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City of Hanover

Communications Letter

December 31, 2022

City of Hanover
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Report on Matters Identified as a Result of
the Audit of the Basic Financial Statements

Honorable Mayor, Members
of the City Council and Management
City of Hanover
Hanover, Minnesota

In planning and performing our audit of the basic financial statements of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hanover, Minnesota, as of and for the year ended December 31, 2022, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, we considered the City's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error, or fraud may occur and not be detected by such controls. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the City's basic financial statements will not be prevented, or detected and corrected, on a timely basis. A reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible*. The chance of the future event or events occurring is more than remote but less than likely.

- *Probable*. The future event or events are likely to occur.

The material weakness identified is stated within this letter.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The accompanying memorandum also includes financial analysis provided as a basis for discussion. The matters discussed herein were considered by us during our audit and they do not modify the opinion expressed in our Independent Auditor's Report dated May 30, 2023, on such statements.

This communication, which is an integral part of our audit, is intended solely for the information and use of the Members of the City Council and management and others within the City and state oversight agencies and is not intended to be, and should not be, used by anyone other than these specified parties.

BerganKDV, Ltd.

St. Cloud, Minnesota
May 30, 2023

City of Hanover
Material Weakness

Lack of Segregation of Accounting Duties
The City had a lack of segregation of accounting duties due to a limited number of office employees. As a result of this condition, a material audit adjustment was required to properly adjust expenses and capital asset balances.

In order to have appropriate segregation of accounting duties, the performance of the following duties would need to be completed by a different employee: initiation and authorization of transactions, recording and processing of transactions, reconciliation and reporting of transactions, and financial information and custody of assets.

Management and the members of the City Council are aware of this condition and have taken certain steps to compensate for the lack of segregation, but due to the number of staff needed to properly segregate all of the accounting duties, the costs of obtaining desirable segregation of accounting duties can often exceed benefits which could be derived. However, management and the Members of the City Council must remain aware of this situation and should continually monitor the accounting system, including changes that occur.

City of Hanover
Required Communication

We have audited the basic financial statements of the governmental activities, business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2022. Professional standards require that we advise you of the following matters related to our audit.

Our Responsibility in Relation to the Financial Statement Audit
As communicated in our engagement letter, our responsibility, as described by professional standards, is to form and express opinions about whether the basic financial statements prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the basic financial statements does not relieve you or management of its respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the basic financial statements are free of material misstatement. An audit of the basic financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the City solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgement, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

Generally accepted accounting principles provide for certain Required Supplementary Information (RSI) to supplement the basic financial statements. Our responsibility with respect to the RSI, which supplements the basic financial statements, is to apply certain limited procedures in accordance with generally accepted auditing standards. However, the RSI was not audited and, because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance, we do not express an opinion or provide any assurance on the RSI.

Our responsibility for the supplementary information accompanying the basic financial statements, as described by professional standards, is to evaluate the presentation of the supplementary information in relation to the basic financial statements as a whole and to report on whether the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Our Responsibility in Relation to *Government Auditing Standards*
As communicated in our engagement letter, part of obtaining reasonable assurance about whether the basic financial statements are free of material misstatement, we performed tests of the City's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic financial statement amounts. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

City of Hanover
Required Communication

Planned Scope and Timing of the Audit
We conducted our audit consistent with the planned scope and timing we previously communicated to you.

Compliance with All Ethics Requirements Regarding Independence
The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

Significant Risks Identified
We have identified the following significant risks of material misstatement:

- Risk of management override of internal controls
  - Management override of internal control is considered a risk in substantially all engagements as management may be incentivized to produce better results
- Risk of misappropriation of assets related to segregation of accounting duties
  - If duties cannot be appropriately segregated within the accounting and finance department, there is a risk of unauthorized disbursements being made from the entity. In addition, generally these results in less review taking place as transactions are recorded in the financial statements.
- Risk of improper revenue recognition
  - Revenue recognition is considered a fraud risk on substantially all engagements as it is generally the largest line item impacting an entity's operations.

Qualitative Aspects of the City's Significant Accounting Practices

Significant Accounting Policies
Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the City is included in the notes to basic financial statements. There have been no initial selection of accounting policies and no changes to significant accounting policies or their application during 2022. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Accounting Estimates
Accounting estimates are an integral part of the basic financial statements prepared by management and are based on management's current judgements. Those judgements are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the basic financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgements. The most sensitive estimates affecting the basic financial statements relate to:

> Depreciation – The City is currently depreciating its capital assets over their estimated useful lives, as determined by management, using the straight-line method.

Qualitative Aspects of the City's Significant Accounting Practices (Continued)

Significant Accounting Estimates (Continued)

Expense Allocation – Certain expenses are allocated to programs based on an estimate of the benefit to that particular program. Examples are salaries, benefits, and supplies.

Net Pension Liability, Deferred Outflows of Resources Related to Pensions and Deferred Inflows of Resources Related to Pensions – These balances are based on an allocation by the pension plans using estimates based on contributions.

We evaluated the key factors and assumptions used to develop the accounting estimates and determined that they are reasonable in relation to the basic financial statements taken as a whole and in relation to the applicable opinion units.

Financial Statement Disclosures
Certain basic financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to basic financial statement users. The basic financial statement disclosures are neutral, consistent, and clear.

Significant Difficulties Encountered during the Audit

We encountered no significant difficulties in dealing with management relating to the performance of the audit.

Uncorrected and Corrected Misstatements

For the purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effects of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the basic financial statements taken as a whole and each applicable opinion unit. Management did not identify, and we did not notify them of any uncorrected financial statement misstatements.

In addition, professional standards require us to communicate to you all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the basic financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the City's basic financial statements or the auditor's report. No such disagreements arose during the course of our audit.

Representations Requested from Management

We have requested certain written representations from management, which are included in the management representation letter.

City of Hanover
Required Communication

Management's Consultations with Other Accountants
In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management has informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

Other Significant Matters, Findings, or Issues
In the normal course of our professional association with the City, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, significant events or transactions that occurred during the year, operating and regulatory conditions affecting the City, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the City's auditor.

Other Information Included in Annual Reports
Pursuant to professional standards, our responsibility as auditors for other information, whether financial or nonfinancial, included in the City's annual reports, does not extend beyond the information identified in the audit report, and we are not required to perform any procedures to corroborate such other information.

