facts to show two different presentations in accordance with the requirements in paragraph 32. Other presentations also may satisfy the requirements in paragraph 32.



## Illustration 1

During fiscal year 20X2, changes to or within the financial reporting entity and an error correction resulted in restatements to beginning fund balance, fund net position, and net position, as follows (amounts in thousands):

|  | 12/31/20X1<br>As Previously<br>Reported | Change to or within<br>the Financial<br>Reporting Entity (A) | Change to or within<br>the Financial<br>Reporting Entity (B) | Error Correction (C) | 12/31/20X1<br>As Restated |
|--|---|--|--|----------------------|---------------------------|
| <b>Governmental Funds and Activities</b>                       |   |  |  |                      |                           |
| Major Funds:   |   |  |  |                      |                           |
| General Fund   | \$ 631,607                              | \$ -   | \$ -   | \$ -                 | \$ 631,607                |
| Fund A   | 100,922                                 | -  | -  | -                    | 100,922                   |
| Nonmajor Funds   | 40,486                                  | -  | -  | -                    | 40,486                    |
| <b>Total Governmental Funds</b>                                | <b>773,015</b>                          | <b>-</b>   | <b>-</b>   | <b>-</b>             | <b>773,015</b>            |
| Government-Wide Adjustments                                    |   |  |  |                      |                           |
| Capital Assets, Net of Depreciation                            | 2,496,305                               | -  | -  | (2,361)              | 2,493,944                 |
| Deferred Outflows of Resources                                 | 1,104,697                               | -  | -  | -                    | 1,104,697                 |
| Total Long-Term Liabilities                                    | (3,167,019)                             | -  | -  | -                    | (3,167,019)               |
| Deferred Inflows of Resources                                  | (490,866)                               | -  | -  | -                    | (490,866)                 |
| Inclusion of Internal Service Funds in Governmental Activities | 51,901                                  | -  | -  | -                    | 51,901                    |
| <b>Total Governmental Activities</b>                           | <b>\$ 768,033</b>                       | <b>\$ -</b>  | <b>\$ -</b>  | <b>\$ (2,361)</b>    | <b>\$ 765,672</b>         |
| <b>Proprietary Funds and Business-Type Activities</b>          |   |  |  |                      |                           |
| Major Funds:   |   |  |  |                      |                           |
| Enterprise Fund C  | \$ 418,910                              | \$ -   | \$ -   | \$ -                 | \$ 418,910                |
| Enterprise Fund D  | 74,831                                  | (2,184)  | -  | -                    | 72,647                    |
| Nonmajor Funds   | 49,422                                  | -  | -  | -                    | 49,422                    |
| <b>Total Proprietary Funds</b>                                 | <b>543,163</b>                          | <b>(2,184)</b>   | <b>-</b>   | <b>-</b>             | <b>540,979</b>            |
| Removal of Internal Service Funds in Governmental Activities   | (51,901)                                | -  | -  | -                    | (51,901)                  |
| <b>Total Business-Type Activities</b>                          | <b>\$ 491,262</b>                       | <b>\$ (2,184)</b>  | <b>\$ -</b>  | <b>\$ -</b>          | <b>\$ 489,078</b>         |
| <b>Fiduciary Funds</b>   |   |  |  |                      |                           |
| Pension and Other Employee Benefit Trust Funds                 | \$ 3,071,227                            | \$ -   | \$ -   | \$ -                 | \$ 3,071,227              |
| <b>Total Fiduciary Funds</b>                                   | <b>\$ 3,071,227</b>                     | <b>\$ -</b>  | <b>\$ -</b>  | <b>\$ -</b>          | <b>\$ 3,071,227</b>       |
| <b>Discretely Presented Component Units</b>                    |   |  |  |                      |                           |
| ABC Authority  | \$ 1,696                                | \$ -   | \$ -   | \$ -                 | \$ 1,696                  |
| QRS Foundation   | -                                       | 2,184  | -  | -                    | 2,184                     |
| XYZ Foundation   | -                                       | -  | 1,500  | -                    | 1,500                     |
| Nonmajor Component Units                                       | 2,730                                   | -  | -  | -                    | 2,730                     |
| <b>Total Discretely Presented Component Units</b>              | <b>\$ 4,426</b>                         | <b>\$ 2,184</b>  | <b>\$ 1,500</b>  | <b>\$ -</b>          | <b>\$ 8,110</b>           |
| <b>Total Reporting Entity</b>                                  | <b>\$ 4,334,948</b>                     | <b>\$ -</b>  | <b>\$ 1,500</b>  | <b>\$ (2,361)</b>    | <b>\$ 4,334,087</b>       |

(A) Changes to or within the financial reporting entity resulting from a change in presentation of QRS Foundation from blended to discretely presented.

(B) Changes to or within the financial reporting entity resulting from a determination that XYZ Foundation met the requirements for inclusion as a discretely presented component unit.

(C) Error correction resulting from overstatement of capital assets in prior years.

## Illustration 2

During fiscal year 20X2, changes to or within the financial reporting entity and an error correction resulted in restatements to beginning fund balance, fund net position, and net position, as follows (amounts in thousands):

| Funds  | Reporting Units Affected by Restatements to Beginning Balances |                          |  |                 |
|--|--|--------------------------|--|-----------------|
|  | Government-Wide  |                          | Major Discretely Presented Component Units |                 |
|  | Governmental Activities  | Business-Type Activities | QRS Foundation                             | XYZ Foundation  |
| 12/31/X1, as previously reported                       | \$ 74,831  | \$ 491,262               | \$ -                                       | \$ -            |
| Change to or within the financial reporting entity (A) | (2,184)  | (2,184)                  | 2,184                                      | -               |
| Change to or within the financial reporting entity (B) | -  | -                        | -  | 1,500           |
| Error correction (C)                                   | -  | -                        | -  | -               |
| <b>12/31/X1, as restated</b>                           | <b>\$ 72,647</b>   | <b>\$ 489,078</b>        | <b>\$ 2,184</b>                            | <b>\$ 1,500</b> |

(A) Changes to or within the financial reporting entity resulting from a change in presentation of QRS Foundation from blended to discretely presented.

(B) Changes to or within the financial reporting entity resulting from a determination that XYZ Foundation met the requirements for inclusion as a discretely presented component unit.

(C) Error correction resulting from overstatement of capital assets in prior years.

## Appendix D

### CODIFICATION INSTRUCTIONS

#### *Codification of Governmental Accounting and Financial Reporting Standards—June 2023 Update*

D1. The instructions that follow update the December 31, 2020 *Codification of Governmental Accounting and Financial Reporting Standards* (Codification), as amended by Statement No. 96, *Subscription-Based Information Technology Arrangements*, 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.]

\* \* \*

#### REPORTING CAPITAL ASSETS

#### SECTION 1400

.705-13 [Revise the third sentence of the answer as follows:] The effects of a change in useful life should be accounted for as a change in estimate in accordance with paragraphs .137 and .138 of Section 2250, “Additional Financial Reporting Considerations.” [GASBIG 2015-1, Q7.14.4, as amended by GASBS XX, ¶7, ¶20, and ¶21]

.718-2 [Revise the last sentence of the answer as follows:] The effects of a change in the useful life to no longer be indefinite should be accounted for as a change in accounting estimate similar to the effects of a change in the useful life of any type of capital asset. [GASBIG 2015-1, QZ.51.26, as amended by GASBS XX, ¶7]

.727-9 [Delete paragraph; renumber subsequent paragraphs.]

\* \* \*

#### CLASSIFICATION AND TERMINOLOGY

#### SECTION 1800

Sources: [Add GASBS XX.]

.102 [Insert the following after the second sentence in subparagraph b(1):] This category does not include the addition or removal of a fund that results from movement of resources within the primary government, which should be reported as a change to or within the financial reporting entity. (See Section 2250, “Additional Financial Reporting Considerations.”) [GASBS 34, ¶112, as amended by GASBS 63, ¶8 and GASBS XX, ¶9; GASBS XX, ¶9]

.106 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS XX, ¶9

\* \* \*

## COMPREHENSIVE ANNUAL FINANCIAL REPORT

## SECTION 2200

Sources: [Add GASBS XX.]

.150 [Replace *paragraphs .151 and .152* with *paragraphs .143–.145.*] [GASBS 62, ¶50, as amended by GASBS XX, ¶26–¶28; GASBS XX, ¶26–¶28]

.155 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS XX, ¶9

.203 [Replace *paragraphs .125–.152* with *paragraphs .121–.154.*] [GASBS 62, ¶53, as amended by GASBS XX, ¶4–¶37; GASBS XX, ¶4–¶37]

[Replace the text under heading .728 with the following:] No questions assigned.

.729-10 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS XX, ¶24 and ¶25]

\* \* \*

## ADDITIONAL FINANCIAL REPORTING CONSIDERATIONS

## SECTION 2250

Sources: [Add GASBS XX.]

.101 [In the first sentence, delete *prior-period adjustments*; in the third sentence, add paragraphs .121–.154 to the list.] [GASBS 56, ¶2; GASBS 62, ¶3 and ¶54–¶57; GASBS XX, ¶2 and ¶4–¶37]

.115 [Delete *or the criteria for prior-period adjustments.*] [GASBS 56, ¶14, as amended by GASBS XX, ¶4–¶14]

[Replace paragraphs .121–.152, including headings and footnotes, with the following; renumber subsequent footnotes.]

### Accounting Changes and Error Corrections

.121–.154 [GASBS XX, ¶4–¶37, including headings and footnotes]

[Replace headings .705–.727 and associated text with the following; renumber subsequent heading and associated paragraphs.]

### .705 Accounting Changes and Error Corrections

No questions assigned.

**.706 Classification**

No questions assigned.

**.707 *Accounting Changes***

No questions assigned.

**.708 Change in accounting principle**

No questions assigned.

**.709 Change in accounting estimate**

No questions assigned.

**.710 Change to or within the financial reporting entity**

No questions assigned.

**.711 *Correction of an Error in Previously Issued Financial Statements***

No questions assigned.

**.712 *First-Time Adoption of the U.S. GAAP Financial Reporting Framework***

No questions assigned.

**.713 Accounting and Financial Reporting for Accounting Changes and Error Corrections**

No questions assigned.

