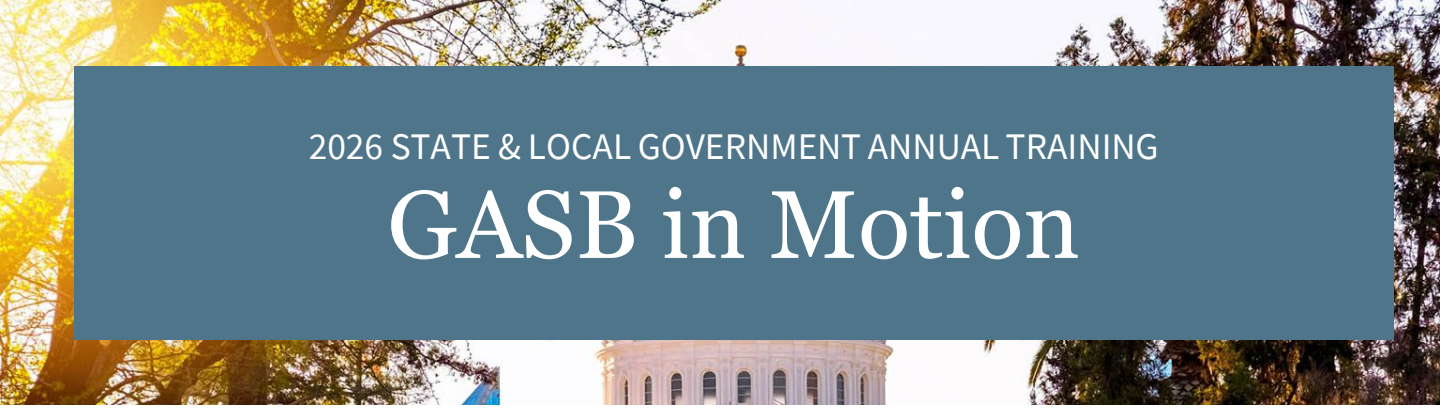
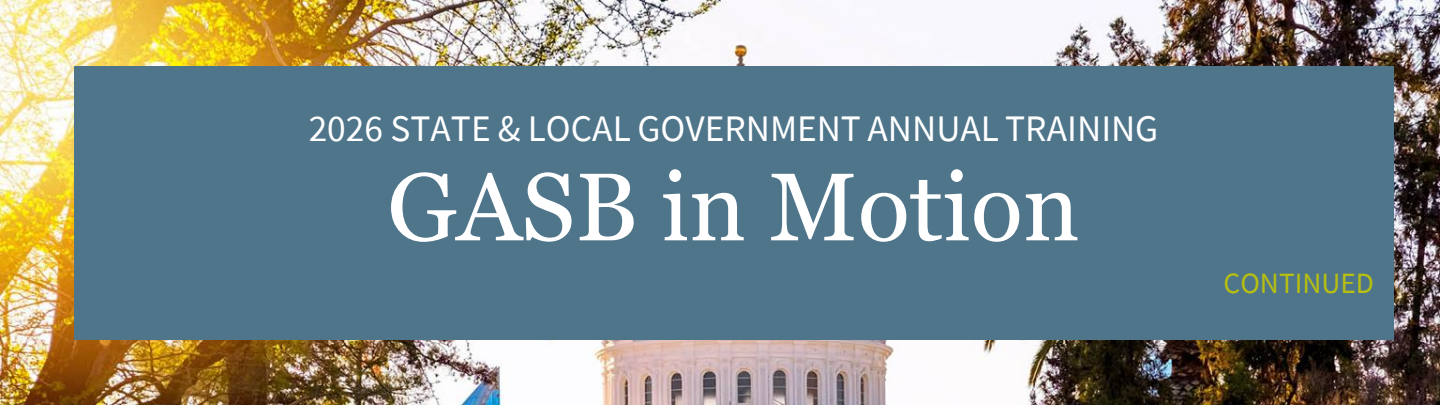


