GASB & SWAR updates

Monday, October 28, 2024

State Accounting Office

Agenda

- CPA License Updates and CGFM
- Green Book and Internal Controls
- Component Unit Collection Process
- Leases and SBITAs
- Capital Asset Updates
- New GASBs
    - GASB 100 - *Accounting Changes and Error Corrections: An amendment of GASB Statement No. 6*
    - GASB 101 - *Compensated Absences*
    - GASB 102 - *Certain Risk Disclosures*
    - GASB 103 - *Financial Reporting Model Improvements*
    - GASB 104 - *Disclosure of Certain Capital Assets*

Georgia Certified Public Accountant (CPA) license updates and Certified Government Financial Manager® (CGFM)

Georgia CPA updates

GEORGIA STATE BOARD *of* ACCOUNTANCY | NEWSLETTER

GEORGIA CPE RULE CHANGE HIGHLIGHTS

50%
Minimum in Technical Field of Study

Up to
50%
in Non-Technical Field of Study

4
Credits of Ethics
including 1 credit of Georgia specific Ethics

CPE Reciprocity

- STILL 80 credits over 2-year period ending 12/31/2025
- STILL 20 credits minimum in a calendar year
- STILL 15 credits maximum carry over from a full reporting period to the next reporting period. Carry Over is NOT cumulative.
- NO MORE 16 credits of Accounting and Auditing, but you can still take them as part of your Technical Fields of study

Georgia CPA updates

- The list of approved/qualified courses for the Georgia Specific credit is now posted on the GSBA Website at https://gsba.georgia.gov. It is updated weekly and Becker is on the list of approved providers.

- You **can immediately take any other Ethics credits** (behavioral or regulatory) to satisfy the remaining three general Ethics credit portion of the requirement. It must have behavioral or regulatory Ethics as the Field of Study on the Certificate.

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CGFM Certificate

- Professional certification awarded by AGA, demonstrating competency in governmental accounting, auditing, financial reporting, internal controls and budgeting at the federal, state and local levels

- Recognizes knowledge and experience needed to be government financial manager

- How do you become a CGFM? Fill out an online application and meet the following requirements:

  - Ethics – read and agree to abide by AGA's Code of Ethics
  - Education – have a bachelor's degree in any subject area from an accredited U.S. college or university
  - Examinations – pass three comprehensive CGFM examinations
  - Experience – have at least two years of professional-level experience in government financial management

https://www.agacgfm.org/cgfm

Green Book and Internal Controls

Green Book Trivia

Question – Does the Green Book apply to me?

A. Yes
B. No
C. Not sure – What is the Green Book?

Green Book Trivia

Question – When was the Green Book last update effective?

A. 2014
B. 2023
C. 2019
D. 2016

Note: There is a proposed updated Green Book that was out for comment in the summer

Green Book Trivia

Question – What are some of the major new areas of focus in the proposed revised Green Book (there may be more than one response)?

A. Expanded Assessment of Fraud (and to include improper payment and information security risk)
B. Management has no responsibility
C. More control activity details
D. More Information Technology references throughout
E. Less Information and Communication needed

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Internal Controls – Next Steps

Once the revisions to the Federal Green Book are finalized, SAO will:

- Review impact on current Statewide Internal Control guidance
- Update Statewide Internal Control guidance and required submission as needed
- Provide communications and/or training on the changes

In the meantime …

- SAO is working on reviewing most recent internal control submissions and will provide feedback
- SAO continues to look at the submission method and ways to make the process more efficient and effective

New Component Unit Process trivia

Which Annual Comprehensive Financial Report (ACFR) fund type did SAO change the collection process for in FY 2024?