**.714 *Change in Accounting Principle***

No questions assigned.

**.715 Notes to financial statements**

No questions assigned.

**.716 *Change in Accounting Estimate***

No questions assigned.

**.717 Notes to financial statements**

No questions assigned.

**.718 *Change to or within the Financial Reporting Entity***

No questions assigned.

**.719** *Notes to financial statements*

No questions assigned.

**.720** *Correction of an Error in Previously Issued Financial Statements*

No questions assigned.

**.721** *Notes to financial statements*

No questions assigned.

**.722** *Reclassification in the Financial Statements Resulting from a Change in Accounting Principle or a Correction of an Error*

No questions assigned.

**.723** *Other Financial Reporting Requirements*

No questions assigned.

**.724** *Display in the financial statements*

No questions assigned.

**.725** *Notes to financial statements*

No questions assigned.

**.726** *Required supplementary information and supplementary information*

No questions assigned.

\* \* \*

**NOTES TO FINANCIAL STATEMENTS**

**SECTION 2300**

Sources: [Add GASBS XX.]

.107 [Revise subparagraphs uu and vv as follows:]

uu. Current-period adjustments to an extraordinary or special item that was reported in a prior period. (See Section 2200, paragraph .150.)

vv. Accounting changes and error corrections. (See Section 2250, paragraphs .135, .136, .139, .141, .142, .144–.147, and .149–.151.)

[In the sources, remove GASBS 62, ¶62, ¶75, ¶85, ¶87, and ¶89; add GASBS XX, ¶18, ¶19, ¶22, ¶24, ¶25, ¶27–¶30, and ¶32–¶34.]



.114 [Replace the second sentence with the following:] In some cases, the disclosure of accounting policies should refer to related details presented elsewhere in the notes to financial statements. For example, a change in accounting policy that meets the definition of a change in accounting principle should be described with cross-reference to the note disclosures required by Section 2250 for a change in accounting principle. [GASBS 62, ¶94, as amended by GASBS XX, ¶5, ¶18, and ¶19]

\* \* \*

## **CASH FLOWS STATEMENTS**

## **SECTION 2450**

.108 [Replace the last sentence with the following:] Any change in that policy is a change in accounting principle if the change is justified on the basis that the new principle is preferable. See Section 2250 regarding how to report a change in accounting principle, including a change in accounting principle that results in a reclassification in the financial statements. [GASBS 9, ¶11, as amended by GASBS XX, ¶5, ¶15–¶19 and ¶29]

\* \* \*

## **REPORTING ENTITY AND COMPONENT UNIT PRESENTATION AND DISCLOSURE**

## **SECTION 2600**

Sources: [Add GASBS XX.]

.117 [Revise the sources as follows:] GASBS 34, ¶61, as amended by GASBS 63, ¶8 and GASBS 65, ¶13; GASBS XX, ¶9

\* \* \*

## **DERIVATIVE INSTRUMENTS**

## **SECTION D40**

[Delete paragraph .711-4; renumber subsequent paragraphs.]

\* \* \*

## **INVESTMENTS**

## **SECTION I50**

.116 [Revise subparagraph d as follows:] The government's share of special and extraordinary items reported in the financial statements of the investee should be classified in accordance with paragraphs .143 and .145–.150 of Section 2200, "Comprehensive Annual Financial Report." [GASBS 62, ¶209, as amended by GASBS 63, ¶8, GASBS 69, ¶39, and GASBS XX, ¶4–¶37]

[Delete paragraph .741-2; renumber subsequent paragraphs.]

\* \* \*

**LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**                      **SECTION L10**

.112 [In the second sentence, delete *corrections of errors in estimation*.] [GASBS 18, ¶14, as amended by GASBS XX, ¶12]

\* \* \*

**REAL ESTATE**    **SECTION R30**

Sources: [Add GASBS XX.]

.181 [Replace *paragraph .146* with *paragraphs .137–.139*.] [GASBS 62, ¶361, as amended by GASBS XX, ¶20–¶22; GASBS XX, ¶20–¶22]

\* \* \*

**PROPRIETARY FUND ACCOUNTING**    **SECTION P80**  
**AND FINANCIAL REPORTING**

.704-5 [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS XX, ¶25 and ¶26]

\* \* \*

**COMBINATIONS AND DISPOSALS OF OPERATIONS**                      **SECTION Co10**

.140 [Replace the last sentence with the following:] The difference between the acquisition price and the carrying value of the net position acquired should be reported as a special item by the acquiring government in its separately issued statements. For acquisitions with discretely presented component units, that difference should be reclassified as transfers or subsidies, as appropriate, in the financial statements of the reporting entity. For acquisitions with blended component units, the transaction should be treated as a change to or within the financial reporting entity.<sup>5</sup> (See Section 2250.) [GASBS 69, ¶43, as amended by GASBS XX, ¶9; GASBS XX, ¶9–¶10]

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<sup>5</sup>[Insert current footnote 5.]

[Insert new paragraph .147, including heading, as follows; renumber subsequent paragraphs.]

**Intra-Entity Government Transfers of Operations**

.147 In financial statements of the reporting entity, a transfer of operations that occurs between a primary government and its discretely presented component units that results in the addition or removal of a fund or discretely presented component unit (including the establishment of a new discretely presented component unit) should be accounted for in accordance with paragraphs .143–.146 of this section. In the financial statements of the reporting entity, a transfer of operations that occurs between a primary government and its blended component units that results in the addition or removal of a fund or blended

component unit (including the establishment of a new blended component unit) should be accounted for as a change to or within the financial reporting entity. [GASBS 69, ¶46–¶49; GASBS XX, ¶9 and ¶10]

\* \* \*

#### INVESTMENT POOLS (EXTERNAL)

#### SECTION In5

.107 [Replace *paragraphs .136 and .137* with *paragraph .122*.] [GASBS 79, ¶7, as amended by GASBS XX, ¶5]

\* \* \*

#### PUBLIC ENTITY RISK POOLS

#### SECTION Po20

.720-7 [Revise the answer as follows:] A—Although there is no specific requirement in paragraph .146b of this section, the disclosures for changes in accounting estimates, as described in Section 2250, “Additional Financial Reporting Considerations,” should be made, as applicable. [GASBIG 2015-1, Q3.28.1, as amended by GASBS XX, ¶22]

\* \* \*

### ***Comprehensive Implementation Guide—June 2023 Update***

D2. The instructions that follow update the December 31, 2020 *Comprehensive Implementation Guide* for the provisions of this Statement.

\* \* \*

[Replace the text of Question 1.57.2 with *[Question number not used]*.] [Superseded by GASBS XX, ¶4–¶14]

3.28.1. [Revise the answer as follows:] A—Although there is no specific requirement in paragraph .146b of this section, the disclosures for changes in accounting estimates, as described in GASB Statement No. XX, *Accounting Changes and Error Corrections*, should be made, as applicable. [GASBIG 2015-1, Q3.28.1, as amended by GASBS XX, ¶22]

[Replace the text of Question 4.38.3 with *[Question number not used]*.] [Superseded by GASBS XX, ¶9 and ¶10]

[Replace the text of Question 4.38.4 with *[Question number not used]*.] [Superseded by GASBS XX, ¶9 and ¶10]

7.14.4. [Revise the third sentence of the answer as follows:] The effects of a change in useful life should be accounted for as a change in estimate in accordance with paragraphs 20 and 21 of Statement No. XX, *Accounting Changes and Error Corrections*. [GASBIG 2015-1, Q7.14.4, as amended by GASBS XX, ¶7, ¶20, and ¶21]

[Replace the text of Question 7.22.16 with *[Question number not used]*.] [Superseded by GASBS XX, ¶26–¶28]

[Replace the text of Question 7.22.17 with *[Question number not used]*.] [Superseded by GASBS XX, ¶4–¶14]

[Under heading 7.53, delete the cross-reference text.]

7.55.7. [Delete the last sentence of the answer.] [GASBIG 2015-1, Q7.55.7, as amended by GASBS XX, ¶24 and ¶25]

[Replace the text of Question 7.104.17 with *[Question number not used]*.] [Superseded by GASBS XX, ¶4–¶14]

[Replace the text of Question 10.20.5 with *[Question number not used]*.] [Superseded by GASBS XX, ¶5]

Z.51.26. [Revise the last sentence of the answer as follows:] The effects of a change in the useful life to no longer be indefinite should be accounted for as a change in accounting estimate similar to the effects of a change in the useful life of any type of capital asset. [GASBIG 2015-1, QZ.51.26, as amended by GASBS XX, ¶7]

## PROJECT PAGES

### Capital Assets

**Research Description:** The objective of this pre-agenda research is to review the existing standards applicable to capital asset accounting and financial reporting to evaluate whether the information reported about capital assets could: (1) be more comparable across governments and more consistent over time; (2) be more useful for making decisions and assessing government accountability; (3) be more relevant to assessments of a government's economic condition, including its financial position, fiscal capacity, and service capacity; and (4) better reflect the capacity of those assets to provide service and how that capacity may change over time.

**Status:**

Added to Research Agenda: August 2019

- [Background](#)
- [Major Research Issues](#)
- [History](#)
- [Current Developments](#)
- [Research Work Plan](#)
- [Project staff:](#)
  - [Scott Reeser](#)
  - [Deborah Beams](#)
  - [Sean Stiso](#)
  - [Ryan Summers](#)
  - [Devan Klaus](#)
  - [Elizabeth Frazier](#)

### CAPITAL ASSETS—PROJECT PLAN

**Background:** The basic capital asset standards reside in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, paragraphs 18–29, as amended. However, capital assets are the primary focus of (or are significantly addressed in) multiple pronouncements, including:

- Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*
- Statement No. 44, *Economic Condition Reporting: The Statistical Section*
- Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*
- Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*
- Statement No. 72, *Fair Value Measurement and Application*
- Statement No. 87, *Leases*
- Statement No. 91, *Conduit Debt Obligations*.
- Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*
- Statement No. 96, *Subscription-Based Information Technology Arrangements*.