We applied certain limited procedures to the RSI that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the basic financial statements or to the basic financial statements themselves.

Our responsibility also includes communicating to you any information which we believe is a material misstatement of fact. Nothing came to our attention that caused us to believe that such information, or its manner of presentation, is materially inconsistent with the information, or manner of its presentation, appearing in the basic financial statements.

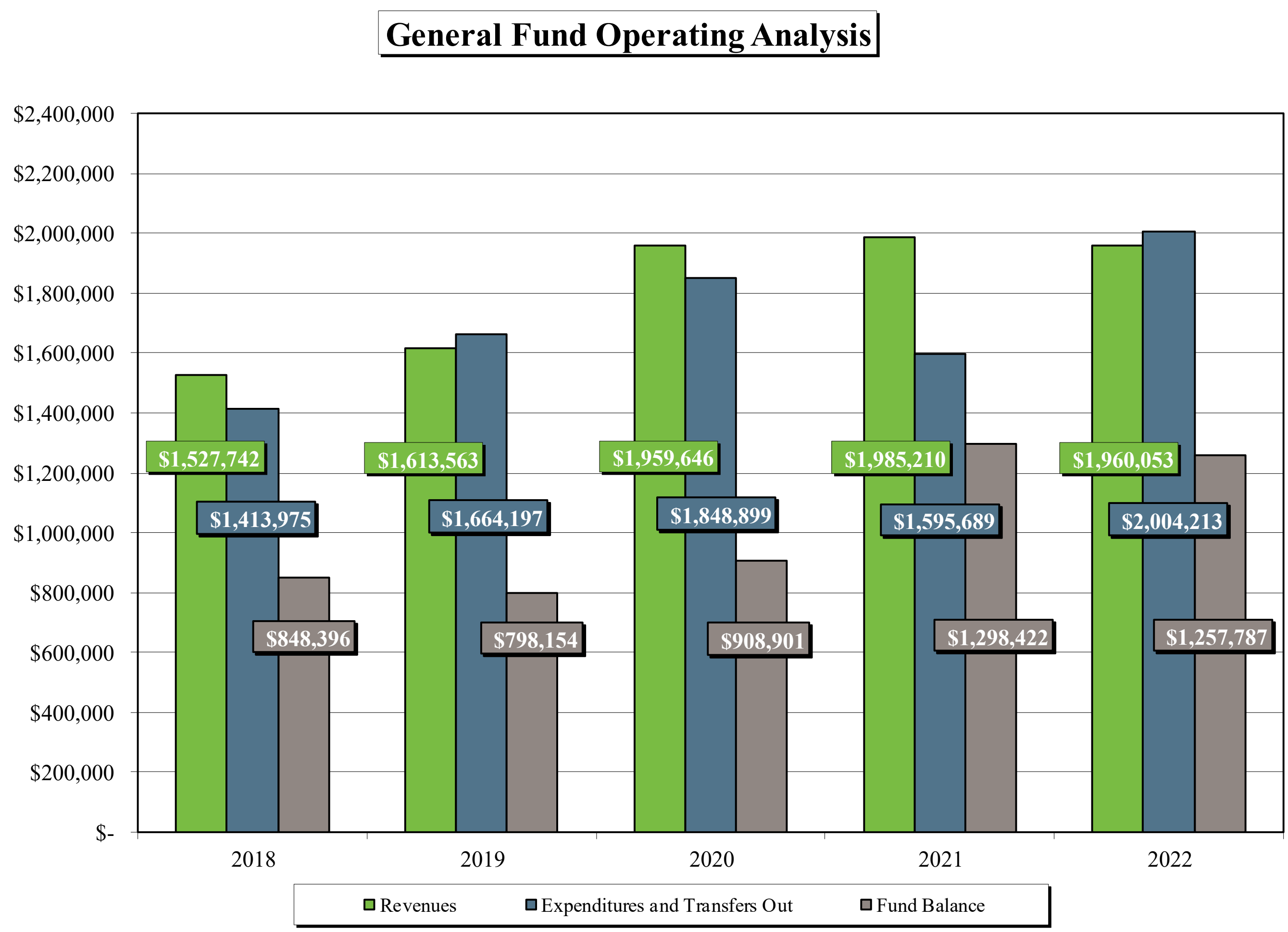
The following pages provide graphic representation of select data pertaining to the financial position and operations of the City for the past five years. Our analysis of each graph is presented to provide a basis for discussion of past performance and how implementing certain changes may enhance future performance. We suggest you view each graph and document if our analysis is consistent with yours. A subsequent discussion of this information should be useful for planning purposes.

General Fund

At year-end, fund balance decreased by approximately $40,635. Fund balance represented 74.8%, or just over eight months' worth of expenditures at 2022 budgeted levels. The Office of the State Auditor recommends a level of between four and six months, or 35% to 50% of annual expenditures.

It is the City's policy that the City will maintain unassigned fund balance in a range equal to 35% to 55% of the General Fund operating expenditures. At December 31, 2022, unassigned fund balance was equal to 71% of operating expenditures based on 2022 spending levels.

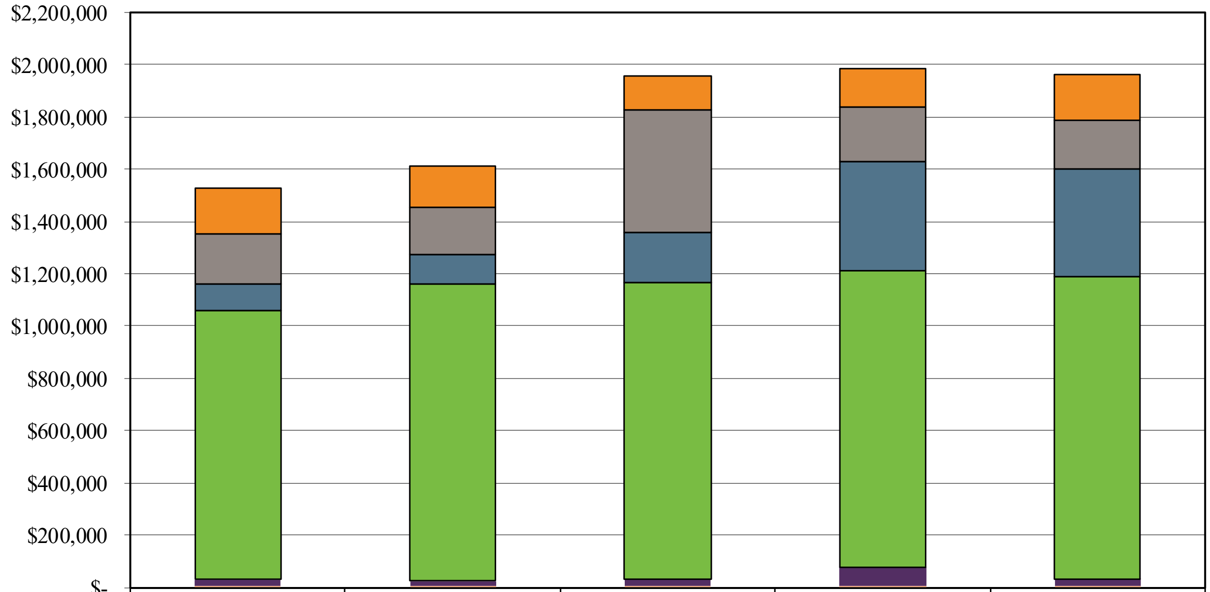
Details of operations are explained further on the following pages.