A. Governmental Funds

B. Proprietary Funds

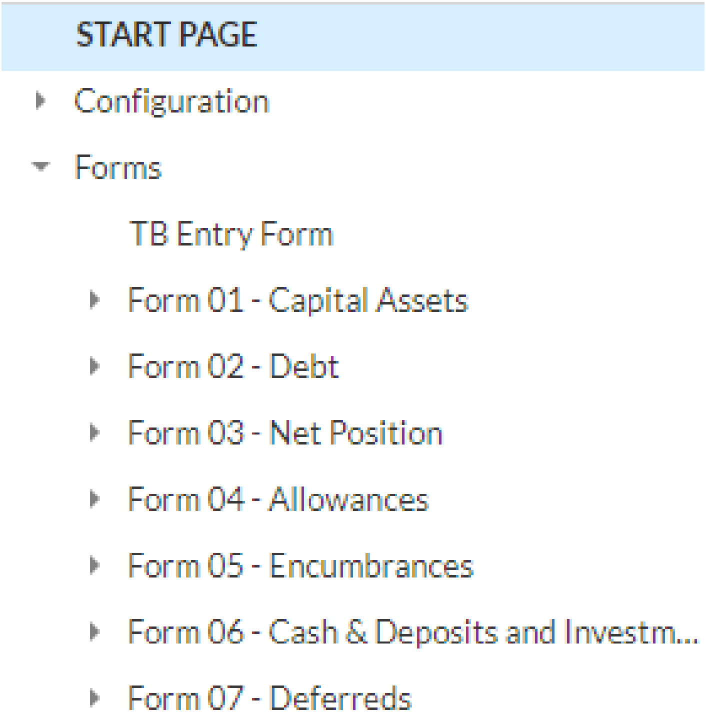
C. Fiduciary Funds

D. $\boxed{\text{Discretely Presented Component Units}}$

New Component Unit Process

New Component Unit Process – What is it?

- SAO has moved most forms from Excel to WDesk
- Currently 8 trial balance shell entities, 18 CPA audited entities and 16 RESAs
- Consists of 7 major types of forms and a trial balance entry form
- TB Shell entities we request completing all 7 applicable forms.
- **CPA audited entities are only required to complete Form 06 – Cash & Deposits and Investments**
- Forms are similar to Excel versions
- Still refer to Forms Due by Entity form for forms required to complete. Still collecting some forms through Sharepoint



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Difference in forms

Prior Version - Excel

Long-Term Liabilities

A. Entity Code:
Entity Name: #N/A
Prepared by:
Telephone #:
E-mail:

Select Agency Number from Drop Down Box

B. If this form is not applicable to your organization, please indicate by selecting 'Not Applicable' from the drop down box.

C.

	Balance, July 1	Retroactive Restatement of PY Balance (Identify below)*	Additions (*enter as positive amount*)	Reductions (*enter as negative amount*)	Balance, June 30 (calculated)	Due Within One Year
Long-Term Liabilities:						
1. *Compensated Absences * Non-TeamWorks Only	#N/A	0.00	0.00	0.00	#N/A	0.00
2. Other Long Term Liabilities						
Revenue Bonds Payable	#N/A	0.00	0.00	0.00	#N/A	0.00

New Version - Wdesk

SAO Status: Not Started

Georgia State Accounting Office
91700 - Student Finance Authority, Georgia
Form 02A - Changes in Long Term Liabilities
June 30, 2024

CU Status: Not Started

Prepared By:
Telephone #:
Email:

Manual Input Cells

	Movement					END (Calc)		
	LT_BB	LT_BBAdj	LT_BegRestated	LT_Adds	LT_RED			e
	Beginning Balance	Beginning Balance Adjustments	Beginning Balance Restated	CY Addtions	CY Reductions	Ending Balance	Less 1 Year amount	Per TB
DEBT AND COMP ABS								
2301000 NCL Grtr 1 Yr - Compensated Absences Payable	–		–			–		-
2241000 NCL Less 1 Yr - Compensated Absences Payable	–		–			–		-
Total Compensated Absences Payable	–	–	–	–	–	–	–	-

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New Component Unit Process – Why?

- Streamlined processes:
  - The ACFR is in WDesk so it is easier to work with the data
  - Forms with financial data are all in one place. It is easier for entities to complete them and easier as an analyst to review them
- In preparation of GA@WORK
  - When we transition to GA@WORK, we will no longer use FCC, our current data collection system
  - We will use WDesk for all entities when GA@WORK goes live (FY2026)

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New Component Unit Process – How?

- Same account and password, different workspace
  - Separate from Inter-Organizational Transactions form and Appropriations Receivable form
- Permissions will need to be requested for those completing the forms
  - Grant permissions to CFOs, but they are the ones that need to request permissions for other employees to complete the forms
  - An email detailing instructions will be provided for transition

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New Component Unit Process trivia