Paragraph 19 of Statement 34, as amended, defines capital assets as including the following (footnotes omitted):

...land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. *Infrastructure assets* are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

In general, governments are required to report capital assets at their historical cost and to depreciate that historical cost in a systematic and rational manner over the estimated useful lives of the assets. Capital assets are reported at their historical cost net of accumulated depreciation in financial statements using the economic resources measurement focus and the accrual basis of accounting. The primary exceptions to the depreciation requirement are land (which is considered inexhaustible), construction in progress, and infrastructure assets reported using the *modified approach*.

The modified approach is an optional reporting method available to governments that meet certain criteria demonstrating that the qualifying infrastructure assets are being maintained over time at a consistent physical condition level determined in advance by the government. Instead of depreciation, governments employing the modified approach report annual expenses for the cost of maintaining and preserving the assets at the predetermined condition level. Those governments are required to present required supplementary information (RSI) that includes (1) assessed physical condition for the past three condition assessments, (2) a comparison of needed maintenance and preservation spending with actual spending for the past five fiscal years, and (3) notes to RSI describing the system of condition assessment used, the condition level at which the government intends to preserve its infrastructure, and changes in the system and other factors affecting the reported trends.

During the development of Statement 34, the Board considered other alternatives to reporting depreciation expense for infrastructure assets. One such alternative was the *preservation method*, which proposed reporting a capital use charge in the statement of activities based on changes in an asset's condition level. The Board heard from engineers and transportation finance officers at that time that although those approaches are of great value in managing infrastructure assets, they had not developed to the point at which consistent measurement methods or scales could be used to assess condition sufficiently for recognition in financial statements. The Board tabled the preservation method and did not include the option in Statement 34 due to measurement and other issues.

Since the advent of comprehensive capital asset reporting under Statement 34, relatively limited research has been conducted regarding state and local government reporting of capital assets within the scope of audited annual financial statements. Some research has been conducted, however, on the modified approach, suggesting that its use is not widespread beyond state governments and varies significantly from government to government.

An academic study of the use of the modified approach by state governments, Puerto Rico, and the District of Columbia, found that 23 of those governments (44 percent) use the modified approach to report some infrastructure assets, predominantly bridges and roadways.<sup>1</sup> Two states have since changed accounting policies and now depreciate their infrastructure. One of the recipients of the 2011 Crain Memorial Research grants found less widespread usage of the modified approach among counties and cities. A review of the financial reports of 620 large and medium county and city governments found 37 governments (6 percent) use the modified approach.

Insights into the value of modified approach information to financial statement users are found in a study published in 2016.<sup>2</sup> The researchers compared bid spreads on secondary market auctions for the

municipal bonds of states that use the modified approach versus states that use traditional depreciation. They found that the spreads were significantly narrower for the modified approach states, signaling a reduction in information asymmetry and an improvement in market efficiency.

Two 2018 Crain Memorial Research grants focused on capital asset reporting. The first focused on the decisions made by county governments related to capital asset accounting policies and what factors drove those decisions, the extent to which counties employ asset management systems, and how capital asset information required by Statement 34 is being used in decision making. The second focused on decisions made by states and cities related to capital asset accounting policies, including what factors were used in setting those policies, how those policies have evolved, and consequences of those policies in terms of the government's financial health and performance.

This pre-agenda research activity was ranked highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC in 2021.

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<sup>1</sup>Thomas E. Vermeer, Terry K. Patton, and Alan K. Styles, "Reporting of General Infrastructure Assets under GASB Statement No. 34," *Accounting Horizons* 25, no. 2 (2011): 381-407.

<sup>2</sup>Rebecca Bloch, Justin Marlowe, and Dean Michael Mead, "Infrastructure Asset Reporting and Pricing Uncertainty in the Municipal Bond Market," *Journal of Governmental & Nonprofit Accounting* 5, no. 1 (2016): 53-70.  
<http://doi.org/10.2308/ogna-51726>

Major Research Issues: The following issues will be considered:

- › What choices do governments make with respect to their capital asset-related accounting policies, such as capitalization thresholds, depreciation methods, and estimated useful lives? Why do governments select those policies?
- › How do governments determine when outflows enhance the service capacity or extend the useful life of an asset?
- › How do governments report transactions that include one capital asset being "exchanged" for another capital asset, regardless of whether the transactions include additional compensation?
- › How does the reduction in net book value over time and the estimated useful lives of capital assets compare with the actual diminution of service capacity and their actual useful lives, respectively?
- › How has the incidence of reporting infrastructure assets using the modified approach changed since prior studies were conducted, if at all (see the next section)? Which networks or subsystems is it being applied to? What methods are used to assess condition? What condition levels are set?
- › Why did governments using the modified approach choose to do so in lieu of depreciation? If governments have ceased to use the modified approach, why did they change their reporting method?
- › How do users utilize capital asset information? How do they use the modified approach RSI?
- › How has the optional use of the modified approach affected the comparability of net position, expenses, and other financial statement information between governments that use it and those that do not?
- › How has state and local government usage of asset management systems that meet the criteria in Statement 34, paragraph 23, changed since the issuance of Statement 34?
- › Should a change in condition of capital assets have an impact on resource flows in the statement of activities and other resource flows statements? How would it be measured?
- › What information do governments collect and report about deferred maintenance? How is deferred maintenance estimated and do those estimates possess the characteristics of information reported in general purpose external financial reports?

History:

- Pre-agenda research approved: August 2019
- Consultative group appointed? To be appointed

Current Developments: The staff concluded interviews with capital management system providers and consultants and industry associations. The staff began to develop protocols and other materials for the initial roundtables.

Research Work Plan:

Board Meetings

Research Activities

- |                                       |  |
|---------------------------------------|--|
| <u>July–October 2021:</u>             | Finish developing protocols and other materials for initial roundtables and conduct roundtables. |
| <u>October 2021–<br/>March 2022:</u>  | Develop, pretest, and administer surveys.  |
| <u>March–April 2022:</u>              | Develop protocol and other materials for roundtables to discuss potential paths forward.         |
| <u>May–July 2022:</u>                 | Conduct roundtables to discuss potential paths forward.  |
| <u>August 2022–<br/>January 2023:</u> | Conclude analysis of results of research and draft capstone research memorandum.                 |
| <u>February 2022:</u>                 | Discuss research memorandum with the Board.  |

## PROJECT PAGES

### Going Concern Disclosures—Reexamination of Statement 56

Research Description: The objective of this research is to evaluate whether the existing GASB authoritative literature has provided preparers of financial statements for state and local governments sufficient guidance about management’s responsibilities for evaluating and disclosing uncertainties associated with severe financial stress (what is now referred to as “going concern” uncertainties). The research will provide the Board with the information it requires to consider the need for revisions to existing disclosure standards, which would be intended to reduce existing diversity in note disclosures and to more effectively meet financial statement user needs.

Status:

Added to Research Agenda: April 2015

- [Background](#)
- [Major Research Issues](#)
- [History](#)
- [Current Developments](#)
- [Research Work Plan](#)
- [Consultative Group](#)
- [Project staff:](#)
  - [Jialan Su](#)
  - [Scott Anderson](#)
  - [Janeen Hathcock](#)
  - [Cameron Rosenecker](#)
  - [Elizabeth Frazier](#)

### GOING CONCERN DISCLOSURES—PROJECT PLAN

Background: GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*, incorporated into the GASB authoritative literature accounting and financial reporting guidance on three issues—related party transactions, subsequent events, and going concern considerations—presented in the American Institute of Certified Public Accountants’ (AICPA) Statements on Auditing Standards (SAS). The going concern guidance was found in U.S. Auditing Standards (AU) Section 341, *The Auditor’s Consideration of an Entity’s Ability to Continue as a Going Concern*.

The note disclosure requirements related to going concern were incorporated into the GASB’s literature basically “as is.” That guidance was issued by the AICPA in 1988.

The Board discussed issues associated with inconsistencies found in practice in the application of going concern guidance with the AICPA’s State and Local Government Expert Panel. Moreover, the Board discussed with the AICPA’s Audit Issues Task Force (AITF) whether there is a gap between what financial statement users discern from going concern disclosures (for example, a conclusion that the government will cease to exist as a legal entity) and the actual information needed by those users (that is, for the disclosures to identify severe financial stress). At the latter meeting, members of the AITF

expressed interest in working with the GASB to address how to close this gap.

In June 2014, the GASB awarded a Gil Crain Memorial Research Grant to fund research on the experience with auditors issuing going concern opinions on state and local governments. The final report on that research was received in August 2015. In September 2015, the GASB awarded a Crain research grant to fund research on government dissolutions. The final report on that research was received in November 2016. Lastly, in June 2016, the GASB awarded a Crain research grant to fund a comprehensive statistical analysis of the predictive power of commonly used indicators of severe financial stress. The results of the Crain research will supplement the research activities being conducted by the GASB staff.

This pre-agenda research activity was ranked with the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC in 2021.

Major Research Issues: The research would consider the relevance of the existing going concern standards to state and local governments. Specifically, the research is considering the following issues:

- Are the current going concern indicators presented in note disclosure guidance appropriate for state and local governments, in light of the fact that, even under severe financial stress, few governments cease to operate even when encountering such indicators?
- What other criteria might better achieve the objective of disclosing severe financial stress uncertainties with respect to governments?
- What information do financial statement users need with respect to the disclosure of severe financial stress uncertainties?

History:

- Pre-agenda research approved: April 2015
- Consultative group appointed? Yes

Current Developments: The staff continued to extract data from the financial statements of governments that have experienced events of fiscal stress. Using that data, the staff began to build formulas for ratios to be calculated and analyzed in six categories: liquidity, financial position, solvency, debt burden, liability burden, and demographic and economic trends. External researchers continued a complementary statistical analysis funded with a Crain Grant.

Research Work Plan: The plan for the pre-agenda research includes the following activities:

Board Meetings

Research Activities

June–July 2021:

Continue to conduct complementary statistical analyses; financial statement analyses of governments that have experienced bankruptcy or significant bond defaults; begin drafting research memorandum.

September 2021:

Meet with consultative group, if appropriate.

October 11, 2021:

Discuss research memorandum with the Board.



## PROJECT PAGES

### Interim Financial Reporting

Research Description: The objectives of this pre-agenda research are (1) to evaluate the importance of financial reporting in conformity with generally accepted accounting principles (GAAP) for a period less than a year—for instance, monthly, quarterly, or semiannually—to users of financial statements and (2) to assess the need for specific guidance related to such interim financial reports. The research will collect the information necessary for the Board to determine whether guidance is needed and, if so, to develop related standards.

