

Course Information for: Financial Accounting and Reporting


- **Course Overview** – In this course, attendees will gain a basic understanding different financial accounting methods and why they are different. Students will also learn about the standard setting bodies that are responsible for overseeing the proper application of the standards and be introduced to the reporting required of each.
- **Intended Audience** – This course is intended for students that entering the field of rate regulation so that they become familiar with the types of financial accounting either directly used by or indirectly recognized by regulatory commissions and agencies.
- **Learning Objectives** – After this course the student will have a foundational understanding of the types of financial accounting, their standard setters, and reporting requirements.
- **Course Level** – Basic
- **Course Prerequisites** –None
- **Advance Prep** – None
- **Delivery Method** – Online Group Live
- **NASBA National Registry Statement** -- The Institute of Public Utilities is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors. State Boards of Accountancy have the final authority on the acceptance of individual course for CPE credit. Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.nasbaregistry.org.
- **This course is eligible for CPE credit.**



Financial Accounting and Reporting

Financial Accounting

The term “Financial Accounting” is commonly used to refer to accounting that follows Generally Accepted Accounting Principles (GAAP)



Financial
Accounting

Cost
Accounting

Managerial
Accounting

Financial Accounting

Accounting is the art of recording, classifying and summarizing in a significant manner and in terms of money, transactions and events, which are in part at least of a financial character, and interpreting the result thereof.

The American Institute of Certified Public Accountants (AICPA)



The process of identifying, measuring, and then communicating economic and financial events of an entity so a mutual understanding of its economic health can be obtained allowing for informed decisions, opinions, and judgments by users.

Financial Accounting

**US GAAP
Accounting**

**Governmental
Accounting**

**Regulatory
Accounting**

**Income Tax
Accounting**

**International Financial
Reporting Standards**

**Sustainability
Accounting**

Financial Accounting

**US GAAP
Accounting**

**Governmental
Accounting**

**Regulatory
Accounting**

**Income Tax
Accounting**

**International Financial
Reporting Standards**

**Sustainability
Accounting**

Comprehensive Basis of Accounting

The Basis of Accounting

All financial statements are prepared in accordance with a **Financial Reporting Framework**.

Financial statements (including related notes), are a structured representation of historical financial information intended to:

- Communicate an entity's economic resources and obligations at a point in time (e.g., Balance Sheet) or
- The financial or economic changes for a measured period in accordance with a financial reporting framework (e.g., Income Statement).
- The term **financial reporting framework** is defined as:
A set of criteria used to determine measurement, recognition, presentation, and disclosure of all material items...

Review of Financial Statements (AICPA, Professional Standards)

A Comprehensive Basis of Accounting:

- Determines **HOW** and **WHEN** economic and financial information is identified and measured.
- Is a **SYSTEMATIC** and **STRUCTURED** methodology for recognizing, valuing, tabulating, and categorizing economic and financial transactions.
- Overseen by some system of governance – a **STANDARD SETTER**.

The Basis of Accounting

NOTE:

- **Cash Basis of Accounting –**

Recognizes transactions for accounting purposes only when actual cash is received or paid.