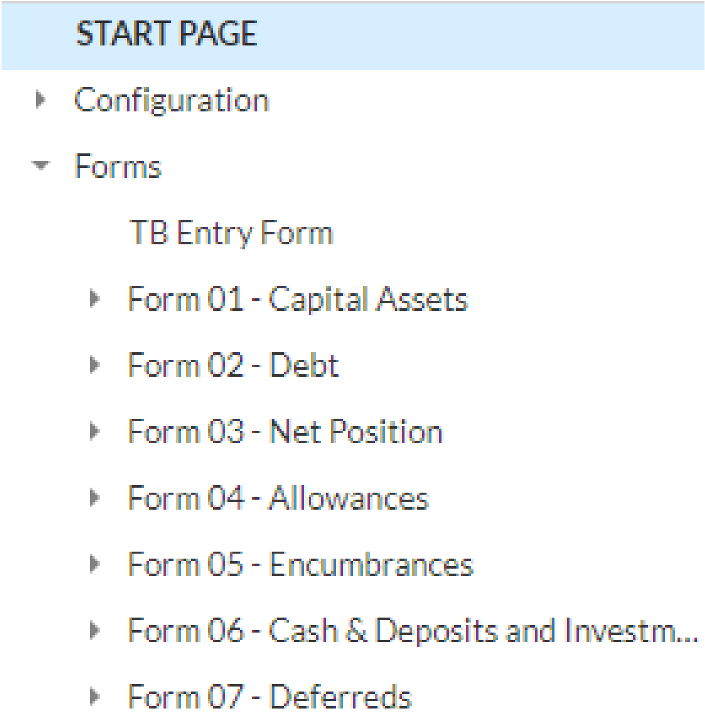
How many different major forms types are there, not including the trial balance entry form?

A. 8

B. 6

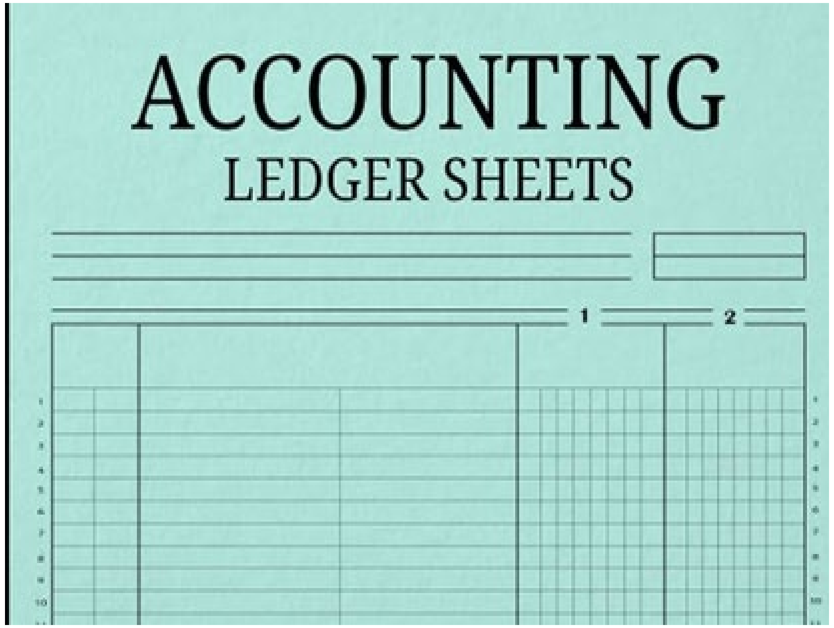
C. 7

D. 9



Software for Leases/SBITA

- What process is the State using to collect information on new Leases and SBITAs for the FY24 ACFR?
- A. Excel form available on SAO's website
- B. GASB Lite software (a Workiva product)
- C. Greenbar ledger paper



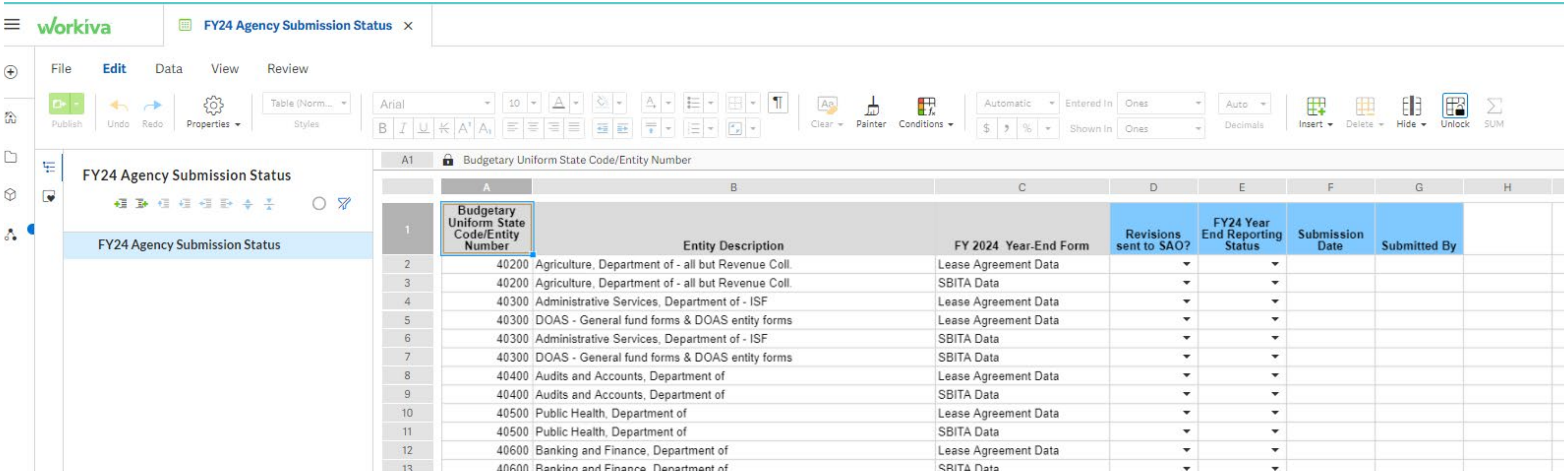
GASB Lite:
Lessee, Lessor and
Subscription-Based IT Arrangements