GASB in Motion

	MGO Responses
Is the budgetary comparison required for pension/retirement plan financial statements?	No. Budgetary comparison schedules are required for the general fund and major special revenue funds, not for pension or other post-employment benefits (OPEB) plans. Also, all other governmental funds should provide budgetary comparison schedules that demonstrate compliance at the legal level of budgetary control with legally adopted annual or biennial budgets, using the budgetary basis of accounting in the "Combining and Individual Fund Information and Other Supplementary Information" section of the annual comprehensive financial report (ACFR). The budgetary comparison schedules are not required for proprietary or fiduciary funds.
When do we need to begin complying with the new budgetary comparison requirements?	Effective for fiscal years beginning after June 15, 2025; earlier application encouraged.
Is there more specific guidance, such as threshold amounts or % changes, for the variance explanations required for MD&A?	GASB 103 does not prescribe quantitative thresholds; governments should use professional judgment to describe significant variances clearly. Our recommendation is to consider a combination of dollar variances and percentage changes to identify significant variances to analyze and disclose. Also, separate consideration should be given for different opinion units (e.g., you should not apply the threshold used for the general fund to the major special revenue funds if the materiality levels are different).
To clarify the example of an exception: interest on the loans would be operating revenue, but the interest on other investments (cash in the bank) would still be nonoperating. Is that correct?	Yes. Interest on loans related to program activities is reported as operating revenue when it qualifies for the GASB 103 exception for transactions that constitute the proprietary fund's principal ongoing operations, whereas interest earned on investments is always reported as nonoperating revenue.



GASB in Motion

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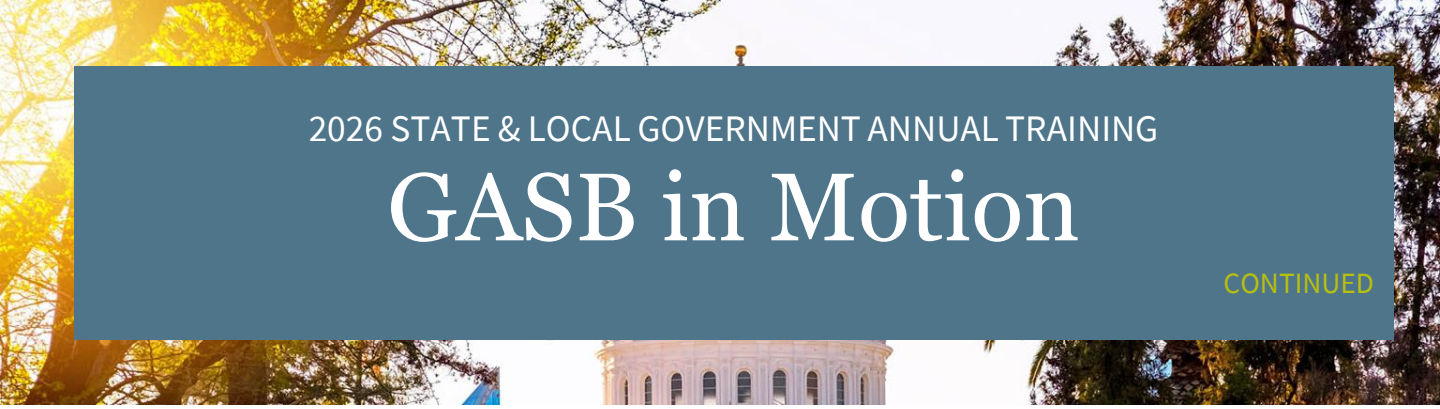
	MGO Responses
For proprietary funds, are the budgetary comparison schedules also being presented as RSI?	No. Required supplementary information (RSI) is only required for the general fund and major special revenue funds. The budgetary comparison schedules are not required for proprietary funds. However, if you do present budgetary comparison schedules for proprietary funds then they should be located in the supplementary information section of the report.
Was the GASB 105 disclosure on the date through which subsequent events were evaluated promulgated for consistency with FASB Statements?	Yes. GASB 105's requirement to disclose the date through which subsequent events have been evaluated — and to define that date as the date the financial statements are available to be issued — was aligned with the Financial Accounting Standards Board (FASB) model in Accounting Standards Codification (ASC) 855.
Are water and wastewater connection fees affected by GASB 103?	Connection fees (also known as system development or tap fees) may be classified differently depending on their nature: amounts related to the physical connection where costs are expensed are often treated as operating income, while amounts that substantially exceed the cost to connect or are restricted for capital acquisition/construction are commonly reported as capital contributions or other nonoperating revenues.
If a proprietary fund presents two years on the financial statements (FY26 and FY25), should we restate FY24 for the MD&A comparison of FY25 vs FY24?	No. GASB 103 references GASB 100 for transition guidance. GASB 100, paragraph 36, states the following: "for prior reporting periods that are earlier than those presented in the basic financial statements, information for those prior periods that is presented in RSI (including MD&A) or SI should not be restated for a change in accounting principles or a change to or within the financial reporting entity.“
Please remind us what RSI stands for.	RSI stands for required supplementary information.



