



ACCOUNTING

Getting Ghosted

Eerie Evidence of Changes within Financial Reporting Entities Resulting from GASB Statement No. 100

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GASB Statement No. 100, *Accounting Changes and Error Corrections* [GASB 100],¹ must be implemented first by governments with fiscal years ending June 30, 2024—meaning, essentially, now. An overview of all key aspects of the statement appeared in the August 2022 issue of *GFR*,² but in this article, we'll focus on a little-noticed but significant nuance about the reporting and disclosure requirements related to certain changes within a financial reporting entity: the “ghost column.”

With the implementation of GASB 100, the change in a fund's presentation as major or nonmajor, and the change in a component unit's presentation as blended or discretely presented, must be both displayed and disclosed in basic financial statements.³ Specifically,

“A change to or within the financial reporting entity should be reported by adjusting the current reporting period's beginning net position, fund balance, or fund net position, as applicable, for the effect of the change as if the change occurred as of the beginning of the reporting period.”⁴

To fulfill this requirement, all reporting units (generally, columns) that appeared in the financial statements for the prior fiscal year will also need to appear in the statements for the current year, even if only to demonstrate that their beginning balances have been appropriately moved to another reporting unit.⁵ This means that in governmental fund statements of revenues, expenditures, and changes in fund balance “ghost columns” should be presented for governmental funds that were major funds in the prior fiscal year but are now nonmajor. Those

columns will not reflect the activity for the year of the reclassified fund—which should be included in the current year's nonmajor funds column—but will show both the “beginning fund balance, as previously reported” and the “adjustment to beginning fund balances,” wherein that fund's prior year ending fund balance will be shown as a decrease in the ghost column and an increase in the nonmajor fund total column.

Similarly, in proprietary fund statements of revenues, expenses, and changes in net position, ghost columns should be presented for enterprise funds that were major funds in the prior fiscal year but are now nonmajor. In government-wide statements of activities, ghost columns and ghost rows should appear when a formerly discretely presented component unit becomes a blended component unit. Finally, wherever columns (other than total columns) in financial statements are aggregations (nonmajor governmental funds, nonmajor enterprise funds, and more than one discretely presented component unit reported in a column on government-wide financial statements), governments should include combining financial statements as supplementary information in the financial section of their annual comprehensive financial reports



All reporting units that appeared in the prior fiscal year financial statements will also need to appear in the current year statements, even if only to demonstrate that their beginning balances have been appropriately moved to another reporting unit.⁴

(ACFRs), so ghost columns will appear in combining statements when situations are reversed and formerly nonmajor funds are now reported as major funds.

For governments that have only a few funds and those whose practice it is to continue reporting a fund as a major fund once it has been reported as major in any year, this may be only a theoretical or occasional problem. However, the greater the number of major funds a government reports, the higher the cost and burden involved in obtaining an independent audit of those financial statements, since auditors' opinions explicitly address each major fund, dramatically lowering the level of materiality and increasing amount of audit testing required. As a result, many governments do regularly reclassify funds that were formerly major to avoid the added cost and burden required to obtain an audit opinion.

Think, for example, about a government that only occasionally undertakes large capital projects, and thus reports only a single capital project fund (CPF) in its financial statements. If no major projects had occurred in recent years and with transfers made into CPF from the general fund for the occasional small project or improvement, CPF may have been reported as a nonmajor fund at the end of year one. If a new major project is undertaken and bonds issued for that purpose at the beginning of the next year, CPF may well exceed the ten percent and five percent thresholds and is reported as a major fund for year two. If the project is completed in year three, CPF may once again fall below the ten percent and five percent thresholds and be reported as a nonmajor fund for year three. As this example shows, funds may be changed between major and nonmajor frequently, with fund statements potentially reporting a graveyard's worth of ghost columns on a recurring basis.

To illustrate how ghost columns would appear in financial statements, let's look at a fictitious government with several accounting changes and an error correction occurring in one fiscal year, including some that will result in ghost columns. Assume that fictitious government has the following accounting changes and error corrections for which it must restate beginning fund balances and net position.