GASB Lite

- In production middle of October 2024
- Submission due back November 1, 2024
  - Email SAO_reporting@sao.ga.gov if an extension is needed
- During the implementation, SAO then compared GASB Lite production calculations to EZLease (prior software) to better understand differences
- SAO requested agency users and granted access to agencies accordingly
  - URL Access: Used to enter new Lease and SBITA agreements
  - Input Sheet: View-only access to database of details of leases/SBITA (including prior year agreements)
- Contact SAO if a revision is needed to a prior year agreement

GASB Lite

Upon Completion of entering in FY24 New Lease and SBITA agreements, make sure to update status on the FY24 Agency Submission Status tracker in Workiva.



	Budgetary Uniform State Code/Entity Number	Entity Description	FY 2024 Year-End Form	Revisions sent to SAO?	FY24 Year End Reporting Status	Submission Date	Submitted By
2	40200	Agriculture, Department of - all but Revenue Coll.	Lease Agreement Data				
3	40200	Agriculture, Department of - all but Revenue Coll.	SBITA Data				
4	40300	Administrative Services, Department of - ISF	Lease Agreement Data				
5	40300	DOAS - General fund forms & DOAS entity forms	Lease Agreement Data				
6	40300	Administrative Services, Department of - ISF	SBITA Data				
7	40300	DOAS - General fund forms & DOAS entity forms	SBITA Data				
8	40400	Audits and Accounts, Department of	Lease Agreement Data				
9	40400	Audits and Accounts, Department of	SBITA Data				
10	40500	Public Health, Department of	Lease Agreement Data				
11	40500	Public Health, Department of	SBITA Data				
12	40600	Banking and Finance, Department of	Lease Agreement Data				
13	40600	Banking and Finance, Department of	SBITA Data				

Next steps: Confirmation of prior year reporting in spring of 2025

GASB Lite

Question – What is the capitalization threshold for SBITAs per the State's policy?

A. $500,000*
B. $1,000,000*
C. $100,000*
D. There is no threshold for SBITAs.

* Threshold total is calculated as the total payments made over the life of the agreement *(lease period, including options to renew)*

GASB Lite

Question – Which statement is TRUE?

A. Copiers and postage meters should be reported in GASB Lite
B. Agencies may not track non-GASB agreements in GASB Lite
C. Agencies may submit new agreements via GASB Lite questionnaires at any time during the year
D. Agencies will <u>not</u> have access to view their lease/SBITA database

Note: SAO will notify users of a blackout period when SAO is finalizing the ACFR and will request no new agreements be entered during this time.

Capital Asset Threshold Update

Capital Assets Policy Updated

- Effective date: 10/01/2024 (applies prospectively)
- Capitalization threshold and useful lives updated for Personal Property
- 2 CFR Part 200.439 - capitalization threshold increase to $10,000 for federal award (the same effective date 10-01-2024)
- Applies to entire purchase/entire invoice and may include any modifications, attachments, accessories, or auxiliary charges such as freight, transportation and handling, assembly and installation, site preparation etc.
- Capitalized Costs vs. Maintenance Costs:
  - Ordinary repairs that maintain the asset in its original operating condition should be expensed instead of capitalization
- Location for SAO's updated policy:
  - https://sao.georgia.gov/policies-and-procedures/accounting-policy-manual

Capital Assets Policy Updated (continued)

Capitalization threshold updated:

Non-Federal Fund Source Capitalization Threshold Schedule

Class of Asset	**Threshold***
Land/land improvements (other than that held as investments by endowments)	Capitalize All
Land/land improvements held as investments by endowments (***not*** treated as capital assets)	Record as an Investment at FV
Buildings/building improvements	$100,000
Improvements other than buildings	$100,000
Infrastructure, bridges and roadways included in the state highway system	Capitalize All
Infrastructure, other	$1,000,000
Intangible assets, other than software	$100,000
Personal property (machinery/equipment/furniture/vehicles)	$10,000
Library books/materials (collections): Initial threshold for aggregate collection Additions if aggregate collection equals or exceeds initial threshold	 $100,000 Capitalize All
Works of art/historical treasures	Capitalize All
Software	$1,000,000

* See 2CFR200 Uniform Guidance (UGG) for federal funds thresholds.