GASB in Motion

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	MGO Responses
If you pass through FTA funds to a subreceipt, is that subsidy?	Pass-through grants are typically treated as nonexchange transactions and would most likely be presented as subsidies (both revenues and expenses) depending on eligibility and purpose. The purpose would most likely drive the classification of noncapital versus capital subsidies.
For proprietary funds, where would the purchase of capital assets be recorded? Under operating or nonoperating? For example, a county airport (enterprise fund) purchases land from a county general fund department.	For proprietary fund financial statements, the purchase of capital assets is not reported as an operating or nonoperating expense in the statement of revenues, expenses, and changes in net position. Instead, the land is capitalized on the statement of net position as a capital asset. Only depreciation of depreciable capital assets is reported as an operating expense in later periods. If the capital asset is donated to the enterprise fund, that would most likely be a capital subsidy.
How about MD&A? So, we need to restate all year presented for comparison?	No. Refer to the previous question regarding whether FY24 should be restated for the MD&A comparison of FY25 versus FY24.
So federal grants for capital projects are operating revenues, right?	No. Federal grants for capital projects are generally reported as capital contributions, which is the capital subsidy classification.
Maybe I'm getting ahead of myself, but does the guidance not to restate prior years in MD&A apply to discretely presented proprietary component units?	The non-restatement approach for prior reporting periods that are earlier than those presented in the basic financial statements applies broadly and includes discretely presented component units if they are also presented in the primary government's MD&A.
How are capital subsidies presented for proprietary funds?	Capital subsidies are generally reported as nonoperating revenues (capital contributions) in the proprietary fund statement's "other nonoperating revenues and expenses" category.

2026 STATE & LOCAL GOVERNMENT ANNUAL TRAINING

Avoiding Financial Statement Pitfalls: What Goes Wrong and How to Fix It

Questions	MGO Responses
If you include explanations for changes in revenues and expenses, are you duplicating those explanations when you explain changes in fund balance?	Including explanations for changes in revenues and expenses does not automatically mean you are inappropriately duplicating those explanations when you discuss changes in fund balance. GASB 103 requires MD&A to explain why balances and results of operations changed and encourages avoiding "unnecessary duplication" but allows repetition when the same factor is relevant in more than one section. Preparers may choose either to briefly restate it if repetition helps readability or to cross-reference explanations, using professional judgment.
Similar to the previous question, is the data from auditor comments from your clients or from another source?	The data from auditor comments come from both MGO clients and general issues shared among auditors through participation in various professional associations and organizations.
Who in the organization is responsible for internal consistency checks?	It should be assigned to someone with the appropriate skills, knowledge, and experience (SKE). This individual would need a basic understanding of the report and interrelationships between MD&A, financial statements, note disclosures, required supplementary information, supplementary information, and the other information (transmittal letter and statistical section).
Does GASB have examples of the targeted checklists for high-risk areas for the MD&A?	No, GASB is responsible for establishing and maintaining generally accepted accounting principles through the issuance of pronouncements and maintaining the codification. While the Government Finance Officers Association (GFOA) has its annual comprehensive financial report (ACFR) checklists, they are general and cover all topics to help ensure completeness. Building a "targeted checklist" would be an internal effort to distinguish the unique and complex nature of your organization and how that intersects with areas prone to common mistakes.