- **Accrual Basis of Accounting –**

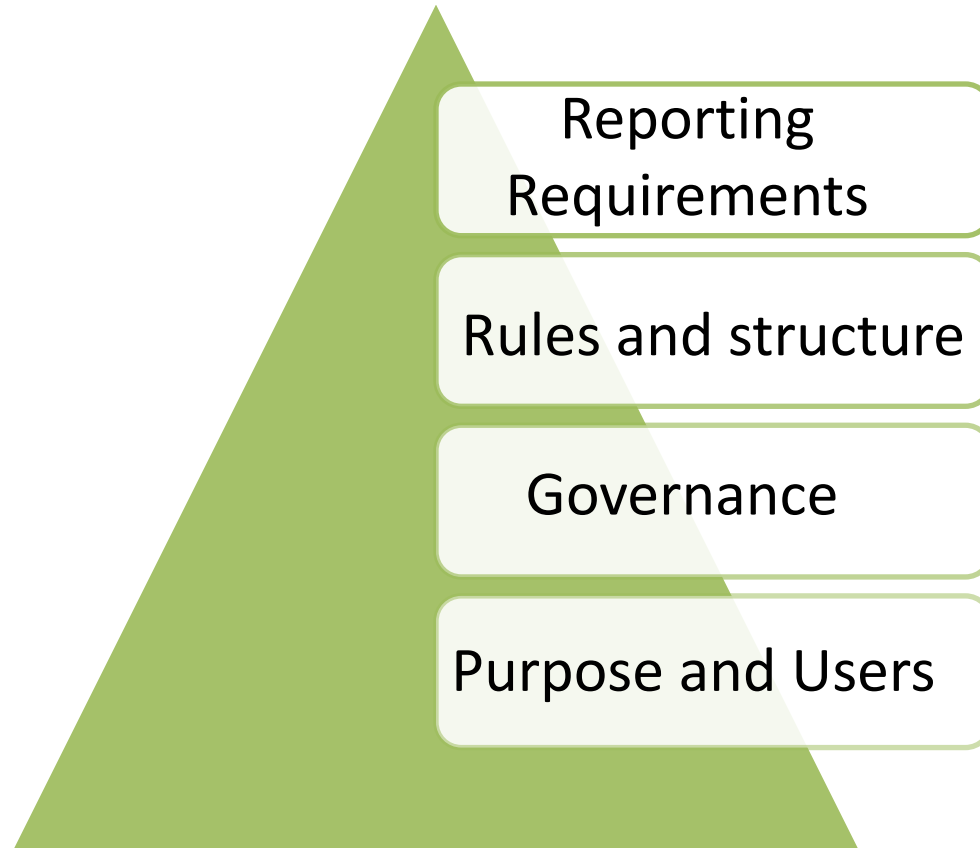
Recognizes transactions for accounting purposes when Revenues are Earned, and Expenses or Liabilities when Incurred.

In the purest sense, these are *methods* of accounting, not bases of accounting.

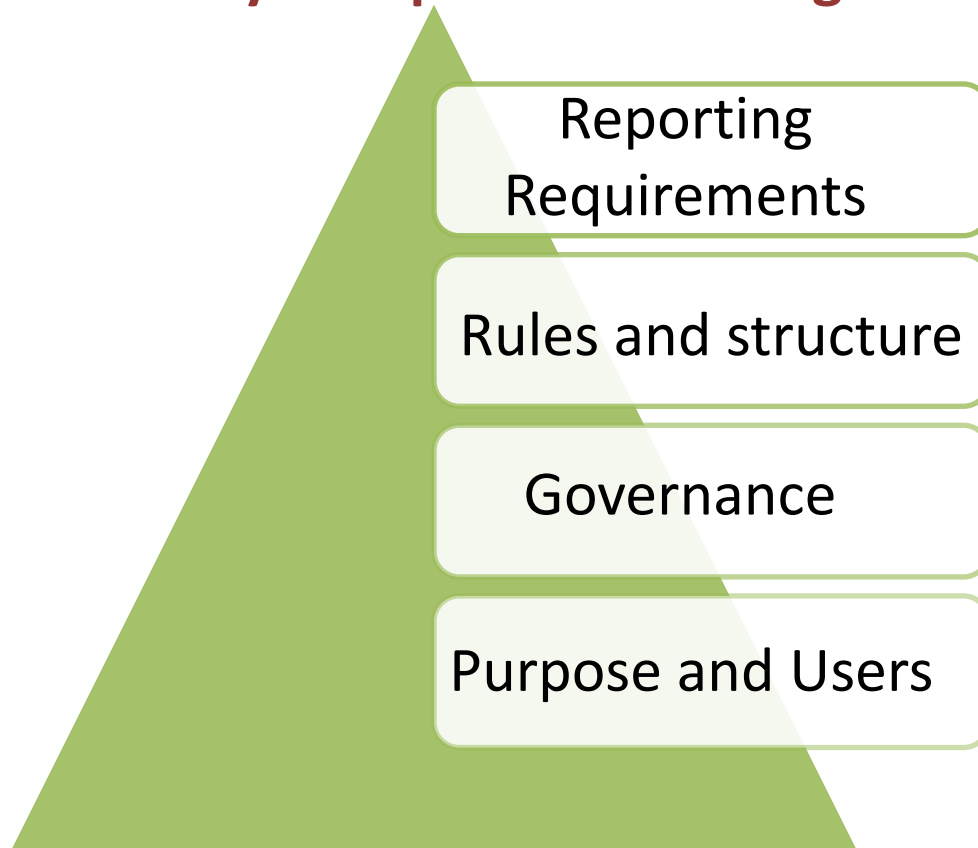
BUT NOTE: Common terminology refers to them both as “basis of accounting.”

Do not confuse them with the bases of accounting we are talking about in this lecture.