Capital Assets – Implementation Guide

Capital Assets – Implementation Guide

Implementation Guide 2015-1 Question 7.9.8 QUESTION: Should a government's capitalization policy be applied only to individual assets or can it be applied to a group of assets acquired together? Consider a government that has established a capitalization threshold of $5,000 for equipment. If the government purchases 100 computers costing $1,500 each, should the computers be capitalized?

Implementation Guide 2021-1 Question 5.1: ANSWER: Capitalization policies adopted by governments include many considerations such as finding an appropriate balance between ensuring that all significant capital assets, collectively, are capitalized and minimizing the cost of recordkeeping for capital assets. A government should capitalize assets whose individual acquisition costs are less than the threshold for an individual asset if those assets in the aggregate are significant. Computers, classroom furniture, and library books are examples of asset types that may not meet a capitalization policy on an individual basis, yet could be significant collectively. In this example, if the $150,000 aggregate amount (100 computers costing $1,500 each) is significant, the government should capitalize the computers.

Capital Assets – Implementation Guide

- Under the original guidance, governments didn't typically interpret the wording to mean that the capitalization of individual items less than the threshold would be required, even if significant in the aggregate. The wording used in the updated answer, however, is more definite and implies that governments are now required to capitalize individual assets that are below the threshold when significant in the aggregate.

- This change could greatly impact the application of a government's capitalization policy and may require governments to capitalize many individual items with small dollar values. Governments should begin assessing the potential impact by taking inventory of asset types that would be considered significant in the aggregate but have previously been expensed because they are individually less than the threshold.

- Before heading down the path of capitalizing all small capital expenditures, consider that this new provision largely hinges on interpreting the term significant. While the GASB uses significant throughout its previously issued pronouncements, that term is left undefined in that text. This provides financial statement preparers leeway in interpreting what groups of capital assets are significant.

- Also consider that similar to previously issued GASB Statements, Implementation Guide 2021-1 states that these provisions don't need to be applied to immaterial items.

Capital Assets – Implementation Guide

Effective Dates

- The amended guidance within Question 5.1 in Implementation Guide 2021-1 is effective for reporting periods beginning after June 15, 2023.

- The amendments should be applied retroactively by restating the financial statements for all prior periods presented. If restatement for prior periods isn't practicable, the cumulative effect of applying the amended guidance should be reported as a restatement of beginning net position for the earliest period restated.

Capital Assets – Implementation Guide

How is the new implementation guidance provided by GASB in 2015-1 Question 5.1 applied?

A. Prospectively

B. Retroactively

New GASB Statements

Which GASB statement is effective for Fiscal Year 2024:

A. GASB 100 - Accounting Changes and Error Corrections—an amendment of GASB Statement No. 6
B. GASB 101 - Compensated Absences
C. GASB 102 - Certain Risk Disclosures
D. GASB 103 - Financial Reporting Model Improvements
E. GASB 104 - Disclosure of Certain Capital Assets

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GASB 100

Accounting Changes and Error Corrections:

An amendment of GASB Statement No. 6

GASB 100

- Effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter
- First effective for fiscal years ending:
  - June 30, 2024
  - December 31, 2024
  - March 31, 2025

- Refines and clarifies definitions and treatment of three kinds of **accounting changes**
  - Changes in accounting principles
  - Changes in accounting estimates
  - Changes to or within the financial reporting entity
- **Distinguishes accounting changes from error corrections**
- Changes recognition and disclosure requirements for accounting changes and error corrections
- Specifies treatment of accounting changes and error corrections in required and other supplementary information

GASB 100: Restatements and Adjustments

- No more prior period adjustments
- Restatements
  - Changes in accounting principle
  - Error corrections
- Adjustments
  - Changes to or within the financial reporting entity
- Restatements and adjustments are made to:
  - Beginning net position
  - Beginning fund balance
  - Beginning fund net position