1. Private Grants Fund, a special revenue fund the city reported as a major fund in its fiscal year ended 6/30/X1 financial statements, should be reported instead as a nonmajor special revenue fund for its fiscal year ended 6/30/X2. Its originally reported fund balance at 6/30/X1 was \$2,587,439.
2. A legally separate health clinic that was reported as a discretely presented component unit of the city in its fiscal year ended 6/30/X1 stopped providing services to the public during the city's fiscal year ended 6/30/X2. The city decided to keep operating it for city staff only, to help reduce employee absenteeism by providing no-appointment necessary treatment. The clinic will bill the employee's insurance and charge co-pays, and that revenue will be contractually restricted for use in paying for the clinic's operations. The city determined that the clinic should be reported as a blended component unit—specifically, as a nonmajor special revenue fund—in its financial statements for the fiscal year ended 6/30/X2. The clinic's net position at 6/30/X1 was \$169,402.
3. A legally separate adult education entity was reported as a discretely presented component unit of the City in its fiscal year ended 6/30/X1, because the city's mayor appointed a

voting majority of its board members and could replace those members at will. Effective July 1, X1, the board composition changed such that the state's governor appoints a voting majority and can replace those members at will. The adult education entity is properly reported as a component unit of the State, and not part of the City's financial reporting entity as of 6/30/X2. The adult education entity's net position at 6/30/X1 was \$9,412.

4. The city implements GASB Statement No. 101, *Compensated Absences*, resulting in cumulative effects on prior years' net position amounts for governmental activities and business activities. [For simplicity, the changes to proprietary fund statements won't be illustrated.] The cumulative effects on net position of governmental and business-type activities were \$(3,956) and \$(33,669), respectively.
5. During its fiscal year ended 6/30/X2, the city uncovered an error made in its financial statements for the fiscal year ended 6/30/X1 that affected both its general fund's fund balance and its governmental activities' net position, by the same amount. The error had caused the 6/30/X1 general fund's fund balance and the total governmental activities net position to be understated by \$194,216.

See Exhibit 1 for a condensed version of the governmental funds statement of revenues, expenditures, and changes in fund balance. Note the inclusion of a column for Private Grants Fund with the columns for major funds on the face of the statement, even though Private Grants Fund is no longer a major fund and the activity is properly aggregated in the nonmajor fund column. In this

EXHIBIT 1

	General Fund	Recreation Fund	Formerly Major Fund Private Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES					
Total revenues	\$ 139,610,043	\$ 41,194,613		\$ 34,070,858	\$ 214,875,514
EXPENDITURES					
Total expenditures	142,780,234	39,082,987		24,699,492	206,562,713
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,170,191)	2,111,626		9,371,366	8,312,801
OTHER FINANCING SOURCES (USES)					
Total other financing sources (uses)	6,192,157	2,016,236		(5,926,715)	2,281,678
NET CHANGE IN FUND BALANCES	3,021,966	4,127,862		3,444,651	10,594,479
FUND BALANCES, 6/30/X1, as previously reported	27,094,293	6,646,703	2,587,439	9,705,268	46,033,703
Change within financial reporting entity (major to nonmajor fund)	-	-	(2,587,439)	2,587,439	-
Change to financial reporting entity (discrete to blended CU)				169,402	169,402
Error correction	194,216	-		-	194,216
FUND BALANCES, 6/30/X1, as adjusted or restated	27,288,509	6,646,703		12,462,109	46,397,321
FUND BALANCES, 6/30/X2	\$ 30,310,475	\$ 10,774,565		\$ 15,906,760	\$ 56,991,800