Every Comprehensive Basis of Accounting has these components



US GAAP Accounting Generally Accepted Accounting Principles



US GAAP Accounting

Purpose and Users

The concept of *Generally Accepted Accounting Principles* is first found in the **Securities Act of 1933**.

- The Securities Act of 1933 was a law made to protect the public (investors) from securities fraud and to require accurate information from companies allowing the public to make informed investment decisions.
- The 1933 Act was passed into law to protect investors after the stock market crash of 1929.
- The Securities Act of 1933, as amended, created the process for an accounting standard for corporate financial statements.

SECURITIES ACT OF 1933

[References in brackets [] are to title 15, United States Code]

P.L. 115-174, Enacted May 24, 2018

Compilation of the text of Chapter 39 of the Title 15 by the public law listed in the list Appended to the bottom of each page of the pdf version and the date of the enactment of the public law listed at the beginning of each page.

[Note: While this publication does not represent an official version of any Federal statute, substantial efforts have been made to ensure the accuracy of its contents. The official version of Federal law is found in the United States Statutes at Large and in the United States Code. The legal effect to be given to the Statutes at Large and the United States Code is established by statute (1 U.S.C. 112, 200.)]

AN ACT To provide full and fair disclosure of the character of securities sold in interstate and foreign commerce and through the mails, and to prevent frauds in the sale thereof, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled,

TITLE I

SHORT TITLE

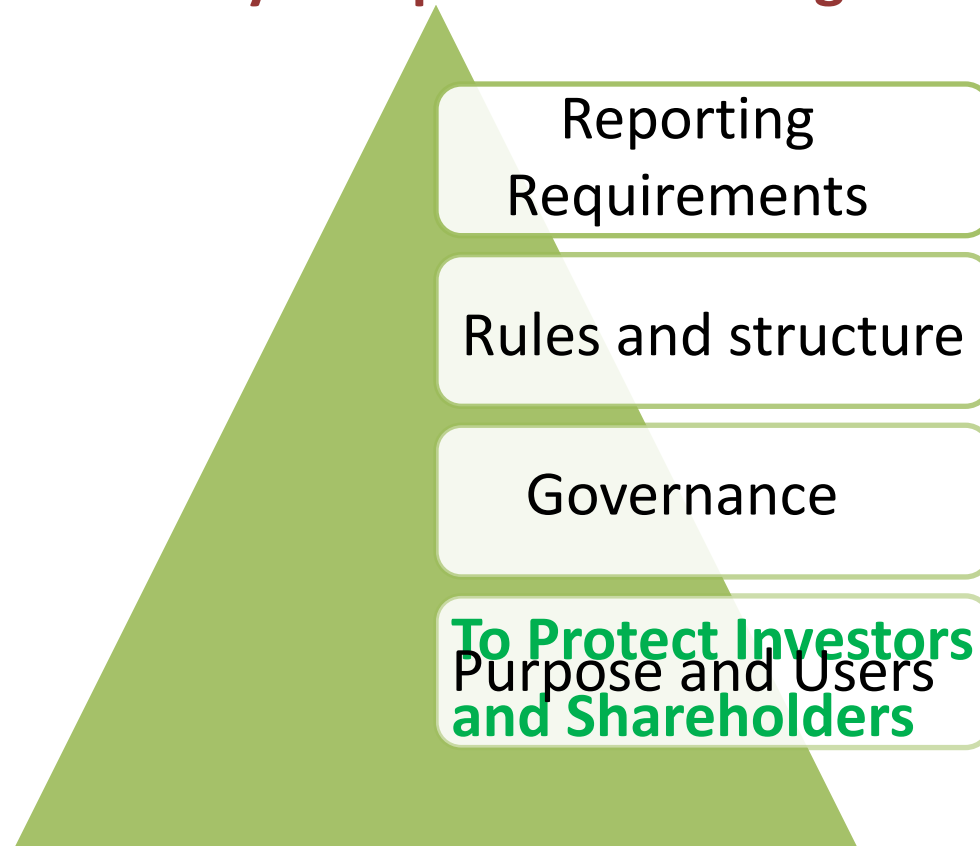
SECTION 1. [77a] This title may be cited as the "Securities Act of 1933".