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Let's Talk

Avoiding Financial Statement Pitfalls: What Goes Wrong and How to Fix It

CONTINUED

Questions	MGO Responses
Is there more specific guidance, such as threshold amounts or % changes, for the variance explanations required for MD&A?	While GASB 103 requires that MD&A discuss significant/material changes, GASB does not prescribe specific numerical thresholds (dollar amounts or percentages) for when a variance in MD&A must be explained. In practice, we recommend establishing internal benchmarks using some combination of percentage or dollar change to help identify variances for discussion.
For a non-trust administered pension plan, would the current portion be the estimated payments to retirees or the estimated employer contributions?	For a pension liability reported by an employer under GASB for a plan not administered through a trust, the "current portion" (amount due within one year) is based on benefit payments expected to be paid within one year — not on the employer's expected contributions. Employer contributions are simply the mechanism by which those benefits are financed, but the liability classification is driven by the expected timing of benefit payments coming due.
Is a breakdown of SBITA assets required in the capital asset rollforward table? There isn't clear categories like lease assets (building, equipment, etc.).	For disclosure, GASB requires that subscription assets recognized under GASB 96 be disclosed separately from other capital assets in the notes, but it does not require a specific breakdown into subcategories. Governments may group subscription-based information technology arrangements (SBITAs) for note disclosure and use professional judgment to define major classes based on the nature and significance of the underlying IT assets (e.g. software-as-a-service, platform-as-a-service, and infrastructure-as-a-service cloud arrangement).
Do the survey statistics for GFOA comments come from your firm's clients or from GFOA data?	The survey statistics are sourced from the Government Finance Officers Association (GFOA). We obtained a summary of comments by number and frequency for fiscal years 2023 and 2024.

Avoiding Financial Statement Pitfalls: What Goes Wrong and How to Fix It

CONTINUED

Questions	MGO Responses
You mentioned there was an effort to reclass Medicare payments as noncapital subsidies rather than operating revenues, where do I go to find out more?	This guidance is included in the 2026 Implementation Guide Exposure Draft for Financial Reporting Model Improvements — Subsidies, Question 4.1. The exposure draft was issued on February 10, 2026, and is available for download from the GASB website. Please note that, as this is an exposure draft, the guidance may be revised before final issuance. The final Implementation Guide is expected to be issued in the third quarter of 2026 (by September 2026).
Was GASB 105 disclosure on the date through which subsequent events were evaluated promulgated for consistency with FASB Statements?	Yes. GASB 105's requirement to disclose the date through which subsequent events have been evaluated — and to define that date as the date the financial statements are available to be issued — was aligned with the Financial Accounting Standards Board (FASB) model in Accounting Standards Codification (ASC) 855.

2026 STATE & LOCAL GOVERNMENT ANNUAL TRAINING

Avoiding an Orange Jumpsuit: Fraud, Federal Funds, and You.