General Fund Revenues

This graph presents the sources of revenue for the past five years. The main source of revenue has consistently remained property taxes, which represented 59% of total revenues for year 2022. In total, General Fund revenues decreased $25,157, from $1,985,210 in 2021, to $1,960,053 in 2022. The largest variance occurred in miscellaneous revenue, which decreased $48,090, due to investment losses in the current year. All other revenues remained relatively consistent.

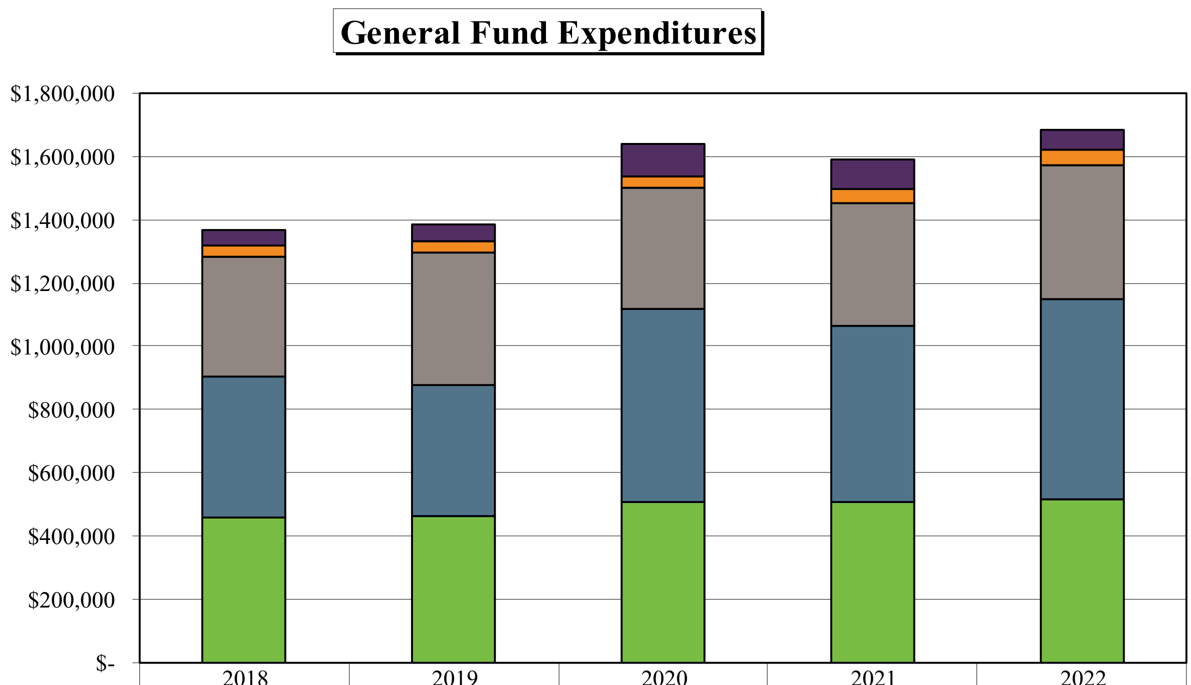
General Fund Revenues



	2018	2019	2020	2021	2022
Charges for Services	$176,312	$160,485	$133,454	$149,299	$169,851
Intergovernmental	192,302	178,398	467,409	204,032	191,098
Licenses and Permits	99,298	113,907	190,395	421,446	410,573
Taxes and Assessments	1,029,934	1,135,651	1,134,422	1,131,385	1,157,058
Miscellaneous	23,171	21,454	30,784	75,257	27,167
Fines	6,725	3,668	3,182	3,791	4,306

General Fund Expenditures

The graph below shows General Fund expenditures by function for each of the last five years. As revenues decreased 1% in 2022, expenditures increased 6%, or $92,824 from $1,590,689 to $1,683,513. The majority of this increase occurred in public safety expenditures, which grew $79,559 or 14% from 2021 to 2022.



	2018	2019	2020	2021	2022
Capital Outlay	$51,788	$55,426	$104,847	$96,059	$60,953
Park and Recreation	34,654	35,008	34,111	43,627	48,751
Public Works	377,649	417,221	384,109	386,561	422,857
Public Safety	445,308	414,197	607,587	557,048	636,607
General Government	458,762	464,177	509,245	507,394	514,345

The public safety function accounted for the largest portion of the General Fund expenditures at 38% in 2022. This function consists of police, fire, and building inspection expenditures. The general government function accounted for the second largest portion of the General Fund disbursements at 31%. General government consists of disbursements related to the general operations of the City, including office employees' salaries and supplies, planning and zoning, accounting, and auditing, election costs, and legal and engineering fees. Public works accounts for the next largest portion at 25% and consists primarily of street maintenance expenditures.