DEFINITIONS

SEC. 2. [77b] (a) DEFINITIONS.—When used in this title, unless the context otherwise requires—

(1) The term "security" means any note, stock, treasury stock, security future, security-based swap, bond, debenture, evidence of indebtedness, certificate of interest or participation in any profit-sharing agreement, collateral-trust certificate, preorganization certificate or subscription, transferable share, investment contract, voting-trust certificate, certificate of deposit for a security, fractional undivided interest in oil, gas, or other mineral rights, any put, call, straddle, option, or privilege on any security, certificate of deposit, or group or index of securities (including any interest therein or based on the value thereof), or any put, call, straddle, option, or privilege entered into on a national securities exchange relating to foreign currency, or, in general, any interest or instrument commonly known as a "security", or any certificate of interest or participation in, temporary or interim certificate for, receipt for, guar-

US GAAP Accounting Generally Accepted Accounting Principles



EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, see section 4 of Pub. L. 111-203.

SPECIAL POWERS OF COMMISSION

SEC. 19. (a) The Commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this title, including ~~rules and regulations concerning registration, statements, and~~ ~~to be invalid for any reason.~~

(b) RECOGNITION OF ACCOUNTING STANDARDS.—

(1) IN GENERAL.—In carrying out its authority under subsection (a) and under section 13(b) of the Securities Exchange Act of 1934, the Commission may recognize, as “generally accepted” for purposes of the securities laws, any accounting principles established by a standard setting body—

(A) that—

(i) is organized as a private entity;

(ii) has, for administrative and operational purposes, a board of trustees (or equivalent body) serving in the public interest, the majority of whom are not, concurrent with their service on such board, and have not been during the 2-year period preceding such service, associated persons of any registered public accounting firm;

(A) that—

(i) is organized as a private entity;

(ii) has, for administrative and operational purposes, a board of trustees (or equivalent body) serving in the public interest, the majority of whom are not, concurrent with their service on such board, and have not been during the 2-year period preceding such service, associated persons of any registered public accounting firm;

(iii) is funded as provided in section 109 of the Sarbanes-Oxley Act of 2002;

(iv) has adopted procedures to ensure prompt consideration, by majority vote of its members, of changes to accounting principles necessary to reflect emerging

EFFECTIVE DATE OF 2010 AMENDMENT

Amendment by Pub. L. 111-203 effective 1 day after July 21, 2010, see section 4 of Pub. L. 111-203.

SPECIAL POWERS OF COMMISSION

SEC. 19. (a) The Commission shall have authority from time to time to make, amend, and rescind such rules and regulations as may be necessary to carry out the provisions of this title, including rules and regulations governing registration statements and prospectuses for various classes of securities and issuers, and defining accounting, technical and trade terms used in this title. Among other things, the Commission shall have authority, for the purposes of this title, to prescribe the form or forms in which required information shall be set forth, the items or details to be shown in the balance sheet and earning statement, and the methods to be followed in the preparation of accounts, in the appraisal or valuation of assets and liabilities, in the determination of depreciation and

Financial Accounting Standards Board (FASB)

issuance, or any person under direct or indirect common control with the issuer. The rules and regulations of the Commission shall be effective upon publication in the manner which the Commission shall prescribe. No provision of this title imposing any liability shall apply to any act done or omitted in good faith in conformity with any rule or regulation of the Commission, notwithstanding that such rule or regulation may, after such act or omission, be amended or rescinded or be determined by judicial or other authority to be invalid for any reason.

(b) RECOGNITION OF ACCOUNTING STANDARDS.—

(1) IN GENERAL.—In carrying out its authority under subsection (a) and under section 13(b) of the Securities Exchange Act of 1934, the Commission may recognize, as “generally accepted” for purposes of the securities laws, any accounting principles established by a standard setting body—

(A) that—

- (i) is organized as a private entity;
- (ii) has, for administrative and operational purposes, a board of trustees (or equivalent body) serving in the public interest, the majority of whom are not, concurrent with their service on such board, and have not been during the 2-year period preceding such service, associated persons of any registered public accounting firm;
- (iii) is funded as provided in section 109 of the Sarbanes-Oxley Act of 2002;
- (iv) has adopted procedures to ensure prompt consideration, by majority vote of its members, of changes to accounting principles necessary to reflect emerging

US GAAP Accounting



- Recognized in 1973 (by the SEC) as the Standard Setting Body for US GAAP for publicly held companies,
- Has the authority to **Establish** and **Interpret** GAAP,
- Seven Member Board with five-year terms (limited to two terms),
- Part of the **Financial Accounting Foundation**

US GAAP Accounting

The **Financial Accounting Foundation** is

- An independent non-profit organization,
- Responsible for the oversight, administration, and financing, of the **FASB**, and
- The appointment of its board members.