Status:

Added to Research Agenda: August 2019

- › [Background](#)
- › [Major Research Issues](#)
- › [History](#)
- › [Current Developments](#)
- › [Research Work Plan](#)
- › [Project staff:](#)
  - [Emily Paul](#) (consultant)
  - [Deborah Beams](#)
  - [Cameron Rosenecker](#)
  - [Melody Morales](#)

### INTERIM FINANCIAL REPORTING—PROJECT PLAN

Background: References to interim financial reporting in existing standards are limited to the following paragraphs from NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, as amended by GASB Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*:

Appropriate interim budgetary reports should be prepared during the fiscal period to facilitate management control and legislative oversight of governmental fund financial operations. Such reports are important both to revenue and expenditure control processes and to facilitate timely planning and budgetary revisions. [NCGAS 1, ¶93]

Financial statements and schedules are derived from the accounts and related records. Interim financial statements cover periods of less than one year (e.g., a month or quarter) and traditionally have been prepared primarily for internal use. Annual financial statements are prepared for each fiscal year to serve information needs of both internal and external users. [NCGAS 1, ¶130]

Interim financial reports are comprised principally of statements that reflect current financial position at the end of a month or quarter and compare actual financial results with budgetary estimates and limitations, for the month or quarter and/or for the year to date. Interim reports typically are prepared primarily for internal use. Thus, they usually are prepared on the budgetary basis and often do not include statements reporting general capital assets or general

long-term debt. Further, they may properly contain budgetary or cash flow projections and other information deemed pertinent to effective management control during the year. [NCGAS 1, ¶133, as amended by GASBS 34, ¶80]

The key criteria by which internal interim reports are evaluated are their relevance and usefulness for purposes of management control, which include planning future operations as well as evaluating current financial status and results to date. Continual efforts should be made to assure that accounting and related interim information properly serve management control needs. Because managerial styles and perceived information needs vary widely, however, appropriate internal interim reporting is largely a matter of professional judgment rather than one to be set forth in detail here. [NCGAS 1, ¶134]

In the course of developing Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, the Board considered incorporating APB Opinion 28, *Interim Financial Reporting* (now *Accounting Standards Codification*® 270, Interim Reporting). The preceding paragraphs from the GASB literature set forth general principles regarding the use of interim financial reporting by governments and the purpose of such reporting. The FASB and AICPA pronouncements that address interim financial reporting, however, provide *specific* guidance on the application of accounting principles and practices in financial reports prepared for periods less than one year.

The Board concluded, therefore, that the prescriptive nature of the provisions in APB Opinion 28 and related pronouncements conflicts with the general principles established in NCGA Statement 1. As a result, the Board decided to not to incorporate those FASB and AICPA provisions into the GASB literature. Instead, a potential standards-setting topic on interim financial reporting was added to the technical plan in April 2011.

At present, no government-specific guidance is available for GAAP financial reporting for periods less than a full fiscal year. Although the effective date provisions of most GASB pronouncements specify that the standards are applicable to periods, rather than only full years, those pronouncements do not provide guidance regarding how to apply the standards to periods of less than a year. Interim financial reporting by general purpose governments based on GAAP is relatively infrequent; however, certain business-type activities such as public hospitals often prepare quarterly financial statements.

This pre-agenda research activity was ranked with the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC in 2021. This pre-agenda research activity was ranked with the highest in priority among all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC in 2021.

Major Research Issues: The following issues will be considered:

1. What is current practice with respect to interim financial reporting and how has it changed since the descriptions in NCGA Statement 1 were developed?
2. Do interim GAAP financial reports of general purpose governments or business-type activities provide users with information that is valuable for making decisions and assessing accountability?
3. Should specific recognition and measurement standards be developed for interim GAAP reporting?
4. Should separate reporting entity standards be developed for interim GAAP reporting?

History:

- Pre-agenda research approved: August 2019
- Consultative group appointed? No

Current Developments: The project staff continues to conduct interviews with preparers who indicated in the preparer survey that they engage in interim financial reporting.

Research Work Plan: The plan for the pre-agenda research includes the following activities:

Board Meetings

Research Activities

July 2021:

Continue to interview preparers; conduct any necessary follow-up.

August–November  
2021:

Analyze results of research and draft research memorandum.

November 22, 2021:

Discuss research memorandum with the Board.



## PROJECT PAGES

### Nonfinancial Assets

**Research Description:** The initial objective of this pre-agenda research is to determine what effect the nonfinancial asset classification has had on financial reporting, including how it has been interpreted and applied by governments and whether it is a valuable distinction for users of financial statements. If it is determined that additional guidance on nonfinancial assets is needed, another objective will be to consider how the existing accounting and financial reporting standards could be improved.

**Status:** Added to Research Agenda: August 2020

- › [Background](#)
- › [Major Research Issues](#)
- › [Project History](#)
- › [Current Developments](#)
- › [Research Work Plan](#)
- › [Project staff:](#)
  - [Scott Anderson](#)
  - [Erin McKenzie](#)
  - [Sean Stiso](#)

### NONFINANCIAL ASSETS—PROJECT PLAN

**Background:** The origin of the term *nonfinancial asset* in the GASB literature is found in Concepts Statement No. 1, *Objectives of Financial Reporting*. Concepts Statement 1 introduces the term *nonfinancial resource* in paragraph 79 to describe one of the objectives of financial reporting:

*Financial reporting should assist users in assessing the level of services that can be provided by the governmental entity and its ability to meet its obligations as they become due.*

- › *Financial reporting should provide information about the financial position and condition of a governmental entity. Financial reporting should provide information about resources and obligations, both actual and contingent, current and noncurrent. The major financial resources of most governmental entities are derived from the ability to tax and issue debt. As a result, financial reporting should provide information about tax sources, tax limitations, tax burdens, and debt limitations.*
- › *Financial reporting should provide information about a governmental entity's physical and other nonfinancial resources having useful lives that extend beyond the current year, including information that can be used to assess the service potential of those resources. This information should be presented to help users assess long- and short-term capital needs. . . . [Underline added for emphasis.]*

Although nonfinancial resources also were mentioned in the Basis for Conclusions of Concepts Statement 1, the term was not defined or further described.

The term *nonfinancial asset* was introduced in Statement No. 72, *Fair Value Measurement and Application*, as amended, to address how to approach fair value measurement for assets other than investments. Paragraph 55 of Statement 72 provides an example of nonfinancial assets in the overall



discussion of highest and best use:

If an accounting standard requires the application of fair value to a nonfinancial asset (for example, real property), the fair value measurement takes into account a market participant's ability to generate resources by using the asset according to its highest and best use. . .

The extensive discussion about highest and best use in Statement 72, as amended, could imply that the category of nonfinancial assets is an asset grouping broader than capital assets.

The term *nonfinancial asset* was neither defined in the Glossary nor specifically addressed in the Basis for Conclusions of Statement 72; however, *financial asset* was defined in the Glossary:

Cash, evidence of an ownership interest in an entity, or a contract that conveys to one entity a right to do either of the following:

- Receive cash or another financial instrument from a second entity
- Exchange other financial instruments on potentially favorable terms with the second entity (for example, an option).

The ambiguity between capital assets and what became the nonfinancial assets classification began with Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended. Statement 34 describes capital assets in paragraph 19, as amended:

...[L]and, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. . . [Underline added for emphasis. Footnotes omitted.]

The reference to intangible assets was added to address capital leases. Specific guidance for intangible assets such as computer software was not provided in GASB literature at that time. The inclusion of intangible assets in the capital assets definition did generate comments during due process because of concerns that the reference would be applied beyond capital leases; however, the Board did not modify the provision, again because of the lack of guidance in GASB literature (that is, there was no specific GASB literature addressing intangibles at that time other than the standards related to leases).

This issue of classification was faced by the Board again in Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended. The classification of intangible assets was specifically addressed in paragraph 5 of Statement 51: "All intangible assets subject to the provisions of this Statement should be classified as capital assets." However, the provisions in paragraph 3 of Statement 51, as amended, made it clear that Statement 51 addresses all intangible assets except for investments (paragraph 3a) and leases (paragraph 3b). (It also excluded goodwill in paragraph 3c; however, it should be noted that this provision was superseded by Statement No. 69, *Government Combinations and Disposals of Government Operations*.)

The rationale for the classification of intangibles in the scope of Statement 51 as capital assets was not specifically addressed in the Basis for Conclusions of that Statement but rather was based on the capital asset description in Statement 34. Furthermore, paragraph 2 of Statement 51, which describes the characteristics of intangible assets, discusses their nonfinancial nature as follows:

In the context of this Statement, an asset with a nonfinancial nature is one that is not in a monetary form similar to cash and investments securities, and it represents neither a claim or a right to assets in a monetary form similar to receivables, nor a prepayment for goods or services.

The definition of a lease in Statement No. 87, *Leases*, also includes a reference to nonfinancial assets.

Paragraph 4 of Statement 87 states:

For purposes of applying this Statement, a lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. [Footnote omitted.]

Paragraph B7 of the Basis for Conclusions of Statement 87 provides insight into the Board's intent with regard to the use of the term nonfinancial asset in the definition of a lease, as follows:

The definition also is expanded to apply to nonfinancial assets rather than only capital assets. The broader definition allows for the possibility of other types of assets to be leased. However, the Board excluded financial assets from the definition so that, for example, securities lending and similar activities would not be subject to this Statement.

As previously mentioned, the Board's perceived intent was to convey that nonfinancial assets is a broader classification than capital assets.

Major Research Issues: The following issues would be considered:

- Should intangible assets associated with other intangible assets (for example, software in the scope of Statement No. 96, *Subscription-Based Information Technology Arrangements*) and intangible assets associated with tangible assets (for example, leases within the scope of Statement 87 and public-private partnerships in the scope of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*) continue to be classified as capital assets?
- Should intangible assets addressed in Statement 51 (for example, internally generated software) continue to be classified as capital assets? If so, should the terms include a reference to capital assets in the financial statements (for example, nonfinancial assets, including capital assets)?
- Should other types of assets (for example, capital assets held for resale, patents, copyrights) be classified as nonfinancial assets versus being classified as capital assets?
- Does the nonfinancial assets classification communicate information that users need to make decisions or assess accountability? Is it important to users to receive information that distinguishes capital assets from other nonfinancial assets?