General Fund Budget and Actual

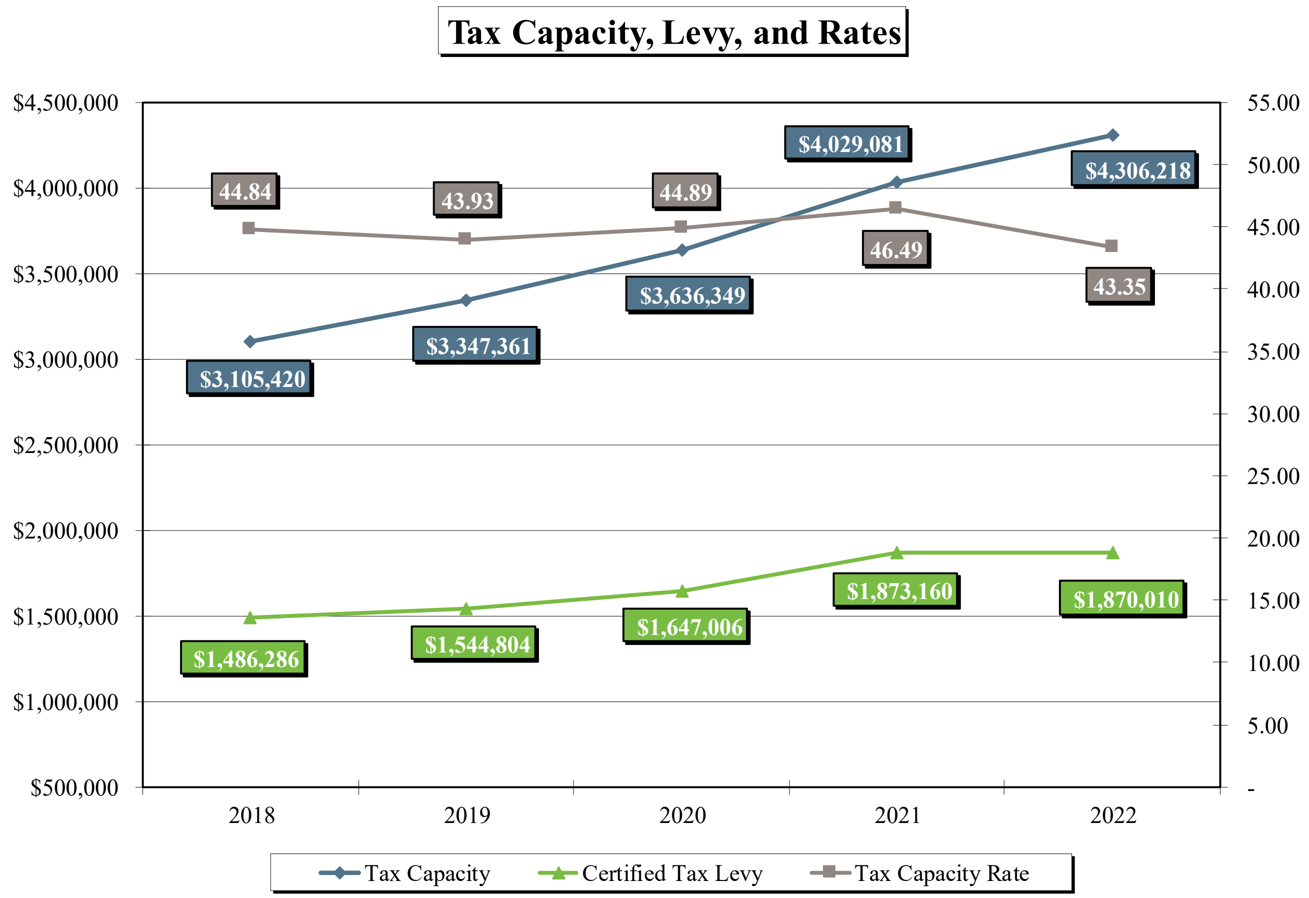
The City had a balanced budget in 2022 in the General Fund, with revenues equaling expenditures.

General Fund Budget and Actual (Continued)
Revenues were over budget in 2022, with a variance of $297,507, or 18%. The largest variance was in licenses and permits revenues, which was over budget by $225,560. This variance was the result of significantly more building permits than anticipated. The second largest variance was in other revenue which was over budget by $45,814. This variance was primarily due to receiving more donations than anticipated. The remaining revenue categories were close to budgeted amounts.

In total, the General Fund expenditures were over budget by 3%, or $51,125. The largest variance was in public safety, which was over budget by $119,187. This variance was primarily due to additional inspector costs. Public works conversely was under budget by $66,761, due primarily to less street maintenance needed than anticipated.

	Original and Final Budget	Actual Amounts	Variance with Final Budget - Over (Under)
Revenues			
Taxes and asessments	$ 1,138,476	$ 1,157,058	$ 18,582
Licenses and permits	185,013	410,573	225,560
Intergovernmental	179,967	191,098	11,131
Charges for services	145,990	169,851	23,861
Fines and forfeitures	3,000	4,306	1,306
Investment income	-	(28,747)	(28,747)
Other revenue	10,100	55,914	45,814
Total revenues	1,662,546	1,960,053	297,507
Expenditures			
General government	569,379	548,203	(21,176)
Public safety	526,561	645,748	119,187
Public works	491,248	424,487	(66,761)
Park and recreation	45,200	65,075	19,875
Total expenditures	1,632,388	1,683,513	51,125
Excess of revenues over expenditures	30,158	276,540	246,382
Other Financing Sources (Uses)			
Proceeds from sale of capital asset	-	3,525	3,525
Transfers out	(30,158)	(320,700)	(290,542)
Net change in fund balance	$ -	$ (40,635)	$ (40,635)