**FAF purpose is to advance and contribute to the education of...
the standards of accounting and reporting and to establish and
to improve the standards of financial accounting and reporting...**

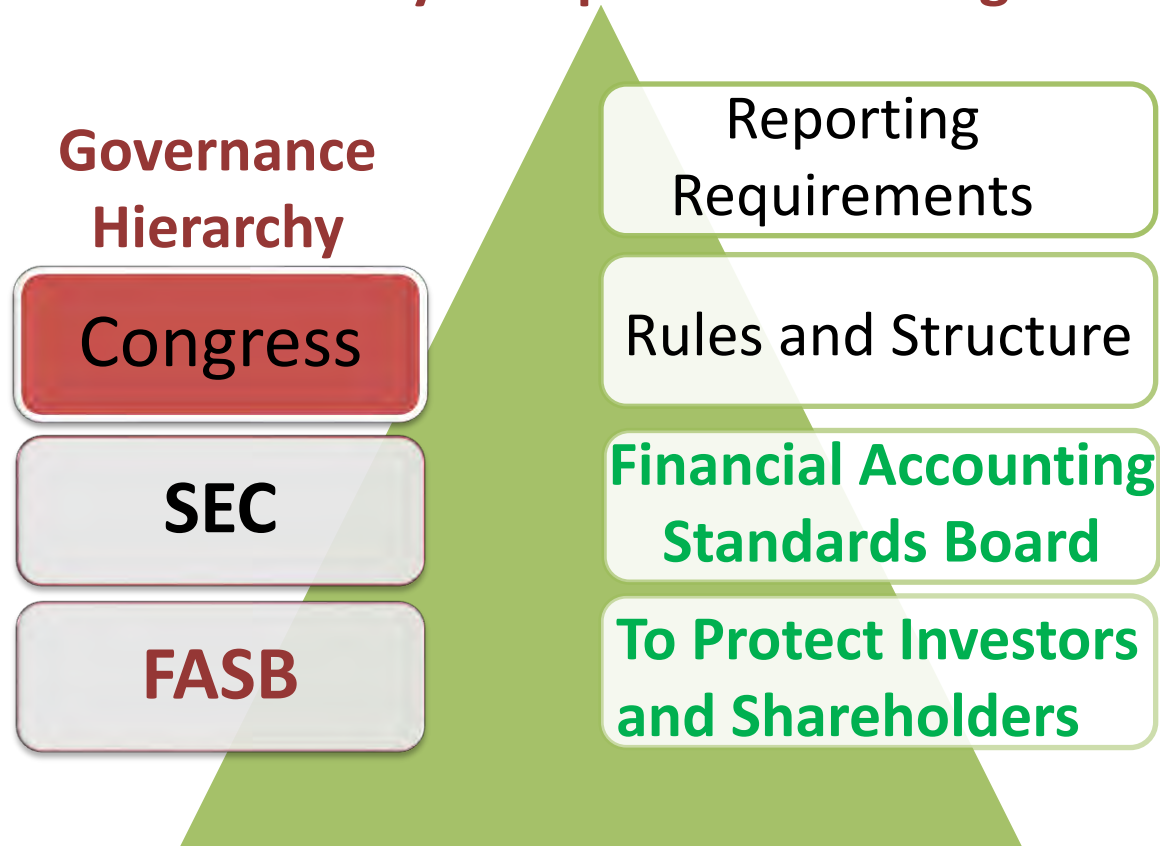
US GAAP Accounting

Generally Accepted Accounting Principles



US GAAP Accounting

Generally Accepted Accounting Principles



US GAAP Accounting

Generally Accepted Accounting Principles



US GAAP Accounting
rules are reflected in the
FASB Accounting Standards Codification.

The Codification:

- Is the only authoritative source of US GAAP recognized by the FASB.
- It's limited to nongovernmental entities.
- Includes rules and interpretive releases of the SEC which are authoritative for SEC registrants.