This pre-agenda research activity was ranked in the top third of all pre-agenda research activities, monitoring activities, and potential topics by members of the GASAC during their discussion of technical plan priorities in April 2021.

Project History:

- Pre-agenda research proposed: August 2020
- Consultative group appointed? No

Current Developments: The staff completed the collection of archival data and conducted a user survey to better understand user information needs.

Research Work Plan:

Board meetings

Research activities

July 2021:

Discuss research memorandum with the Board.



WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|  | Changes from Old Reporting Model to New Model |                             |                  | New Model<br>Other<br>Governmental<br>Funds | Changes          |
|--|---|-----------------------------|------------------|---|------------------|
|  | Old Model<br>Other<br>Governmental<br>Funds   | Transfers<br>Classification | Intergov<br>DIOR |   |                  |
| <b>Inflows of Short-Term Financial Resources</b>                               |   |                             |                  |   |                  |
| <b>for Current Activities:</b>   |   |                             |                  |   |                  |
| Property and Other Local Taxes   | \$ -  | \$ -                        | \$ -             | \$ -  | \$ -             |
| Intergovernmental  | 6,080,832                                     | -                           | (180,053)        | 5,900,779                                   | (180,053)        |
| Investment Income  | 21,248  | -                           | -                | 21,248                                      | -                |
| Tuition and Fees   | 367,298                                       | -                           | -                | 367,298                                     | -                |
| Co-curricular Activities   | 824,689                                       | -                           | -                | 824,689                                     | -                |
| Customer Sales and Services  | 1,962,216                                     | -                           | -                | 1,962,216                                   | -                |
| Other  | 48,293  | -                           | -                | 48,293                                      | -                |
| Proceeds from Sale of Capital Assets   | -   | -                           | -                | -   | -                |
| Transfers In   | -   | 6,351                       | -                | 6,351                                       | 6,351            |
| <b>Total Inflows of Short-term Financial Resources for Current Activities</b>  | <b>9,304,576</b>                              | <b>6,351</b>                | <b>(180,053)</b> | <b>9,130,874</b>                            | <b>(173,702)</b> |
| <b>Outflows of Short-Term Financial Resources for Current Activities:</b>      |   |                             |                  |   |                  |
| <b>Current:</b>  |   |                             |                  |   |                  |
| <b>Instruction:</b>  |   |                             |                  |   |                  |
| Regular  | 305,899                                       | -                           | -                | 305,899                                     | -                |
| Special  | 2,307,001                                     | -                           | -                | 2,307,001                                   | -                |
| Vocational   | 33,963  | -                           | -                | 33,963                                      | -                |
| Other  | -   | -                           | -                | -   | -                |
| <b>Support services:</b>   |   |                             |                  |   |                  |
| Pupils   | 496,349                                       | -                           | -                | 496,349                                     | -                |
| Instructional Staff  | 289,424                                       | -                           | -                | 289,424                                     | -                |
| Board of Education   | -   | -                           | -                | -   | -                |
| Administration   | -   | -                           | -                | -   | -                |
| Business   | -   | -                           | -                | -   | -                |
| Operation and Maintenance of Plant   | 86,222  | -                           | -                | 86,222                                      | -                |
| Pupil Transportation   | 2,064   | -                           | -                | 2,064                                       | -                |
| Central  | 32,400  | -                           | -                | 32,400                                      | -                |
| Food Service Operations  | 3,343,807                                     | -                           | -                | 3,343,807                                   | -                |
| Community Services   | 936,270                                       | -                           | -                | 936,270                                     | -                |
| Co-curricular Student Activities   | 729,194                                       | -                           | -                | 729,194                                     | -                |
| Transfers Out  | -   | -                           | -                | -   | -                |
| <b>Total Outflows of Short-Term Financial Resources for Current Activities</b> | <b>8,562,593</b>                              | <b>-</b>                    | <b>-</b>         | <b>8,562,593</b>                            | <b>-</b>         |
| <b>Net Flows of Short-Term Financial Resources for Current Activities</b>      | <b>741,983</b>                                | <b>6,351</b>                | <b>(180,053)</b> | <b>568,281</b>                              | <b>(173,702)</b> |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities:</b>  |   |                             |                  |   |                  |
| Transfers In   | 6,351   | (6,351)                     | -                | -   | (6,351)          |
| Capital Outlay   | (94,612)                                      | -                           | -                | (94,612)                                    | -                |
| <b>Debt service:</b>   |   |                             |                  |   |                  |
| Principal  | -   | -                           | -                | -   | -                |
| Interest   | -   | -                           | -                | -   | -                |
| Transfers Out  | -   | -                           | -                | -   | -                |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities</b>   | <b>(88,261)</b>                               | <b>(6,351)</b>              | <b>-</b>         | <b>(94,612)</b>                             | <b>(6,351)</b>   |
| <b>Net Change in Short-Term Financial Resources Fund Balances</b>              | <b>653,722</b>                                | <b>-</b>                    | <b>(180,053)</b> | <b>473,669</b>                              | <b>(180,053)</b> |
| Short-Term Financial Resources Fund Balances Beginning of Year, As Restated    | 2,207,427                                     | -                           | 547,970          | 2,755,397                                   | 547,970          |
| Short-Term Financial Resources Fund Balances End of Year                       | \$ 2,861,149                                  | \$ -                        | \$ 367,917       | \$ 3,229,066                                | \$ 367,917       |

WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|  | Changes from Old Reporting Model to New Model |             |             |             |             |             |             |             |             |                     |             |
|--|---|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|---------------------|-------------|
|  | Old Model                                     |             |             |             |             | New Model   |             |             |             |                     |             |
|  | Building Fund                                 | No effect   |             |             |             |             |             |             |             | Building Fund       | Changes     |
| <b>Inflows of Short-Term Financial Resources for Current Activities:</b>           |   |             |             |             |             |             |             |             |             |                     |             |
| Property and Other Local Taxes   | \$ -  | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ -                | \$ -        |
| Intergovernmental  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Investment Income  | 102,329                                       | -           | -           | -           | -           | -           | -           | -           | -           | 102,329             | -           |
| Tuition and Fees   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Co-curricular Activities   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Customer Sales and Services  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Other  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Proceeds from Sale of Capital Assets   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Transfers In   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Inflows of Short-term Financial Resources for Current Activities</b>      | <b>102,329</b>                                | -           | -           | -           | -           | -           | -           | -           | -           | <b>102,329</b>      | -           |
| <b>Outflows of Short-Term Financial Resources for Current Activities:</b>          |   |             |             |             |             |             |             |             |             |                     |             |
| <b>Current:</b>  |   |             |             |             |             |             |             |             |             |                     |             |
| <b>Instruction:</b>  |   |             |             |             |             |             |             |             |             |                     |             |
| Regular  | 319,496                                       | -           | -           | -           | -           | -           | -           | -           | -           | 319,496             | -           |
| Special  | 7,254   | -           | -           | -           | -           | -           | -           | -           | -           | 7,254               | -           |
| Vocational   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Other  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| <b>Support services:</b>   |   |             |             |             |             |             |             |             |             |                     |             |
| Pupils   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Instructional Staff  | 82,849  | -           | -           | -           | -           | -           | -           | -           | -           | 82,849              | -           |
| Board of Education   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Administration   | 999   | -           | -           | -           | -           | -           | -           | -           | -           | 999                 | -           |
| Business   | 2,565   | -           | -           | -           | -           | -           | -           | -           | -           | 2,565               | -           |
| Operation and Maintenance of Plant   | 657,073                                       | -           | -           | -           | -           | -           | -           | -           | -           | 657,073             | -           |
| Pupil Transportation   | 15,040  | -           | -           | -           | -           | -           | -           | -           | -           | 15,040              | -           |
| Central  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Food Service Operations  | 4,907   | -           | -           | -           | -           | -           | -           | -           | -           | 4,907               | -           |
| Community Services   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Co-curricular Student Activities   | 58,789  | -           | -           | -           | -           | -           | -           | -           | -           | 58,789              | -           |
| Transfers Out  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Outflows of Short-Term Financial Resources for Current Activities</b>     | <b>1,148,972</b>                              | -           | -           | -           | -           | -           | -           | -           | -           | <b>1,148,972</b>    | -           |
| <b>Net Flows of Short-Term Financial Resources for Current Activities</b>          | <b>(1,046,643)</b>                            | -           | -           | -           | -           | -           | -           | -           | -           | <b>(1,046,643)</b>  | -           |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities:</b>      |   |             |             |             |             |             |             |             |             |                     |             |
| Transfers In   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Capital Outlay   | (2,412,864)                                   | -           | -           | -           | -           | -           | -           | -           | -           | (2,412,864)         | -           |
| Debt service:  |   |             |             |             |             |             |             |             |             |                     |             |
| Principal  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Interest   | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| Transfers Out  | -   | -           | -           | -           | -           | -           | -           | -           | -           | -                   | -           |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities</b>       | <b>(2,412,864)</b>                            | -           | -           | -           | -           | -           | -           | -           | -           | <b>(2,412,864)</b>  | -           |
| <b>Net Change in Short-Term Financial Resources Fund Balances</b>                  | <b>(3,459,507)</b>                            | -           | -           | -           | -           | -           | -           | -           | -           | <b>(3,459,507)</b>  | -           |
| <b>Short-Term Financial Resources Fund Balances Beginning of Year, As Restated</b> | <b>8,667,865</b>                              | -           | -           | -           | -           | -           | -           | -           | -           | <b>8,667,865</b>    | -           |
| <b>Short-Term Financial Resources Fund Balances End of Year</b>                    | <b>\$ 5,208,358</b>                           | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 5,208,358</b> | <b>\$ -</b> |



WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|  | Old Model<br>Debt<br>Service<br>Fund | Changes from Old Reporting Model to New Model |                                    |                                     |                 |                                | New Model<br>Debt<br>Service<br>Fund | Changes             |                       |
|--|--------------------------------------|---|------------------------------------|-------------------------------------|-----------------|--------------------------------|--------------------------------------|---------------------|-----------------------|
|  |                                      | PT Available<br>for Advance<br>Now DIOR       | Property Tax<br>Delinquent<br>DIOR | Property Tax<br>Settlements<br>DIOR | A/R<br>DIOR     | Interest<br>Payable<br>Accrued |                                      |                     |                       |
| <b>Inflows of Short-Term Financial Resources</b>                                   |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| <b>for Current Activities:</b>   |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Property and Other Local Taxes   | \$ 7,019,611                         | \$ (2,498,000)                                | \$ (11,494)                        | \$ 36,566                           | \$ -            | \$ -                           | \$ -                                 | \$ 4,546,683        | \$ (2,472,928)        |
| Intergovernmental  | 881,114                              | -   | -                                  | -                                   | -               | -                              | -                                    | 881,114             | -                     |
| Investment Income  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Tuition and Fees   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Co-curricular Activities   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Customer Sales and Services  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Other  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Proceeds from Sale of Capital Assets   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Transfers In   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| <b>Total Inflows of Short-Term Financial Resources for Current Activities</b>      | <b>7,900,725</b>                     | <b>(2,498,000)</b>                            | <b>(11,494)</b>                    | <b>36,566</b>                       | <b>-</b>        | <b>-</b>                       | <b>-</b>                             | <b>5,427,797</b>    | <b>(2,472,928)</b>    |
| <b>Outflows of Short-Term Financial Resources for Current Activities:</b>          |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| <b>Current:</b>  |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| <b>Instruction:</b>  |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Regular  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Special  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Vocational   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Other  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| <b>Support services:</b>   |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Pupils   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Instructional Staff  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Board of Education   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Administration   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Business   | 96,608                               | -   | -                                  | -                                   | -               | -                              | -                                    | 96,608              | -                     |
| Operation and Maintenance of Plant   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Pupil Transportation   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Central  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Food Service Operations  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Community Services   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Co-curricular Student Activities   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| Transfers Out  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| <b>Total Outflows of Short-Term Financial Resources for Current Activities</b>     | <b>96,608</b>                        | <b>-</b>                                      | <b>-</b>                           | <b>-</b>                            | <b>-</b>        | <b>-</b>                       | <b>-</b>                             | <b>96,608</b>       | <b>-</b>              |
| <b>Net Flows of Short-Term Financial Resources for Current Activities</b>          | <b>7,804,117</b>                     | <b>(2,498,000)</b>                            | <b>(11,494)</b>                    | <b>36,566</b>                       | <b>-</b>        | <b>-</b>                       | <b>-</b>                             | <b>5,331,189</b>    | <b>(2,472,928)</b>    |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities:</b>      |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Transfers In   | 2,803,326                            | -   | -                                  | -                                   | -               | -                              | -                                    | 2,803,326           | -                     |
| Capital Outlay   | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| <b>Debt service:</b>   |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Principal  | (7,615,108)                          | -   | -                                  | -                                   | -               | -                              | -                                    | (7,615,108)         | -                     |
| Interest   | (2,045,415)                          | -   | -                                  | -                                   | -               | 19,825                         | -                                    | (2,025,590)         | 19,825                |
| Transfers Out  | -                                    | -   | -                                  | -                                   | -               | -                              | -                                    | -                   | -                     |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities</b>       | <b>(6,857,197)</b>                   | <b>-</b>                                      | <b>-</b>                           | <b>-</b>                            | <b>-</b>        | <b>19,825</b>                  | <b>-</b>                             | <b>(6,837,372)</b>  | <b>19,825</b>         |
| <b>Net Change in Short-Term Financial Resources Fund Balances</b>                  | <b>946,920</b>                       | <b>(2,498,000)</b>                            | <b>(11,494)</b>                    | <b>36,566</b>                       | <b>-</b>        | <b>19,825</b>                  | <b>-</b>                             | <b>(1,506,183)</b>  | <b>(2,453,103)</b>    |
| <b>Short-Term Financial Resources Fund Balances Beginning of Year, As Restated</b> |                                      |   |                                    |                                     |                 |                                |                                      |                     |                       |
| Short-Term Financial Resources Fund Balances End of Year                           | 6,490,382                            | -   | 193,212                            | -                                   | 6,800           | (203,657)                      | -                                    | 6,486,737           | (3,645)               |
| <b>Short-Term Financial Resources Fund Balances End of Year</b>                    | <b>\$ 7,437,302</b>                  | <b>\$ (2,498,000)</b>                         | <b>\$ 181,718</b>                  | <b>\$ 36,566</b>                    | <b>\$ 6,800</b> | <b>\$ (183,832)</b>            | <b>\$ -</b>                          | <b>\$ 4,980,554</b> | <b>\$ (2,456,748)</b> |

**WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY**

**STATEMENT OF SHORT-TERM FINANCIAL RESOURCE FLOWS  
GOVERNMENTAL FUNDS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|  | Old Model          | Changes from Old Reporting Model to New Model |                                   |                              |                               |                  |               | New Model        | Changes             |                     |
|--|--------------------|---|-----------------------------------|------------------------------|-------------------------------|------------------|---------------|------------------|---------------------|---------------------|
|  | General Fund       | Transfers Classification                      | PT Available for Advance Now DIOR | Property Tax Delinquent DIOR | Property Tax Settlements DIOR | Intergov DIOR    | Interest DIOR | A/R DIOR         |                     | General Fund        |
| <b>Inflows of Short-Term Financial Resources for Current Activities:</b>       |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Property and Other Local Taxes   | \$ 100,496,699     | \$ -  | \$(35,750,000)                    | \$ (307,011)                 | \$ 572,873                    | \$ -             | \$ -          | \$ -             | \$ 65,012,561       | \$(35,484,138)      |
| Intergovernmental  | 33,921,509         | -   | -                                 | -                            | -                             | (300,377)        | -             | -                | 33,621,132          | (300,377)           |
| Investment Income  | 715,425            | -   | -                                 | -                            | -                             | -                | 91,946        | -                | 807,371             | 91,946              |
| Tuition and Fees   | 1,905,450          | -   | -                                 | -                            | -                             | -                | -             | -                | 1,905,450           | -                   |
| Co-curricular Activities   | 132,472            | -   | -                                 | -                            | -                             | -                | -             | -                | 132,472             | -                   |
| Customer Sales and Services  | 530,405            | -   | -                                 | -                            | -                             | -                | -             | -                | 530,405             | -                   |
| Other  | 1,200,703          | -   | -                                 | -                            | -                             | -                | -             | -                | 1,200,703           | -                   |
| Proceeds from Sale of Capital Assets   | 5,447              | -   | -                                 | -                            | -                             | -                | -             | -                | 5,447               | -                   |
| Transfers In   | -                  | -   | -                                 | -                            | -                             | -                | -             | -                | -                   | -                   |
| <b>Total Inflows of Short-Term Financial Resources for Current Activities</b>  | <b>138,908,110</b> | <b>-</b>                                      | <b>(35,750,000)</b>               | <b>(307,011)</b>             | <b>572,873</b>                | <b>(300,377)</b> | <b>91,946</b> | <b>-</b>         | <b>103,215,541</b>  | <b>(35,692,569)</b> |
| <b>Outflows of Short-Term Financial Resources for Current Activities:</b>      |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Instruction:   |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Regular  | 61,836,027         | -   | -                                 | -                            | -                             | -                | -             | -                | 61,836,027          | -                   |
| Special  | 15,985,600         | -   | -                                 | -                            | -                             | -                | -             | -                | 15,985,600          | -                   |
| Vocational   | 811,980            | -   | -                                 | -                            | -                             | -                | -             | 247,817          | 1,059,797           | 247,817             |
| Other  | 255,137            | -   | -                                 | -                            | -                             | -                | -             | -                | 255,137             | -                   |
| Support services:  |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Pupils   | 7,830,234          | -   | -                                 | -                            | -                             | -                | -             | -                | 7,830,234           | -                   |
| Instructional Staff  | 5,778,652          | -   | -                                 | -                            | -                             | -                | -             | -                | 5,778,652           | -                   |
| Board of Education   | 32,994             | -   | -                                 | -                            | -                             | -                | -             | -                | 32,994              | -                   |
| Administration   | 9,610,615          | -   | -                                 | -                            | -                             | -                | -             | -                | 9,610,615           | -                   |
| Business   | 4,033,448          | -   | -                                 | -                            | -                             | -                | -             | -                | 4,033,448           | -                   |
| Operation and Maintenance of Plant   | 12,129,050         | -   | -                                 | -                            | -                             | -                | -             | -                | 12,129,050          | -                   |
| Pupil Transportation   | 5,089,415          | -   | -                                 | -                            | -                             | -                | -             | -                | 5,089,415           | -                   |
| Central  | 1,510,629          | -   | -                                 | -                            | -                             | -                | -             | -                | 1,510,629           | -                   |
| Food Service Operations  | -                  | -   | -                                 | -                            | -                             | -                | -             | -                | -                   | -                   |
| Community Services   | 918,937            | -   | -                                 | -                            | -                             | -                | -             | -                | 918,937             | -                   |
| Co-curricular Student Activities   | 2,211,898          | -   | -                                 | -                            | -                             | -                | -             | -                | 2,211,898           | -                   |
| Transfers Out  | -                  | 6,351   | -                                 | -                            | -                             | -                | -             | -                | 6,351               | 6,351               |
| <b>Total Outflows of Short-Term Financial Resources for Current Activities</b> | <b>128,034,616</b> | <b>6,351</b>                                  | <b>-</b>                          | <b>-</b>                     | <b>-</b>                      | <b>-</b>         | <b>-</b>      | <b>247,817</b>   | <b>128,288,784</b>  | <b>254,168</b>      |
| <b>Net Flows of Short-Term Financial Resources for Current Activities</b>      | <b>10,873,494</b>  | <b>(6,351)</b>                                | <b>(35,750,000)</b>               | <b>(307,011)</b>             | <b>572,873</b>                | <b>(300,377)</b> | <b>91,946</b> | <b>(247,817)</b> | <b>(25,073,243)</b> | <b>(35,946,737)</b> |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities:</b>  |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Transfers In   | -                  | -   | -                                 | -                            | -                             | -                | -             | -                | -                   | -                   |
| Capital Outlay   | (203,113)          | -   | -                                 | -                            | -                             | -                | -             | -                | (203,113)           | -                   |
| Debt service:  |                    |   |                                   |                              |                               |                  |               |                  |                     |                     |
| Principal  | -                  | -   | -                                 | -                            | -                             | -                | -             | -                | -                   | -                   |
| Interest   | -                  | -   | -                                 | -                            | -                             | -                | -             | -                | -                   | -                   |
| Transfers Out  | (2,809,677)        | 6,351   | -                                 | -                            | -                             | -                | -             | -                | (2,803,326)         | 6,351               |
| <b>Net Flows of Short-Term Financial Resources for Noncurrent Activities</b>   | <b>(3,012,790)</b> | <b>6,351</b>                                  | <b>-</b>                          | <b>-</b>                     | <b>-</b>                      | <b>-</b>         | <b>-</b>      | <b>-</b>         | <b>(3,006,439)</b>  | <b>6,351</b>        |
| <b>Net Change in Short-Term Financial Resources Fund Balances</b>              | <b>7,860,704</b>   | <b>-</b>                                      | <b>(35,750,000)</b>               | <b>(307,011)</b>             | <b>572,873</b>                | <b>(300,377)</b> | <b>91,946</b> | <b>(247,817)</b> | <b>(28,079,682)</b> | <b>(35,940,386)</b> |
| Short-Term Financial Resources Fund Balances Beginning of Year, As Restated    | 116,960,538        | -   | -                                 | 2,908,099                    | -                             | 517,281          | 179,918       | 247,817          | 120,813,653         | 3,853,115           |
| Short-Term Financial Resources Fund Balances End of Year                       | \$ 124,821,242     | \$ -  | \$(35,750,000)                    | \$ 2,601,088                 | \$ 572,873                    | \$ 216,904       | \$ 271,864    | \$ -             | \$ 92,733,971       | \$(32,087,271)      |

WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|   | Old Model           |                        | Changes from Old Reporting Model to New Model |             |             |             |             | New Model           |                          | Changes          |
|---|---------------------|------------------------|---|-------------|-------------|-------------|-------------|---------------------|--------------------------|------------------|
|   | Governmental Funds  | Eliminate Nonspendable | Intergov DIOR                                 |             |             |             |             | Governmental Funds  | Other Governmental Funds |                  |
| <b>Short-Term Assets:</b>   |                     |                        |   |             |             |             |             |                     |                          |                  |
| Cash and Investments  | \$ 3,243,652        | \$ -                   | \$ -  | \$ -        | \$ -        | \$ -        | \$ -        | \$ 3,243,652        | \$ -                     | \$ -             |
| Inventory   | 55,191              | -                      | -   | -           | -           | -           | -           | 55,191              | -                        | -                |
| Receivables, net  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Interfund Receivable  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Intergovernmental Receivable  | 611,135             | -                      | -   | -           | -           | -           | -           | 611,135             | -                        | -                |
| Prepaid Items   | 59,211              | -                      | -   | -           | -           | -           | -           | 59,211              | -                        | -                |
| <b>Total Short-Term Assets</b>  | <b>\$ 3,969,189</b> | <b>\$ -</b>            | <b>\$ -</b>                                   | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 3,969,189</b> | <b>\$ -</b>              | <b>\$ -</b>      |
| <b>Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:</b>       |                     |                        |   |             |             |             |             |                     |                          |                  |
| <b>Short-Term Liabilities:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Accounts Payable  | \$ 56,328           | \$ -                   | \$ -  | \$ -        | \$ -        | \$ -        | \$ -        | \$ 56,328           | \$ -                     | \$ -             |
| Accrued Liabilities   | 574,962             | -                      | -   | -           | -           | -           | -           | 574,962             | -                        | -                |
| Interfund Payable   | 20,000              | -                      | -   | -           | -           | -           | -           | 20,000              | -                        | -                |
| Intergovernmental Payable   | 88,833              | -                      | -   | -           | -           | -           | -           | 88,833              | -                        | -                |
| Accrued Interest Payable  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| <b>Total Short-Term Liabilities</b>   | <b>740,123</b>      | <b>-</b>               | <b>-</b>                                      | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>740,123</b>      | <b>-</b>                 | <b>-</b>         |
| <b>Deferred Inflows of Short-Term Financial Resources:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Unavailable Revenue   | 367,917             | -                      | (367,917)                                     | -           | -           | -           | -           | -                   | -                        | (367,917)        |
| Taxes Receivable Levied for the next year   | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| <b>Total Deferred Inflows of Short-Term Financial Resources</b>   | <b>367,917</b>      | <b>-</b>               | <b>(367,917)</b>                              | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>            | <b>-</b>                 | <b>(367,917)</b> |
| <b>Short-Term Financial Resources Fund Balances:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| <b>Nonspendable:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Inventory   | 55,191              | (55,191)               | -   | -           | -           | -           | -           | -                   | -                        | (55,191)         |
| Prepaid items   | 59,211              | (59,211)               | -   | -           | -           | -           | -           | -                   | -                        | (59,211)         |
| <b>Restricted for:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| <b>Debt Service:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Capital Outlay  | 712,440             | -                      | -   | -           | -           | -           | -           | 712,440             | -                        | -                |
| School Supplies   | 117,091             | -                      | -   | -           | -           | -           | -           | 117,091             | -                        | -                |
| Non-public Schools  | 215,637             | 3,359                  | -   | -           | -           | -           | -           | 218,996             | 3,359                    | -                |
| Other Purposes  | 1,342,583           | 102,336                | 194,008                                       | -           | -           | -           | -           | 1,638,927           | 296,344                  | -                |
| <b>Committed to:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Co-curricular Activities  | 533,975             | 8,707                  | -   | -           | -           | -           | -           | 542,682             | 8,707                    | -                |
| Budget Contingency  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| <b>Assigned for:</b>  |                     |                        |   |             |             |             |             |                     |                          |                  |
| Public School Support   | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Instruction   | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Support Services  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Other Purposes  | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Future Appropriations   | -                   | -                      | -   | -           | -           | -           | -           | -                   | -                        | -                |
| Unassigned  | (174,979)           | -                      | 173,909                                       | -           | -           | -           | -           | (1,070)             | 173,909                  | -                |
| <b>Total Short-Term Financial Resources Fund Balances</b>   | <b>2,861,149</b>    | <b>-</b>               | <b>367,917</b>                                | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>3,229,066</b>    | <b>367,917</b>           | <b>-</b>         |
| <b>Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances</b> | <b>\$ 3,969,189</b> | <b>\$ -</b>            | <b>\$ -</b>                                   | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 3,969,189</b> | <b>\$ -</b>              | <b>\$ -</b>      |

**WORTHINGTON CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
**SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|   | Old Model           |             | Changes from Old Reporting Model to New Model |             |             |             |             |             | New Model           |             |
|---|---------------------|-------------|---|-------------|-------------|-------------|-------------|-------------|---------------------|-------------|
|   | Building Fund       |             |   |             | No effect   |             |             |             | Building Fund       | Changes     |
| <b>Short-Term Assets:</b>   |                     |             |   |             |             |             |             |             |                     |             |
| Cash and Investments  | \$ 5,517,860        | \$ -        | \$ -  | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ 5,517,860        | \$ -        |
| Inventory   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Receivables, net  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Interfund Receivable  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Intergovernmental Receivable  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Prepaid Items   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Short-Term Assets</b>  | <b>\$ 5,517,860</b> | <b>\$ -</b> | <b>\$ -</b>                                   | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 5,517,860</b> | <b>\$ -</b> |
| <b>Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:</b>       |                     |             |   |             |             |             |             |             |                     |             |
| <b>Short-Term Liabilities:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Accounts Payable  | \$ 309,502          | \$ -        | \$ -  | \$ -        | \$ -        | \$ -        | \$ -        | \$ -        | \$ 309,502          | \$ -        |
| Accrued Liabilities   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Interfund Payable   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Intergovernmental Payable   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Accrued Interest Payable  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Short-Term Liabilities</b>   | <b>309,502</b>      | <b>-</b>    | <b>-</b>                                      | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>309,502</b>      | <b>-</b>    |
| <b>Deferred Inflows of Short-Term Financial Resources:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Unavailable Revenue   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Taxes Receivable Levied for the next year   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Deferred Inflows of Short-Term Financial Resources</b>   | <b>-</b>            | <b>-</b>    | <b>-</b>                                      | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>            | <b>-</b>    |
| <b>Short-Term Financial Resources Fund Balances:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| <b>Nonspendable:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Inventory   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Prepaid items   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Restricted for:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Debt Service  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Capital Outlay  | 5,208,358           | -           | -   | -           | -           | -           | -           | -           | 5,208,358           | -           |
| School Supplies   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Non-public Schools  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Other Purposes  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Committed to:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Co-curricular Activities  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Budget Contingency  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Assigned for:</b>  |                     |             |   |             |             |             |             |             |                     |             |
| Public School Support   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Instruction   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Support Services  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Other Purposes  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Future Appropriations   | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| Unassigned  | -                   | -           | -   | -           | -           | -           | -           | -           | -                   | -           |
| <b>Total Short-Term Financial Resources Fund Balances</b>   | <b>5,208,358</b>    | <b>-</b>    | <b>-</b>                                      | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>-</b>    | <b>5,208,358</b>    | <b>-</b>    |
| <b>Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances</b> | <b>\$ 5,517,860</b> | <b>\$ -</b> | <b>\$ -</b>                                   | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ -</b> | <b>\$ 5,517,860</b> | <b>\$ -</b> |