EXHIBIT 2

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expense) Revenue and Change in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
					Governmental Activities	Business Type Activities	Total	Formerly Discrete CU Health Clinic Former CU Adult Education Center
PRIMARY GOVERNMENT								
Governmental Activities								
Total governmental activities	\$ 94,330,071	\$ 11,168,235	\$ 7,762,390	\$ 2,719,150	\$ (72,680,296)	-	(72,680,296)	
Business-Type Activities								
Total business-type activities	60,153,101	28,635,971	30,312,892	581,184	(623,054)	(623,054)	(1,246,108)	
TOTAL PRIMARY GOVERNMENT	\$ 154,483,172	\$ 39,804,206	\$ 38,075,282	\$ 3,300,334	\$ (73,303,350)	\$ (623,054)	\$ (73,926,404)	
COMPONENT UNITS								
Formerly Discrete Health Clinic Former CU Adult Education Center								
Total General Revenues					74,424,933	51,849	74,476,782	
Gain on disposal of capital assets					-	1,782	1,782	
Transfers in (out)					(611,358)	611,358	-	
Total					73,813,575	664,989	74,478,564	
CHANGE IN NET POSITION					510,225	41,935	552,160	
NET POSITION (DEFICIT), MAY 1, as previously reported					(6,783,118)	2,845,175	(3,937,943)	
Changes to / in reporting entity (clinic to blended, ed closed)					169,402	-	-	(169,402)
Change in accounting principle (GASB 101)					(29,713)	(3,956)	(33,669)	(9,412)
Error correction					194,216	-	194,216	
FUND BALANCES, MAY 1, as adjusted or restated					(6,449,213)	2,841,219	(3,777,396)	
NET POSITION, APRIL 30					\$ (5,938,988)	\$ 2,883,154	\$ (3,225,236)	

EXHIBIT 3

	General Fund	Recreational Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Total assets	\$ 50,351,698	\$ 28,200,812	\$ 38,925,931	\$ 117,478,441
LIABILITIES				
Total liabilities	19,561,641	17,360,756	22,919,720	59,842,117
DEFERRED INFLOWS OF RESOURCES				
Total deferred inflows of resources	479,582	65,491	99,451	644,524
FUND BALANCES				
Total fund balances	\$ 30,310,475	\$ 10,774,565	\$ 15,906,760	\$ 56,991,800

illustration, we've included a descriptive heading to clearly indicate to readers that the absence in the column of inflows (revenues, other financing sources) and outflows (expenditures and other financing uses) for the period is not an indication that the fund had no activity, but that the activity for the period is included in the nonmajor governmental fund column. While such column headings are not a requirement of GASB 100, they are illustrated here to reduce confusion about the meaning of the ghost column. Also, for the purposes of the illustration, each accounting change and the error correction that affects governmental funds is shown in its own row as an adjustment or restatement of fund balance as previously reported. GASB 100 permits but does not require this level of detail on the face of the financial statement. Instead, a single row for accounting changes and a single row for error corrections could be shown on the face of the statement, and the details provided in a table in the note disclosures showing each individual accounting change and error correction.

Exhibit 2 is a condensed version of a government-wide statement of activities. Here we see ghost columns for both discretely presented component units that were reported in the prior year as well as ghost rows for their expenses and program revenues. As with Exhibit 1, the detailed description of each change is not required to be separately displayed on the face of the statement, but the details would need to be in the note disclosure.

While activity statements span a period of time and thus report both opening and ending fund balances or net position, position statements such as governmental fund balance sheets, proprietary fund statements of net position, and government-wide statements of position are of course reported as of a specific point in time, namely the end of the last day of a fiscal year. Therefore, no ghost columns would appear in position statements. See Exhibit 3 for the governmental fund balance sheet that would correspond to our Exhibit 1. This means, however, that activity and position statements for the same fund classification for the same fiscal year will be reporting different numbers of reporting units,

EXHIBIT 4

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances					
	Funds			Government-Wide		
	General Fund	Private Grant Fund	Nonmajor Governmental	Governmental Activities	Business-Type Activities	Health Clinic
6/30/X1, as previously reported	\$ 27,094,293	\$ 2,587,439	\$ 9,705,268	\$ (6,783,118)	\$ 2,845,175	\$ 169,402
Change from major to nonmajor fund	-	(2,587,439)	2,587,439	-	-	-
Change in reporting entity (discrete to blended CU)	-	-	169,402	169,402	-	(169,402)
Change to reporting entity (discontinued CU)	-	-	-	-	-	(9,412)
Change in accounting principle (GASB 101)	-	-	-	(29,713)	(3,956)	-
Error correction	194,216	-	-	194,216	-	-
6/30/X1, as adjusted or restated	\$ 27,288,509	\$ 12,462,109	\$ (6,449,213)	\$ 2,841,219		