Changes in Accounting Principle

- Changes from one acceptable GAAP principle to another
- Retroactive recognition
  - When financial statements present a single period: Restate beginning position for the cumulative effort of the change for all prior periods
  - When financial statements are comparative: Restate financial statements for all periods presented and restate beginning balance; if not practicable to restate prior years, restate only the current year beginning position and show cumulative effect on all prior periods
- Disclosures
  - Explain nature of change including: financial statement line items affected as well as identification of new GASB pronouncements
  - Explain reason new principle is preferable
  - If all years presented in comparative financial statements are not restated, explain why doing so is not practicable
  - Include in summary table disclosure

Changes in Accounting Estimates

- Changes ***to*** the inputs, not changes ***in*** inputs, used for an estimate
- Changes to inputs made because of:
  - A change in circumstances: New credit policy warrants new inputs for estimates of collectability
  - New information: Technology provides indicators not previously available for use in estimates
  - More experience: Longer experience demonstrates different factors to yield more accurate estimates
- Prospective recognition only, no restatement or adjustment of beginning balance
- Recognize effect beginning in period of change
- Disclosures include:
  - Explain nature of change, the financial statement line items affected
  - If changes in measurement methodology, then explain reason for change and reason why new methodology is preferable

Correction of Errors

- Previously issued financial statements contained errors caused by:
  - Mathematical errors, misapplication of accounting principles, oversight or misuse of facts
- Retroactive recognition:
  - When financial statements present a single period, restate beginning fund position for cumulative effect of prior periods
  - When financial statements are comparative, restate financial statements for all periods presented and restate beginning position of first period presented for the cumulative effect of all periods prior to the first presented
- Disclosures:
  - Explain nature of error and the correction including periods affected and line items affected
  - Financial statements represent a single period – the effect on the prior period's change in net position, fund balance or fund net position, had the error not occurred
  - Financial statements are comparative – the effect of the error correction on the change in net position, fund balance or fund net position, of the prior period
  - Include in summary table disclosure

Note Disclosure: Summary of Changes Table

- Table displaying all changes and error corrections
- Can be presented with reporting units on either axis

State of Georgia

Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2024

NOTE 3 - FUND EQUITY RECLASSIFICATIONS AND RESTATEMENTS

Reclassifications and Restatements consisted of the following (amounts in thousands):

	6/30/2023 As Previously Reported	Change in Accounting Principle	Change in Financial Reporting Entity	Correction of Prior Year Errors	6/30/2023 (Restated)
Government Wide					
Governmental Activities	$ 36,850,906	$ —	$ —	$ 7,903	$ 36,858,809
Business-type Activities	5,519,133	—	—	—	5,519,133
Total Primary Government	**$ 42,370,039**	**$ —**	**$ —**	**$ 7,903**	**$ 42,377,942**
Governmental Funds					
Major Funds:					
General Fund	$ 20,018,078	$ —	$ —	$ 11,817	$ 20,029,895
General Obligation Bond Projects Fund	1,616,835	—	—	—	1,616,835
Nonmajor Funds	1,257,788	—	—	—	1,257,788
Total Governmental Funds	**$ 65,262,740**	**$ —**	**$ —**	**$ 19,720**	**$ 65,282,460**
Proprietary Funds					
Major Funds:					
Higher Education Fund	$ 3,681,738	$ —	$ —	$ —	$ 3,681,738
State Health Benefit Plan	657,986	—	—	—	657,986
Unemployment Compensation Fund	1,317,809	—	—	—	1,317,809
Internal Service Funds	(1,264,370)	—	—	—	(1,264,370)
Nonmajor Funds	(138,400)	—	—	—	(138,400)
Total Proprietary Funds	**$ 4,254,763**	**$ —**	**$ —**	**$ —**	**$ 4,254,763**
Fiduciary Funds					

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Required (RSI) & Supplementary Information (SI)

Changes in accounting principle and changes to or within the reporting entity

- For years included in basic financial statements, report consistently
- For years prior to those in basic financial statements, do not restate, explain why earlier information is not consistent with restated information and refer in MD&A to related not disclosures

Error corrections

- For years included in basic financial statements, report consistently
- For years prior to those in basic financial statements, restate as applicable if practicable; if not practicable to restate prior years, then explain why not in notes to RSI

GASB 100 trivia

Which one of these is not a type of error to be disclosed as a Correction of Errors

A. Mathematical errors

B. Misapplication of accounting principles

C. Spelling error

D. Oversight or misuse of facts

GASB 100 trivia

How far back do you have to retroactively recognize **changes in accounting principle**?