Questions	MGO Responses
Small nonprofits find documentation and oversight so high they don't want to do business with us. Ideas to still involve them?	We are seeing this throughout the country — both due to small nonprofits' concerns about administrative burden and risk of the unknown. To help with this, we have seen some clients hold workshops that provide training and tips for both application completion and implementation. The workshops along with a review of current processes to identify opportunities for efficiencies (e.g., prequalification processes, and the completion and publication of procurement and application forecasts) have been helpful.
If you find a subrecipient has multiple instances of internal control failure and questioned costs. Should this be disclosed in the pass-though entity's Single Audit report?	This is not a required disclosure for the pass-through entity and may be difficult to execute if the volume of subrecipients is high. It may also be premature in the event the subrecipient challenges the questioned costs or audit findings and is successful, in whole or in part. A more appropriate place to consider internal control deficiencies and weaknesses, as well as noncompliance leading to questioned costs, may be in the risk assessment and required audit report follow-up procedures. It is best practice to issue subawards annually and to complete a risk assessment update each year.
Could you please clarify who should be signing these certifications?	Generally, it is at the discretion of the recipient and subrecipient regarding who should certify reports. The signing authority policy should specify who is authorized to sign and written delegations of authority should be completed for those who are not referenced in signing authority policies or in legal statutes or code, for example. Please note that certain documents (e.g., indirect cost rate proposals) require certifying officials to be at certain organizational levels, such as a vice president or CFO level. In any instance, the authorized certifying official must be able to commit the organization's resources and accept legal risk on behalf of the organization.

Avoiding an Orange Jumpsuit: Fraud, Federal Funds, and You.

CONTINUED

Questions	MGO Responses
How can organizations balance the need for strong internal controls and compliance with 2 CFR Part 200 while still maintaining operational efficiency and program delivery?	A best practice is to take a risk-based approach to designing internal controls, so the focus and level of effort is primarily based on those items that provide the greatest exposure — considering reputational, financial, audit, and operational/performance risks. A key consideration as one thinks through the volume of rules in play is to look at dual-purpose controls and train personnel to review and assess multiple matters concurrently (e.g., reviewing a project GL report for allowability and completeness while conducting the SF 425 FFR review). This type of approach addresses multiple risk points with a single procedure. The key is to provide both training and documented processes to avoid potentially overlooking key steps or considerations.
What are the most common weaknesses you're seeing today that organizations overlook in managing federal funds?	Undocumented or outdated policies and procedures, lack of training, and lack of or inadequate internal monitoring resulting in issues or errors occurring for multiple years and not being detected and corrected in a timely manner. The tightening of resources often results in a reduction in investment around controls and risk mitigation, but the cost can be greater on the back-end when this occurs.

2026 STATE & LOCAL GOVERNMENT ANNUAL TRAINING

Third-Party & Vendor Cyber Risk: Your Weakest Link Isn't IT

Questions	MGO Responses
Can you go over the types of SOC audits and what the differences are?	SOC 1 and SOC 2 are both audit reports, but they focus on different things. SOC 1 is all about controls that impact financial reporting. SOC 2 is more about security and the broader trust criteria like availability and confidentiality. SOC 1 tends to be geared toward auditors and finance teams, whereas SOC 2 is what customers and security folks usually care about. With Type 1 versus Type 2, it's really a timing and depth difference: Type 1 is just a snapshot of whether controls are designed properly at a single point in time, while Type 2 shows how those controls actually performed over a period (usually several months). Because of that, Type 2 carries more weight since it proves the controls are not just designed well but actually working in practice.
Do you recommend having the vendors provide an annual audit report on their IT system?	Yes, preferably an independent assessment with a structured, risk-based approach. Use these reports as part of an active vendor risk management process, where findings are reviewed, tracked, and enforced — especially for vendors supporting mission-critical systems.
What would you do if a critical, high-risk vendor refuses to comply with your security requirements?	Treat this as a material business risk. Quickly, yet formally, document the risk, quantify the impact, and bring it to senior stakeholders for a clear "accept, mitigate, or replace" decision. In parallel, look at contingency options like reducing scope, limiting data shared, or accelerating a vendor replacement.
Does using a third-party MFA authenticator app provide a noticeable difference in security compared to SMS email verification?	Both are two-factor authentication processes and are examples of great controls. In certain situations, a multi-factor authentication (MFA) app can grant access where short message service (SMS) or email is unavailable, as the app is always generating an access code. But this is likely a relatively infrequent occurrence in today's connected world.