Tax Capacity, Levy, And Rates



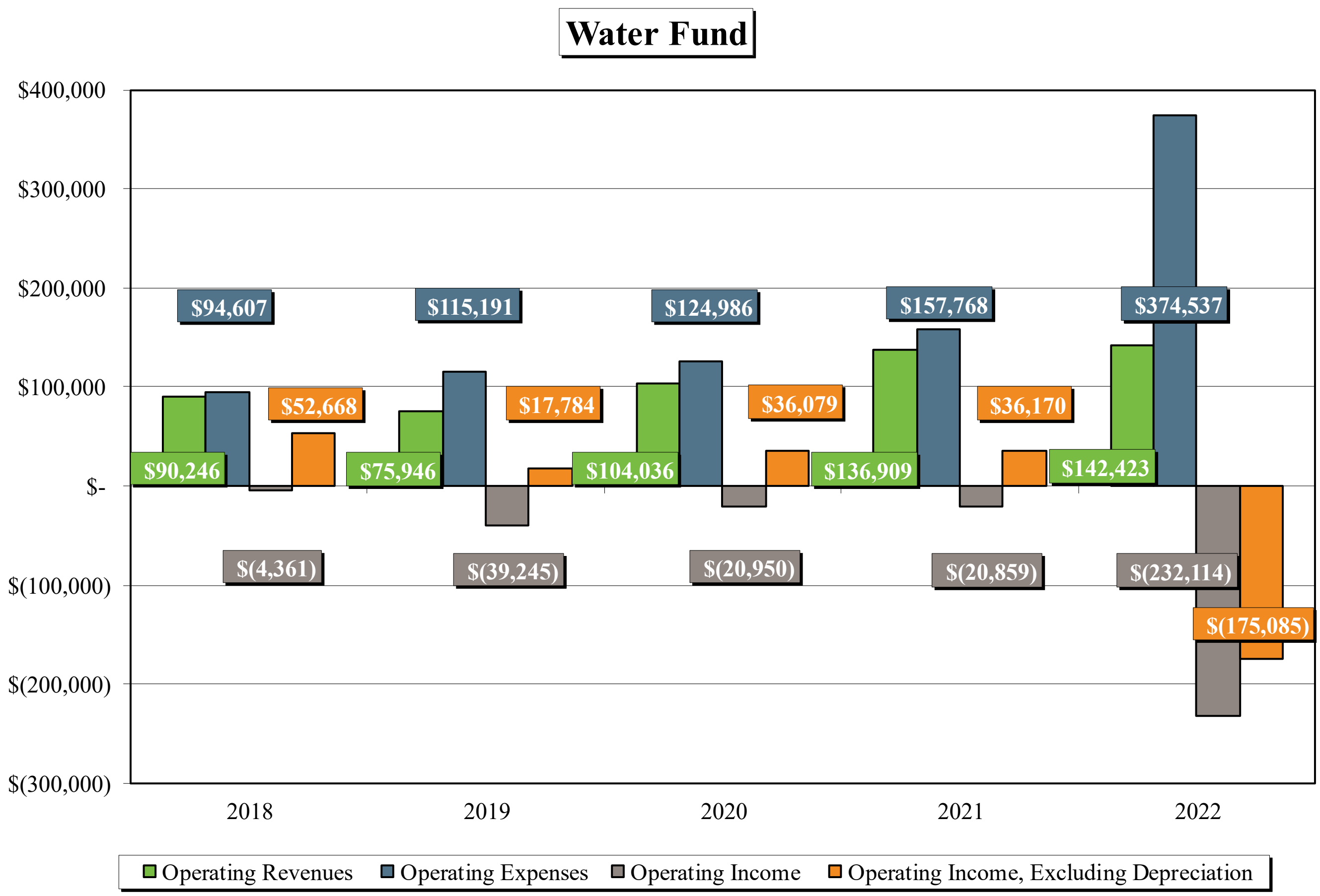
The chart above graphs the tax capacity, certified tax levy, and City tax rate for 2018 through 2022. The tax capacity is based on total tax capacity, prior to adjustments for captured Tax Increment Financing (TIF) and fiscal disparities. The certified tax levy amount is also prior to fiscal disparity adjustments.

Comparing 2018 through 2022, the City's tax capacity increased $1,200,798, or 39%. This increase is attributable to market valuation changes. The City's certified levy over this same time frame increased $383,724, or 26%. These changes allowed for a reduction in the tax capacity rate from 44.84 in 2018 to 43.35 in 2022.

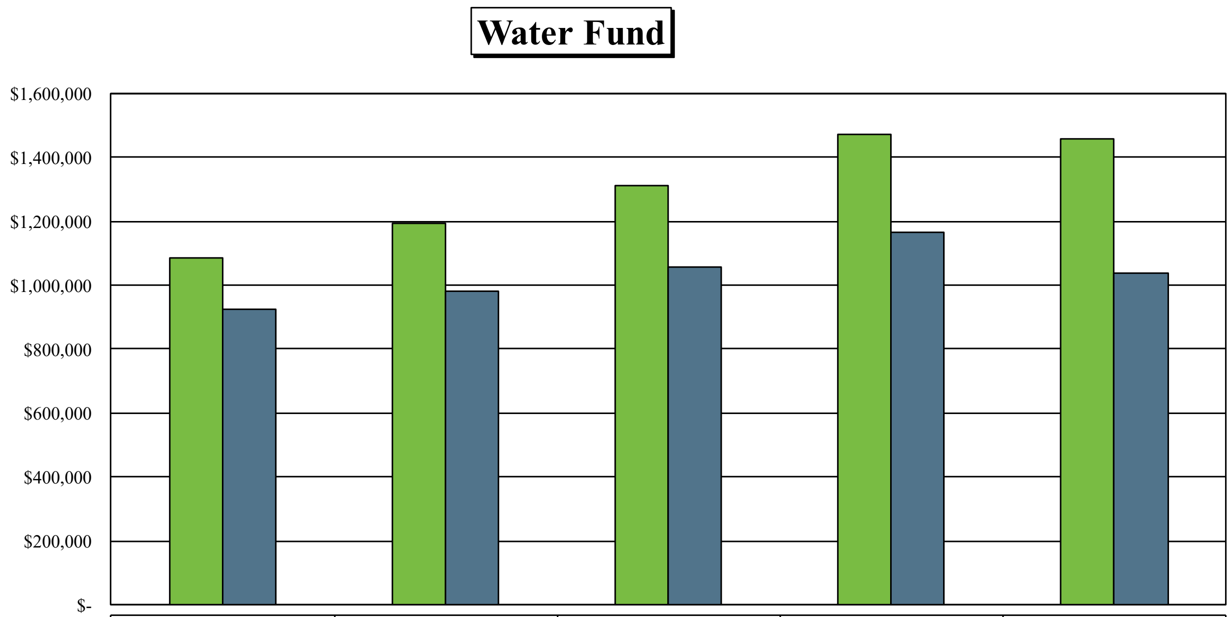
This graph provides a simplified viewpoint of the amounts. More information can be obtained from Wright County, Hennepin County, and the League of Minnesota Cities *Property Tax Data Tables for 2013-2021* (www.lmnc.org).

Water Fund
Since 1999, the City has been responsible for the distribution of water and the Joint Powers Board is responsible for the supply of water. The graphs below and on the next page show the results of the Water and Sewer Funds for the past five years.

In 2022, the Water fund had an operating loss of $232,114. This was a result of operating expenses increasing $216,768 due to an increase in cost of supplies and materials.