WORTHINGTON CITY SCHOOL DISTRICT  
FRANKLIN COUNTY

SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2018

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|   | Old Model            | Changes from Old Reporting Model to New Model |                              |                               |                |                          | New Model            | Changes            |
|---|----------------------|---|------------------------------|-------------------------------|----------------|--------------------------|----------------------|--------------------|
|   | Debt Service Fund    | PT Available for Advance Now DIOR             | Property Tax Delinquent DIOR | Property Tax Settlements DIOR | A/R DIOR       | Interest Payable Accrued | Debt Service Fund    |                    |
| <b>Short-Term Assets:</b>   |                      |   |                              |                               |                |                          |                      |                    |
| Cash and Investments  | \$ 4,884,246         | \$ -  | \$ -                         | \$ -                          | \$ -           | \$ -                     | \$ 4,884,246         | \$ -               |
| Inventory   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Receivables, net  | 6,085,705            | -   | -                            | -                             | -              | -                        | 6,085,705            | -                  |
| Interfund Receivable  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Intergovernmental Receivable  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Prepaid Items   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| <b>Total Short-Term Assets</b>  | <b>\$ 10,969,951</b> | <b>\$ -</b>                                   | <b>\$ -</b>                  | <b>\$ -</b>                   | <b>\$ -</b>    | <b>\$ -</b>              | <b>\$ 10,969,951</b> | <b>\$ -</b>        |
| <b>Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:</b>       |                      |   |                              |                               |                |                          |                      |                    |
| <b>Short-Term Liabilities:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Accounts Payable  | \$ -                 | \$ -  | \$ -                         | \$ -                          | \$ -           | \$ -                     | \$ -                 | \$ -               |
| Accrued Liabilities   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Interfund Payable   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Intergovernmental Payable   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Due to Fiduciary Fund   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Accrued Interest Payable  | -                    | -   | -                            | -                             | -              | 183,832                  | 183,832              | 183,832            |
| <b>Total Short-Term Liabilities</b>   | <b>-</b>             | <b>-</b>                                      | <b>-</b>                     | <b>-</b>                      | <b>-</b>       | <b>183,832</b>           | <b>183,832</b>       | <b>183,832</b>     |
| <b>Deferred Inflows of Short-Term Financial Resources:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Unavailable Revenue   | 188,518              | -   | (181,718)                    | -                             | (6,800)        | -                        | -                    | (188,518)          |
| Taxes Receivable Levied for the next year   | 3,344,131            | 2,498,000                                     | -                            | (36,566)                      | -              | -                        | 5,805,565            | 2,461,434          |
| <b>Total Deferred Inflows of Short-Term Financial Resources</b>   | <b>3,532,649</b>     | <b>2,498,000</b>                              | <b>(181,718)</b>             | <b>(36,566)</b>               | <b>(6,800)</b> | <b>-</b>                 | <b>5,805,565</b>     | <b>2,272,916</b>   |
| <b>Short-Term Financial Resources Fund Balances:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| <b>Nonspendable:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Inventory   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Prepaid items   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| <b>Restricted for:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Debt Service  | 7,437,302            | (2,498,000)                                   | 181,718                      | 36,566                        | 6,800          | (183,832)                | 4,980,554            | (2,456,748)        |
| Capital Outlay  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| School Supplies   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Non-public Schools  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Other Purposes  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| <b>Committed to:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Co-curricular Activities  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Budget Contingency  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| <b>Assigned for:</b>  |                      |   |                              |                               |                |                          |                      |                    |
| Public School Support   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Instruction   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Support Services  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Other Purposes  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Future Appropriations   | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| Unassigned  | -                    | -   | -                            | -                             | -              | -                        | -                    | -                  |
| <b>Total Short-Term Financial Resources Fund Balances</b>   | <b>7,437,302</b>     | <b>(2,498,000)</b>                            | <b>181,718</b>               | <b>36,566</b>                 | <b>6,800</b>   | <b>(183,832)</b>         | <b>4,980,554</b>     | <b>(2,456,748)</b> |
| <b>Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances</b> | <b>\$ 10,969,951</b> | <b>\$ -</b>                                   | <b>\$ -</b>                  | <b>\$ -</b>                   | <b>\$ -</b>    | <b>\$ -</b>              | <b>\$ 10,969,951</b> | <b>\$ -</b>        |



**WORTHINGTON CITY SCHOOL DISTRICT**  
**FRANKLIN COUNTY**  
**SHORT-TERM FINANCIAL RESOURCES BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**AS OF JUNE 30, 2018**

This financial statement presents a short-term view of governmental fund activities and reports items of a long-term nature differently from how they are reported in the government-wide financial statements.

|   | Old Model<br>General Fund | Changes from Old Reporting Model to New Model |                                     |                                    |                                     |                  |                  | New Model<br>General Fund | Changes             |
|---|---------------------------|---|-------------------------------------|------------------------------------|-------------------------------------|------------------|------------------|---------------------------|---------------------|
|   |                           | Eliminate<br>Nonspendable                     | PT Available<br>for Advance<br>DIOR | Property Tax<br>Delinquent<br>DIOR | Property Tax<br>Settlements<br>DIOR | Intergov<br>DIOR | Interest<br>DIOR |                           |                     |
| <b>Short-Term Assets:</b>   |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Cash and Investments  | \$ 101,627,788            | \$ -  | \$ -                                | \$ -                               | \$ -                                | \$ -             | \$ -             | \$ 101,627,788            | \$ -                |
| Inventory   | 76,599                    | -   | -                                   | -                                  | -                                   | -                | -                | 76,599                    | -                   |
| Receivables, net  | 95,510,266                | -   | -                                   | -                                  | -                                   | -                | -                | 95,510,266                | -                   |
| Interfund Receivable  | 17,700                    | -   | -                                   | -                                  | -                                   | -                | -                | 17,700                    | -                   |
| Intergovernmental Receivable  | 216,904                   | -   | -                                   | -                                  | -                                   | -                | -                | 216,904                   | -                   |
| Prepaid Items   | 1,168,038                 | -   | -                                   | -                                  | -                                   | -                | -                | 1,168,038                 | -                   |
| <b>Total Short-Term Assets</b>  | <b>\$ 198,617,295</b>     | <b>\$ -</b>                                   | <b>\$ -</b>                         | <b>\$ -</b>                        | <b>\$ -</b>                         | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 198,617,295</b>     | <b>\$ -</b>         |
| <b>Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources and Short-Term Financial Resources Fund Balances:</b>       |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| <b>Short-Term Liabilities:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Accounts Payable  | \$ 868,540                | \$ -  | \$ -                                | \$ -                               | \$ -                                | \$ -             | \$ -             | \$ 868,540                | \$ -                |
| Accrued Liabilities   | 10,391,412                | -   | -                                   | -                                  | -                                   | -                | -                | 10,391,412                | -                   |
| Interfund Payable   | 41,410                    | -   | -                                   | -                                  | -                                   | -                | -                | 41,410                    | -                   |
| Intergovernmental Payable   | 3,673,613                 | -   | -                                   | -                                  | -                                   | -                | -                | 3,673,613                 | -                   |
| Accrued Interest Payable  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| <b>Total Short-Term Liabilities</b>   | <b>14,974,975</b>         | <b>-</b>                                      | <b>-</b>                            | <b>-</b>                           | <b>-</b>                            | <b>-</b>         | <b>-</b>         | <b>14,974,975</b>         | <b>-</b>            |
| <b>Deferred Inflows of Short-Term Financial Resources:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Unavailable Revenue   | 3,089,856                 | -   | -                                   | (2,601,088)                        | -                                   | (216,904)        | (271,864)        | -                         | (3,089,856)         |
| Taxes Receivable Levied for the next year   | 55,731,222                | -   | 35,750,000                          | -                                  | (572,873)                           | -                | -                | 90,908,349                | 35,177,127          |
| <b>Total Deferred Inflows of Short-Term Financial Resources</b>   | <b>58,821,078</b>         | <b>-</b>                                      | <b>35,750,000</b>                   | <b>(2,601,088)</b>                 | <b>(572,873)</b>                    | <b>(216,904)</b> | <b>(271,864)</b> | <b>90,908,349</b>         | <b>32,087,271</b>   |
| <b>Short-Term Financial Resources Fund Balances:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| <b>Nonspendable:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Inventory   | 76,599                    | (76,599)                                      | -                                   | -                                  | -                                   | -                | -                | -                         | (76,599)            |
| Prepaid items   | 1,168,039                 | (1,168,039)                                   | -                                   | -                                  | -                                   | -                | -                | -                         | (1,168,039)         |
| <b>Restricted for:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Debt Service  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| Capital Outlay  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| School Supplies   | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| Non-public Schools  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| Other Purposes  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| <b>Committed to:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Co-curricular Activities  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| Budget Contingency  | 21,753,480                | -   | -                                   | -                                  | -                                   | -                | -                | 21,753,480                | -                   |
| Not Used  | -                         | -   | -                                   | -                                  | -                                   | -                | -                | -                         | -                   |
| <b>Assigned for:</b>  |                           |   |                                     |                                    |                                     |                  |                  |                           |                     |
| Public School Support   | 736,288                   | -   | -                                   | -                                  | -                                   | -                | -                | 736,288                   | -                   |
| Instruction   | 550,819                   | -   | -                                   | -                                  | -                                   | -                | -                | 550,819                   | -                   |
| Support Services  | 1,379,290                 | -   | -                                   | -                                  | -                                   | -                | -                | 1,379,290                 | -                   |
| Other Purposes  | 12,215                    | -   | -                                   | -                                  | -                                   | -                | -                | 12,215                    | -                   |
| Future Appropriations   | 31,194,695                | -   | (31,194,695)                        | -                                  | -                                   | -                | -                | -                         | (31,194,695)        |
| Unassigned  | 67,949,817                | 1,244,638                                     | (4,555,305)                         | 2,601,088                          | 572,873                             | 216,904          | 271,864          | 68,301,879                | 352,062             |
| <b>Total Short-Term Financial Resources Fund Balances</b>   | <b>124,821,242</b>        | <b>-</b>                                      | <b>(35,750,000)</b>                 | <b>2,601,088</b>                   | <b>572,873</b>                      | <b>216,904</b>   | <b>271,864</b>   | <b>92,733,971</b>         | <b>(32,087,271)</b> |
| <b>Total Short-Term Liabilities, Deferred Inflows of Short-Term Financial Resources, and Short-Term Financial Resources Fund Balances</b> | <b>\$ 198,617,295</b>     | <b>\$ -</b>                                   | <b>\$ -</b>                         | <b>\$ -</b>                        | <b>\$ -</b>                         | <b>\$ -</b>      | <b>\$ -</b>      | <b>\$ 198,617,295</b>     | <b>\$ -</b>         |