A. No restatement

B. All periods represented in the Basic Financial Statements and the RSI/SI

C. Until the benefits outweigh the costs

D. All periods represented in the Basic Financial Statements only

GASB 100 trivia

How far back do you have to retroactively an **error correction**?

A. No restatement

B. All periods represented in the Basic Financial Statements and the RSI/SI

C. Until the benefits outweigh the costs

D. All periods represented in the Basic Financial Statements only

GASB 101
Compensated Absences

GASB 101: Compensated Absences

- Question:
- What fiscal year are we implementing GASB 101?

A. FY24
B. FY25
C. FY26

GASB 101: Compensated Absences

The Statement is effective for fiscal years beginning after December 15, 2023. The goal of the new guidance is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absences.

What is GASB 101?

- This is the first change to compensated absences since GASB Statement No. 16 released in 1992
- Governmental Funds – no major change
- Government-Wide Funds – clarifications made for consistency purposes and may change what you have done previously

Under the new standard, one model is considered to streamline reporting.

GASB 101: Compensated Absences

Definition of compensated absence is leave for which employees may receive one or more of the following:

- Other cash payment, such as payment for unused leave upon termination of employment
- Cash payment when the leave is used for time off
- Noncash settlement
  - Conversion to a defined benefit postemployment benefit (not going to be included in this liability)

Examples of Leave to Measure

- Vacation leave, **sick leave,** paid time off, floating holidays

Examples of Leave to Exclude

- Sporadic events, parental leave, military leave, jury duty

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GASB 101: Compensated Absences

General Criteria Under New Standard a liability should be recognized if all of the following are true:

- The leave is attributable to **services already rendered**
  - It is leave for which an employee has performed the services required to earn the leave
- The leave **accumulates**
  - Is carried forward from reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid in cash or settled through noncash means
- The leave is **more likely than not** to be used for time off or otherwise paid or settled
  - More likely than not is defined in GASB 101 as a likelihood of more than 50%
  - GASB 16 recognizes the liability when compensated absences are probable
  - More likely than not is generally viewed as a lower barrier for accrual than probable

GASB 101: Compensated Absences

What information do we need to assess our liability?

- Employment Policies related to compensated absences
- Whether leave that has been earned is, or will become, eligible for use or payment in the future
- Historical trend information about the use, payment, or forfeiture of compensated absences
- Information known to the government that would indicate that historical information may not be representative of future trends or patterns

GASB 101: Compensated Absences

How is the liability calculated?

- The compensated absences liability is generally calculated by multiplying the accumulated leave that's more likely than not to be paid or settled through noncash means by the employee's pay rate as of the financial reporting date
- Accumulated leave is usually by hours
- Present value considerations are not necessary

GASB 101 – Compensated Absences

Recording the Liability

Recognize liability for:

- Leave that has not been used
- Leave has not been paid in cash or settled through noncash means

New standard differs than current practice in that the focus is not on vested vs. nonvested benefits, but accruing a benefit when it is earned and then determining if it is more likely than not that it will be used or paid out.

The new standard also removes the current requirement to disclose in the notes the financial statements both the gross additions and deductions to the liability.

GASB 102
Certain Risk Disclosures

GASB 102: Certain Risk Disclosures

- Question:
- Is it likely that this standard will have any impact on the State?

A. Yes

B. No

GASB 102 – Certain Risk Disclosures

The Statement is effective for fiscal years beginning after June 15, 2024. The objective of this GASB is establish requirements to disclose certain risks faced by governments.

Concentrations: lack of diversity in an aspect of a significant inflow or outflow of resources

- For example, the composition of (1) employers, (2) industries, (3) inflows of resources,(4) workforce covered by collective bargaining agreements, (5) providers of financial resources, and (6) suppliers of material, labor, or services

Constraints: limitations imposed by an external party or the government's highest level of decision-making authority

- For example, (1) limitations on raising revenue, (2) limitations on spending, (3) limitations on the incurrence of debt, and (4) mandated spending

Concentrations and constraints limit a government's ability to acquire resources or control spending.

GASB 102: Certain Risk Disclosures

Application of Disclosure Criteria

- Primary government reporting unit, including blended component units, AND
- Other reporting units that report a liability for revenue debt

Disclosure Criteria

Disclosures would be required if a government determines that:

- A **concentration or constraint is known** to the government prior to the issuance of financial statements.
- The concentration or constraint makes the reporting unit vulnerable to the risk of a **substantial impact**.
- An **event or events associated with the concentration or constraint** that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

GASB 102: Certain Risk Disclosures

Disclosure Requirements:

- Description of the concentration or constraint
- If they have occurred, description of each event associated with the concentration or constraint that could cause a substantial impact
- Description of actions taken by the government to mitigate the risk

GASB 103
Financial Reporting Model Improvements

GASB 103: Financial Reporting Model

What is the purpose of this statement?