Water Enterprise Fund (Continued)

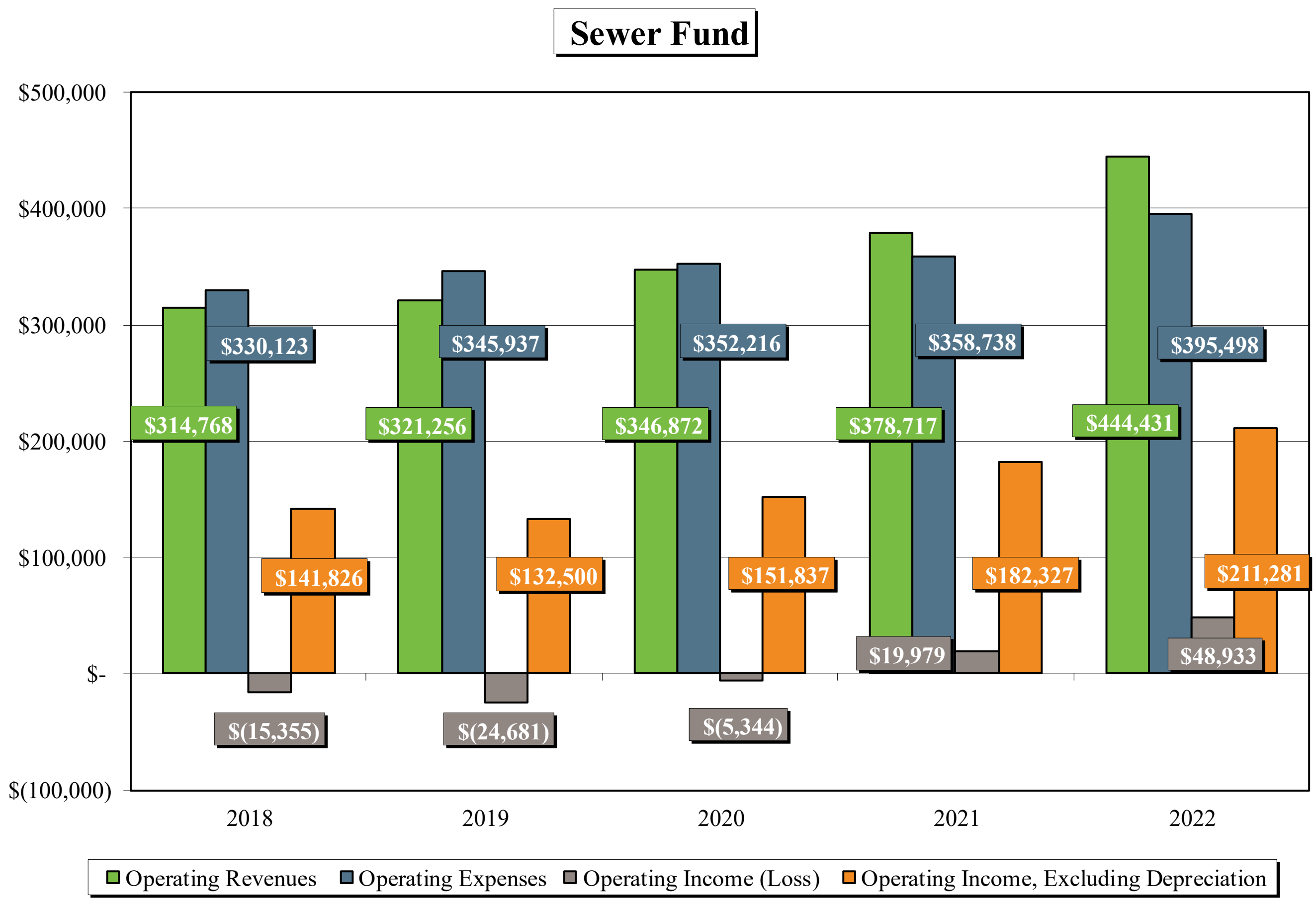


	2018	2019	2020	2021	2022
Cash and Investments	$1,082,852	$1,193,457	$1,312,370	$1,472,567	$1,457,358
Unrestricted Net Position	923,562	982,026	1,057,291	1,166,340	1,037,737

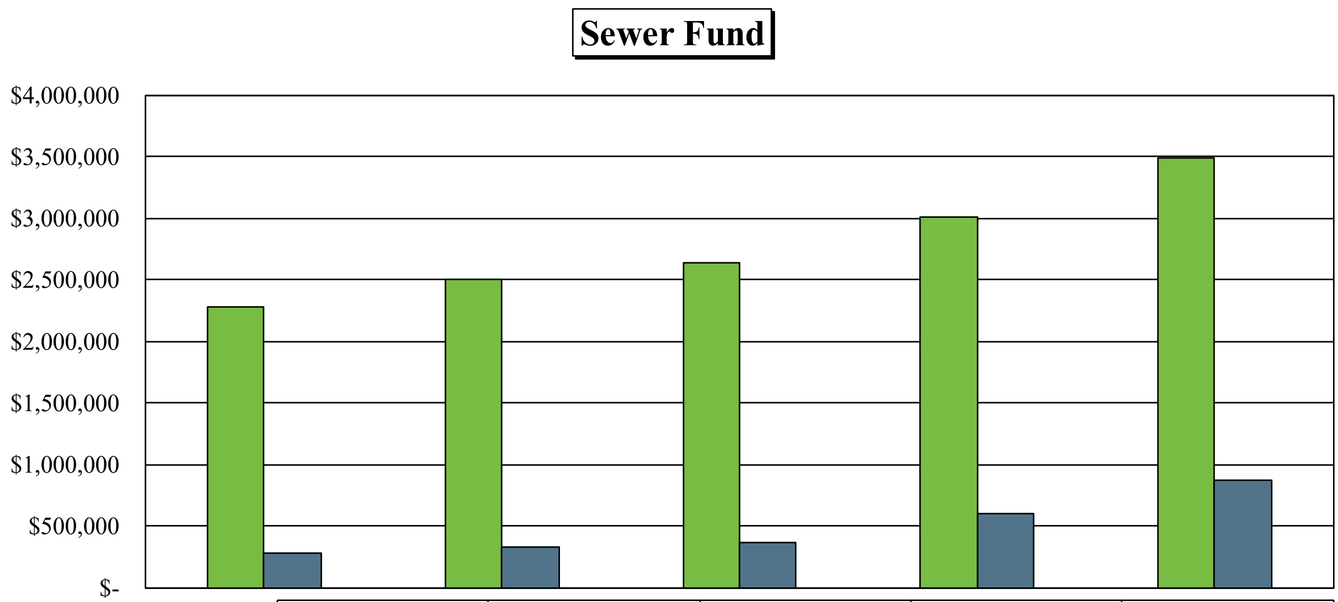
This graph shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Water Fund cash, and investment balance has increased $374,506 since 2018. The cash and investment balance decreased $15,209 during 2022 while the unrestricted net position for the Water Fund decreased $128,603 during the same time period.