2026 STATE & LOCAL GOVERNMENT ANNUAL TRAINING

Third-Party & Vendor Cyber Risk: Your Weakest Link Isn't IT

CONTINUED

Questions	MGO Responses
With concentration risk, how do you balance operational efficiency against risk mitigation? For example, the finance system, the permitting function, court management, and probation management software are all from the same vendor (but different divisions). At the same time, the organization has leveraged one vendor for network, application, and overall IT system security. How do you balance the concentration risk?	Balancing vendor concentration risk against operational efficiency is a classic tradeoff: Keep the application vendor for efficiency but reduce risk by separating critical dependencies — specifically identity, data backups, and recovery processes — so you are not fully reliant on one provider. For the IT and security vendor, introduce an independent layer (such as separate logging, identity, or security monitoring) to avoid a complete loss of control in an incident. Focus diversification only where failure would disrupt multiple mission-critical services, rather than spreading vendors everywhere. In practice, the balance comes from maintaining consolidation for operations while deliberately inserting independent control and recovery layers to prevent systemic failure. Evaluate options from a backup and recovery perspective to determine whether shared platforms can be architected so that backups remain separate by division. There are also design choices around platform integration to ensure application programming interfaces (APIs) can be disconnected if an incident occurs.
If one of your key vendors experienced a breach tomorrow, what is the first decision you would make and why?	First decision/action is isolation, or at least containment, followed by activation of the incident management plan to gain an understanding of what data was affected, how long the exposure existed, and what else is connected to that platform. The incident plan should also detail the internal steps around communications, legal involvement, and other response activities.
What's one recommendation that could improve the alignment of finance, procurement, and IT to collaborate on vendor risk?	Communication. Ultimately, each organization is working towards the same goals, but human nature sometimes causes us to lose sight of that within our own areas of focus. Perhaps a 30 minute "lunch and learn", where each team can highlight what vendor risk means to them, can help get those conversations started. From a process standpoint, establish a joint vendor risk governance (VRG) process with shared ownership across finance, procurement, and IT.

Third-Party & Vendor Cyber Risk: Your Weakest Link Isn't IT

CONTINUED

Questions	MGO Responses
What role does reviewing SOC 1 and SOC 2 play in mitigating risks in the environment where organizations are shifting to more SaaS-based platforms?	SOC1 and SOC2 reports are a great starting point and should absolutely be included as a key element in your vendor evaluation program, but they should not be the only items on which you rely. These reports often have a narrow scope of coverage for the SaaS tool, so it's important to verify that the specific components and services you use are included within the scope of the assessment.
How do large organizations establish proper internal controls across all departments to best mitigate these risks?	Large organizations manage vendor risk by setting clear, organization-wide rules for how third parties must handle data and systems — and making those expectations part of every contract. They centralize oversight (e.g.: vendor risk committee) to consistently assess vendors before onboarding and monitor them over time. Different departments (legal, IT, finance, business teams) each play a role, but they all follow the same standard process, so nothing falls through the cracks.