A. To provide clarity and improve the readability of the statements
B. To overhaul the presentation of the financial statements
C. To improve comparability of data presented
D. All of the above
E. A and C

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GASB 103 – Financial Reporting Model

The Statement is effective for fiscal years beginning after June 15, 2025. The objective of this GASB is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing government's accountability

- Management Discussion and Analysis (MD&A):
- Unusual or Infrequent Items
- Proprietary Funds Presentation
- Major Component Unit
- Budgetary Comparison

GASB 103: Financial Reporting Model

MD&A

It is still a requirement for MD&A to precede the basic financial statements. The MD&A offers an analysis of the government's financial activities, comparing current fiscal year to prior fiscal years. MD&A must cover five specific sections:

1. Overview of the Financial Statements
2. Financial Summary
3. Detailed Analyses
4. Significant Capital Assets and Long-Term Financing Activities
5. Currently Known Facts, Decisions, or Conditions

GASB 103: Financial Reporting Model

MD&A (continued)

The statement emphasizes the need for a detailed analysis that explains why balances and operations changed, rather than just presenting the amounts or percentages by which they changed. It also discourages repetitive and generic explanations, promoting concise and relevant discussions focused on the primary government.

The statement continues the requirement that information included in MD&A distinguish between primary government and its discretely presented component units.

The requirements for MD&A will improve the quality of the analysis of changes from the prior year, which will enhance the relevance of that information.

GASB 103 – Financial Reporting Model

Unusual or Infrequent Items:

- Transactions or other events that are either unusual in nature or infrequent in occurrence
- The statement mandates that these transactions or events be displayed separately in the financial statements, prior to the net change in resource flows in the government-wide, governmental funds, and proprietary funds statement of resource flows
- The requirement for separate presentation of unusual or infrequent items will provide clarity regarding with items should be reported separately from other inflows and outflows of resources

GASB 103 – Financial Reporting Model

Proprietary Funds Statements Presentation:

- The statement continues the distinction between operating and nonoperating revenues and expenses in proprietary fund statements. Operating revenues and expenses are defined as revenues and expenses other than nonoperating revenues and expenditures. Nonoperating items include subsidies, endowment contributions, revenues and expenses related to financing, capital asset and inventory disposal proceeds, and investment income and expenses. This will improve comparability, as definitions of operating revenues and expenses and of nonoperating revenues and expenses will replace accounting policies that very from government to government.

- A new requirement is the inclusion of a subtotal for operating income (loss) and noncapital subsidies before reporting other nonoperating items. This will improve the relevance of information provided in the proprietary fund statement of revenues, expenses, and changes in fund net position.

GASB 103 – Financial Reporting Model

Major Component Unit:

- The statement requires governments to present each major component unit separately in the reporting entity's statements of net position and statement of activities if it does not reduce the readability of the statements.
- If separating these units reduces readability, combining statements should be presented after the fund financial statements.
- The requirement for presentation of major component unit information will improve comparability.

Budgetary Comparison Information:

- The statement requires governments to present budgetary comparison as Required Supplementary Information (RSI), showing variances between original, final and actual budget amounts. Significant variances must be explained in the notes to the RSI.
- The required information presented in the RSI will improve comparability and the variance explanation will provide more useful information for making decisions and assessing accountability.

GASB 104
Disclosure of Certain Capital Assets

GASB 104: Disclosure of Certain Capital Assets

- Effective Date: State of Georgia is FY2026.
  - The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter. Earlier application is encouraged.

- This statement is intended “to provide users of government financial statements with essential information about certain types of capital assets.” Specifically, the statement requires state and local governmental entities to separately disclose information about such assets in the notes. Types of capital assets within the scope of the new requirements include lease assets, intangible right-to-use assets, subscription assets, and other intangible assets. Additional disclosures about capital assets held for sale are also required.

Why did the accountant break up with the calculator?

It couldn't handle their numbers anymore

Why did the accountant cross the road?

To reconcile the other side

Why did the auditor bring a ladder to the meeting?

The numbers were too high

Why did the accountant bring a ladder to work?

To reach higher tax brackets

Why did the accountant get kicked out of the comedy club?

They had an accruel sense of humor

Why don't accountants make good comedians?

Because their jokes don't depreciate well

Why did the accountant go broke?

Because they lost interest

How do accountants get over a breakup?

They journal their feelings

Did you appreciate these jokes?

Or were they too taxing?