Sewer Fund

For the most recent year out of all of the years shown, the City's Sewer Fund had operating income. Sewer Fund saw an increase in operating revenues of $65,714 in 2022 as a result of an increase in rates and usage. Operating expenses increased $36,760 in 2022 due primarily to increased cost of supplies and materials.



Sewer Fund (Continued)

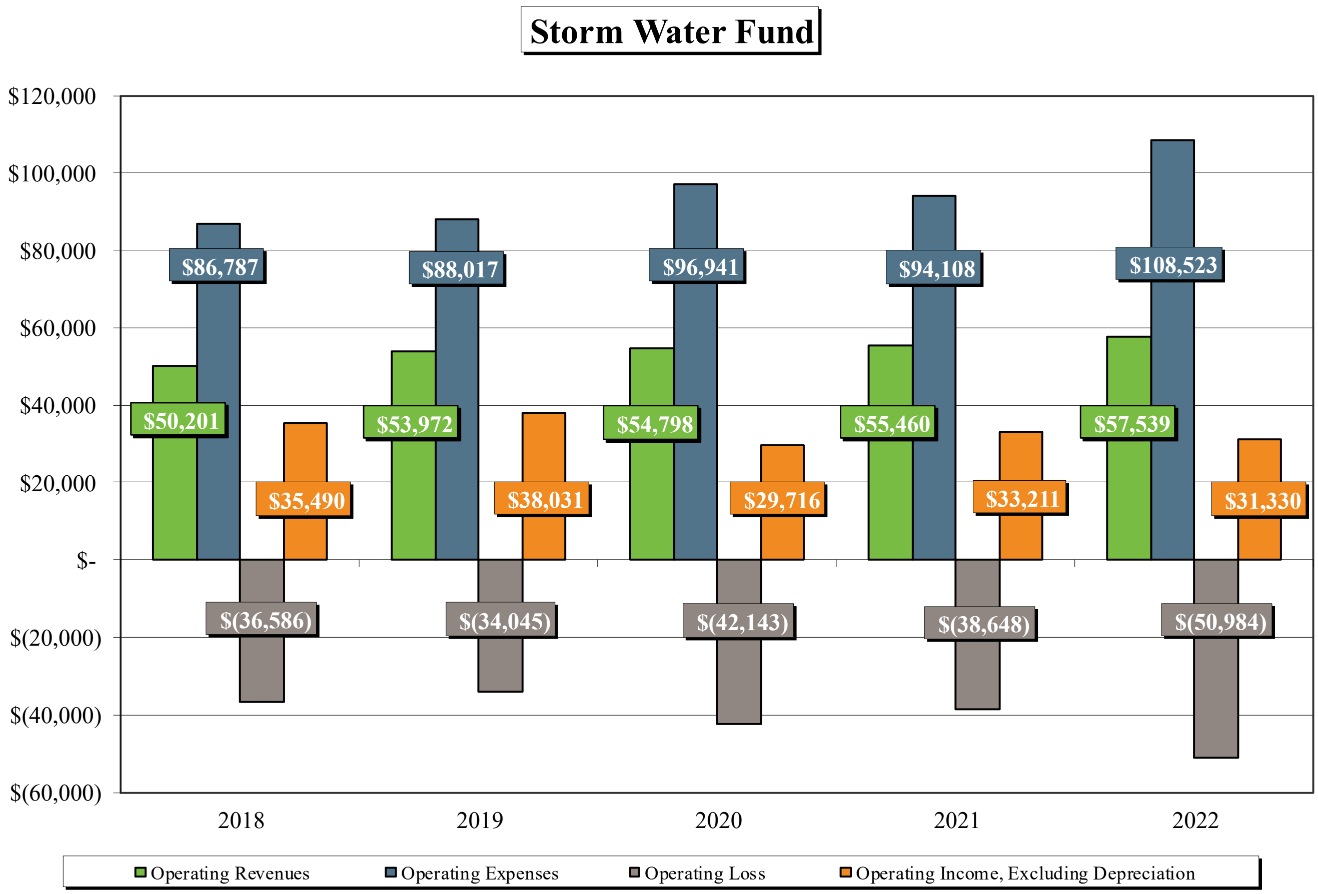


	2018	2019	2020	2021	2022
Cash and Investments	$2,284,859	$2,507,415	$2,638,973	$3,016,524	$3,487,161
Unrestricted Net Position	287,942	329,370	366,257	605,180	879,410