EXHIBIT 5

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 20X2						
	Special Revenue Funds			Permanent Fund	Total	
	Formerly Governmental Fund Health Clinic General Fund	Federal Grant Fund	State Grant Fund	Formerly Non-major Fund Private Grant Fund	Maintenance Fund	Governmental Funds
REVENUES						
Total revenues		\$ 18,452,117	\$ 7,098,450		\$ 51,241	\$ 25,601,808
EXPENDITURES						
Total expenditures		17,618,312	6,037,951		42,179	23,698,442
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES		833,805	1,060,499		9,062	1,903,366
OTHER FINANCING SOURCES (USES)						
Total other financing sources (uses)		-	(300,715)		-	(300,715)
NET CHANGE IN FUND BALANCES		833,805	759,784		9,062	1,602,651
FUND BALANCES, 6/30/X1, as previously presented	169,402	301,881	206,377	2,587,439	9,197,010	12,462,109
Change within financial reporting entity (major to nonmajor fund)	-	-	-	(2,587,439)	-	(2,587,439)
Change to financial reporting entity (blended to discrete CU)	(169,402)	-	-	-	-	(169,402)
Error correction	-	-	-	-	-	-
FUND BALANCES, 6/30/X1, as adjusted or restated		301,881	206,377		9,197,010	9,705,268
FUND BALANCES, 6/30/X2		\$ 603,762	\$ 412,754		\$ 18,394,020	\$ 19,410,536

Activity and position statements for the same fund classification for the same fiscal year will be reporting different numbers of reporting units, which itself can cause some confusion.



which itself can cause some confusion. Here again, we hope that the column labels for the activity statements will help readers make sense of the display.

Exhibit 4 is an example of a note disclosure table which would be the alternative to showing the details of each accounting change and error correction on the face of each statement but is never a substitute for the display criteria requiring governments to reconcile the “beginning position

balance, as previously reported” with the “beginning position balance, as adjusted or restated.”

Finally, while GASB 100 does not specifically address combining financial statement presentation, the same principles should apply. So, what if the situations were reversed from the assumptions in our example? If, instead of adding nonmajor funds—one for the now-blended clinic component unit and one for the now-nonmajor Private Grants

Fund—we were reclassifying a formerly nonmajor governmental fund as a major governmental fund or a discretely presented component unit, it stands to reason that the combining statements of revenues, expenditures, and changes in fund balance for nonmajor governmental funds would include ghost columns as well. The combining statement would then articulate with the required display in the basic financial statements to present movement as an adjustment to beginning position balances previously reported. Exhibit 5 illustrates such a combining statement.

While governments that prepare their financial statements on spreadsheets may need only a few hours to insert and remove columns each year, governments with more sophisticated reporting systems may require substantial reprogramming to be able to accommodate ghost columns and ghost rows. With June 30, 2024, and fiscal year ends rapidly approaching, we encourage governments to determine the needed course of action now and we hope you will not be long haunted by the need to do so. ¹

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¹ GASB 100 has been included in the GASB Codification of Governmental Accounting and Financial Reporting Standards (Cod.) Section (Sec.) 2250, “Additional Reporting Considerations,” paragraphs .121 through .157, and in other locations throughout the Cod.

² Michele Mark Levine, “GASB 101. Literally,” *GFR*, August 2022. <https://www.gfoa.org/materials/gfr822-gasb101>

³ GASB Cod. Sec. 2250.127.

⁴ GASB Cod. Sec. 2250.140.

⁵ For an explanation of a reporting unit, see: Michele Mark Levine, “From Confusing to Cringe-Worthy,” *GFR*, February 2022, Exhibit 2. <https://www.gfoa.org/materials/gfr222-accounting>

⁶ Recall that while funds that meet or exceed the ten percent and five percent thresholds *must* be reported as major funds, those (other than a general fund or equivalent) that fall below the thresholds may nonetheless be reported as major funds if the government judges that treatment to be appropriate.