2026 STATE & LOCAL GOVERNMENT ANNUAL TRAINING

From Brussels Sprouts to Sugar Cookies: Transform Your Succession Plan

Questions	MGO Responses
In my experience, governmental accounting and public accounting tend to have pretty similar salaries.	That can certainly be true in many cases. For the clients we work with, though, it often depends on the organization. Some government entities are able to offer salaries that are competitive with the private sector, especially if they regularly benchmark compensation as part of formal salary studies. Others may not be able to match private-sector pay, so they focus on attracting and retaining employees by leaning on benefits and culture.
What training might you recommend to upskill data analysis capabilities?	I recommend customizing the training and upskilling based on what you identify as the gaps or needs in the 3:4:3 exercise. In the 3:4:3 exercise, you are asking the three questions at four position levels: individual contributors, supervisors, people managers, and executive management. You can create a crosswalk between your classification and compensation structure to these four levels, and therefore the different positions in the classification structure. In that way, it is most closely tied to your career path and direction.
Do you have any templates you would be willing to share?	Links to the personnel risk template and the transition plan document are in the MGO follow-up email. If you did not receive the email, please feel free to contact Allison LeMay (alemay@mgocpa.com) and she can send you the templates directly.
What if staff doesn't want to participate in succession planning (they will say it is not their job to train replacements)?	If employees are resistant to succession planning, we recommend pivoting to focus on workforce resiliency to mitigate this resistance. The approach focuses on building collective knowledge so that operations can continue if an employee is not at work (e.g., if they take vacation or need to take an extended leave). The intent is not to identify a successor; it is to continue operations with minimal disruption if they are not able to come to work. We also recommend adding a coaching or knowledge-sharing component to performance evaluation requirements.

From Brussels Sprouts to Sugar Cookies: Transform Your Succession Plan

CONTINUED

Questions	MGO Responses
What challenges have you faced when trying to move stakeholders from traditional succession planning to a broader workforce resiliency approach?	Workforce resiliency planning is a broader and more comprehensive approach to take and can require greater investment. Taking this into account, we often find there are efficiencies gained through the effort and ways to better deploy training dollars.
How do you factor in differences in compensation and levels of responsibility?	In the 3:4:3 exercise, you are asking the three questions at four position levels: individual contributors, supervisors, people managers, and executive management. You can create a crosswalk between your classification and compensation structure to these four levels, and the different positions in the classification structure. The skills should be included in the job descriptions and therefore included in any compensation market assessment.
AI is causing great uncertainty for organizations, especially as it relates to the future. How have you seen this play out in your analyses about skills needed and other aspects of succession planning? Any tips?	All employers are working to address the uncertainty of building a resilient workforce in a future with AI. We recommend a stronger emphasis on "soft skills" such as adaptability, digital fluency, learning agility, critical thinking, and collaboration. We are also seeing an increased emphasis on emotional intelligence (EQ) agility, which emphasizes building interpersonal skills — the ability to adapt one's default communication, management styles, etc. — to others' preferences to be more effective in executing tasks. In other words, in a future where everyone can quickly use AI to build a plan for how to complete work, the differentiators will be the people who have the interpersonal skills to get the work done.
What's the ideal number of participants in a workshop?	We recommend limiting workshop participation to no more than 8-10 participants. If you exceed this number, then you will likely need to extend the workshop time to allow for robust conversation.

From Brussels Sprouts to Sugar Cookies: Transform Your Succession Plan

CONTINUED

Questions	MGO Responses
Any recommendations on how to debrief leadership with the results?	Like involving the union representatives, we recommend involving leadership throughout the assessment. It's particularly important to listen to any concerns they have, tie intended outcomes to strategic objectives and note intended financial management outcomes (such as using training funds for more targeted training, etc.). This helps build and retain buy-in so that momentum can continue throughout the implementation stages.
For union environments, how do you socialize this with union leaders and reps?	We recommend involving union leaders and reps before kicking off the assessment, soliciting their feedback on desired skill and training opportunities for their members, and presenting the plan of action. Before beginning the assessment, meet with the union representatives and communicate the intended goals, highlighting shared objectives and benefits to their members — particularly the intent to decrease strain on employees when vacancies occur and providing opportunities for all members learn new skills. Gather their feedback after the 3:4:3 exercise; they likely have great insight into skills and training their members are interested in. Lastly, outline the implementation plan, emphasize the shared goals, and look for opportunities to partner with them.