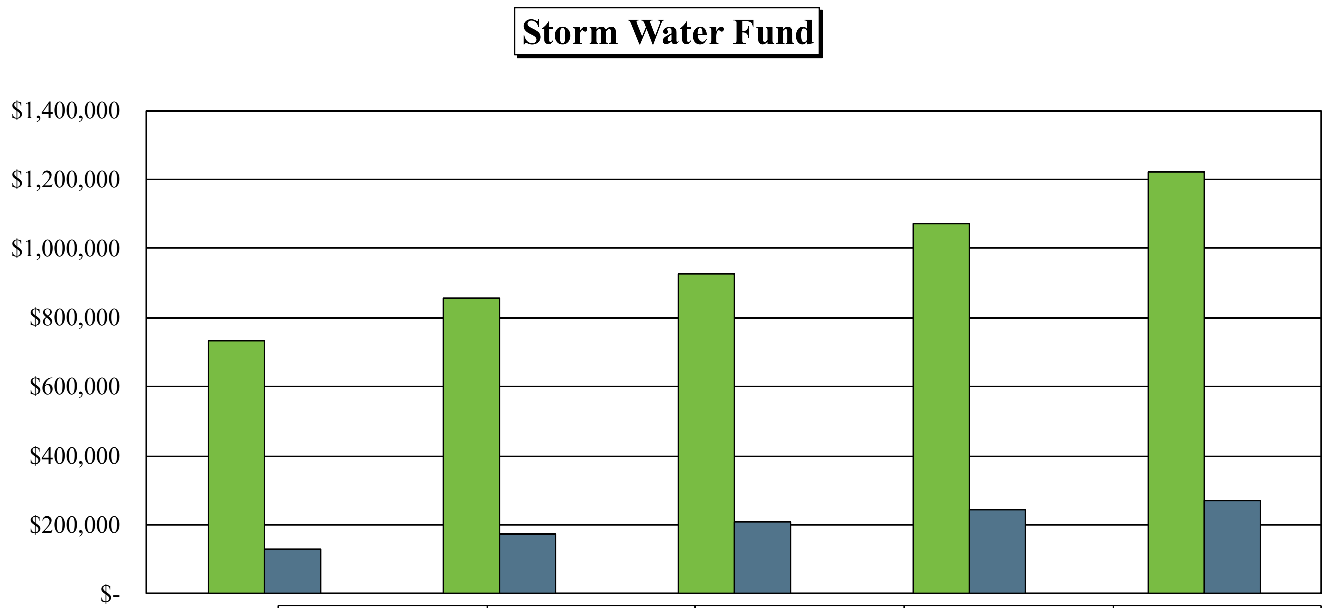
The graph above shows the cash and investment and unrestricted net position balances as of December 31 for the last five years. The Sewer Fund cash, and investment balance increased $470,637 while the unrestricted net position increased $274,230 in 2022.

Storm Water Fund

The Storm Water Enterprise Fund was established in 2009. In 2010, the City initiated a charge for storm water services for residents. With depreciation factored in, the fund has consistently posted operating losses, but has cash flowed positively from operations and built an unrestricted net position of $272,018 over its time in operation. Operating, revenues, and expenses stayed relatively consistent with the prior year, increasing $2,079 and $14,415, respectively.



Storm Water Fund (Continued)



	2018	2019	2020	2021	2022
Cash and Investments	$734,144	$854,746	$926,173	$1,070,977	$1,223,503
Unrestricted Net Position	129,438	172,195	209,288	245,709	272,018

As of December 31, 2022, the Storm Water Fund had an ending net cash and investment balance of $1,223,503. This is an increase of $152,526 compared to 2021. Unrestricted net position at year-end increased $26,309 compared to the prior year.

City of Hanover
Emerging Issues

Executive Summary

The following is an executive summary of financial related updates to assist you in staying current on emerging issues in accounting and finance. This summary will give you a preview of the new standards that have been recently issued and what is on the horizon for the near future. The most recent and significant updates include:

- **Accounting Standard Update – GASB Statement No. 96 – Subscription-Based Information Technology Arrangements**
  GASB has issued GASB Statement No. 96 relating to accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement will improve financial reporting by establishing a definition for subscription-based information technology arrangements and providing uniform guidance for accounting and financial reporting for transactions that meet that definition.
- **Accounting Standard Update – GASB Statement No. 100 – Accounting Changes and Error Corrections**
  GASB has issued GASB Statement No. 100 relating to accounting and financial reporting for accounting changes and error corrections. The requirements of this Statement will improve the clarity of the accounting and financial reporting requirements for accounting changes and error corrections, which will result in greater consistency in application in practice. In turn, more understandable, reliable, relevant, consistent, and comparable information will be provided to financial statement users for making decisions or assessing accountability.
- **Accounting Standard Update – GASB Statement No. 101 – Compensated Absences**
  GASB has issued GASB Statement No. 101 relating to accounting and financial reporting for compensated absences. The unified recognition and measurement model in this Statement will result in a liability for compensated absences that more appropriately reflects when a government incurs an obligation. In addition, the model can be applied consistently to any type of compensated absence and will eliminate potential comparability issues between governments that offer different types of leave.

The following are extensive summaries of the current updates. As your continued business partner, we are committed to keeping you informed of new and emerging issues. We are happy to discuss this/these issues with you further and their applicability to your City.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, Leases, as amended.

A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (Continued)

The subscription term includes the period during which a government has a noncancellable right to use the underlying IT assets. The subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).

Under this Statement, a government generally should recognize a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability. A government should recognize the subscription liability at the commencement of the subscription term, – which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the government, which may be implicit, or the government's incremental borrowing rate if the interest rate is not readily determinable. A government should recognize amortization of the discount on the subscription liability as an outflow of resources (for example, interest expense) in subsequent financial reporting periods.

The subscription asset should be initially measured as the sum of (1) the initial subscription liability amount, (2) payments made to the SBITA vendor before commencement of the subscription term, and (3) capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term. A government should recognize amortization of the subscription asset as an outflow of resources over the subscription term.

Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly:

- Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.
- Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset.
- Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

In classifying certain outlays into the appropriate stage, the nature of the activity should be the determining factor. Training costs should be expensed as incurred, regardless of the stage in which they are incurred.

If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, a government should account for those components as a single SBITA.

Accounting Standard Update – GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements* (Continued)
This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources.

This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information.

GASB Statement No. 96 is effective for reporting periods beginning after June 15, 2022. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62*
The primary objective of this 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 Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. As part of those descriptions, for (1) certain changes in accounting principles and (2) certain changes in accounting estimates that result from a change in measurement methodology, a new principle or methodology should be justified on the basis that it is preferable to the principle or methodology used before the change. That preferability should be based on the qualitative characteristics of financial reporting – understandability, reliability, relevance, timeliness, consistency, and comparability. This Statement also addresses corrections of errors in previously issued financial statements.

This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires 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. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement.

This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

Accounting Standard Update – GASB Statement No. 100 – *Accounting Changes and Error Corrections – an Amendment of GASB Statement No. 62* (Continued)
This Statement requires 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 on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated.

Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI).

For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

GASB Statement No. 100 is effective for reporting periods beginning after June 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences*
The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures.

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences.

This Statement requires that a liability for certain types of compensated absences – including parental leave, military leave, and jury duty leave – not be recognized until the leave commences. This Statement also requires that a liability for specific types of compensated absences not be recognized until the leave is used.

Accounting Standard Update – GASB Statement No. 101 – *Compensated Absences* (Continued)
This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities.

With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

GASB Statement No. 101 is effective for reporting periods beginning after December 15, 2023. Earlier application is encouraged.

Information provided above was obtained from www.gasb.org.