US GAAP Accounting

Prior to the codification, in 1970, the FASB issued **Statements of Financial Accounting Standards**



US GAAP Accounting Rules and Structure

Accounting Standards Update 2024-01

Compensation—Stock Compensation (Topic 718)

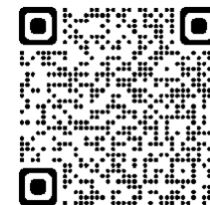
Scope Application of Profits Interest and Similar Awards

March 2024

CONTENTS

	Page Numbers
Summary	1–3
Amendments to the <i>FASB Accounting Standards Codification</i> ®	4–13
Background Information and Basis for Conclusions	14–23
Amendments to the GAAP Taxonomy	24

US GAAP Accounting Rules and Structure



https://asc.fasb.org

FASB Accounting Standards Codification

FASB FINANCIAL ACCOUNTING STANDARDS BOARD Accounting Standards Codification.

Ex. 740-10-25-1 [Go To](#)

Search

- General Principles >
- Presentation >
- Assets >
- Liabilities >
- Equity >
- Revenue >
- Expenses >
- Broad Transactions >
- Industry >
- Master Glossary >
- Other Sources >

Welcome to the Accounting Standards Codification

What is the Codification?

The Financial Accounting Standards Board (FASB) Accounting Standards Codification® (Codification or ASC) is the single source of authoritative nongovernmental U.S. generally accepted accounting principles (US GAAP). The Codification is effective for interim and annual periods ending after September 15, 2009. All other accounting literature not included in the Codification is nonauthoritative. See Codification Topic 105, Generally Accepted Accounting Principles, for additional details.

How to Use It

There are two primary resources for new users of the Codification. First, [Help Topics](#) is a list of specific functions and features and a relevant description of each. Second, the downloadable [User Guide](#) outlines a series of common use cases and shows the relevant functionality and tips related to each.

[How to Use the Codification >](#)

What's New

Here you will find a listing of recent FASB document issuances.

July 26, 2024, FASB Issues

[Maintenance Update 2024-06](#)

July 23, 2024, FASB Issues

[Proposed Accounting Standards Update 2024-ED100—Derivatives and Hedging \(Topic 815\) and Revenue from Contracts with Customers \(Topic 606\)](#)

July 3, 2024, FASB Issues

Help

The website offers several resources to enhance your working knowledge of the Codification including a help page with descriptions of specific functions and features of the Codification and a downloadable user guide.

[Help Topics >](#)

[User Guide >](#)

[About the Codification >](#)

[General Feedback >](#)

US GAAP Accounting Rules and Standards



Proposed Accounting Standards Update

Issued: July 23, 2024

Comments Due: October 21, 2024

Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606)

Derivatives Scope Refinements and Scope Clarification for a Share-Based Payment from a Customer in a Revenue Contract

The Board issued this Exposure Draft to solicit public comment on proposed changes to Topic 815, Topic 606, and Topic 321 of the *FASB Accounting Standards Codification*[®]. Individuals can submit comments in one of three ways: using the electronic feedback form on the FASB website, emailing comments to director@fasb.org, or sending a letter to "Technical Director, File Reference No. 2024-ED100, FASB, 801 Main Avenue, PO Box 5116, Norwalk, CT 06856-5116."

Financial Accounting Standards Board

US GAAP Accounting Rules and Structure

FASB Accounting Standards Codification

Topic XXX

Sub-Topic XXX

Section XX

Paragraph X

The screenshot displays the FASB Accounting Standards Codification interface. On the left is a navigation sidebar with the FASB logo and a search bar. The main content area is a tree view of accounting standards, organized into four columns corresponding to the labels above: Topic XXX, Sub-Topic XXX, Section XX, and Paragraph X. The 'Industry' category in the sidebar and '980 Regulated Operations' in the Topic XXX column are circled in green. Other visible items include '92X Entertainment', '93X Extractive Activities', '96X Plan Accounting', '97X Real Estate', '985 Software', and '995 U.S. Steamship Entities' in the Topic XXX column; '405 Liabilities', '410 Asset Retirement and Environmental Obligations', '450 Contingencies', '470 Debt', '605 Regulated Operations—Revenue Recognition—Alternative Revenue Programs', '710 Compensation—General', '715 Compensation—Retirement Benefits', '740 Income Taxes', '810 Consolidation', '815 Derivatives and Hedging', '835 Interest', and '840 Leases' in the Sub-Topic XXX column; and '05 Overview and Background', '15 Scope and Scope Exceptions', '20 Glossary', '25 Recognition', '55 Implementation Guidance and Illustrations', and '75 XBRL Elements' in the Section XX column. A 'Close' button is visible in the top right corner.

US GAAP Accounting Rules and Structure

FASB Accounting Standards Codification

Archive What Links Here

Industry → 980 Regulated Operations → 740 Income Taxes ↕

25 Recognition

General Note: The Recognition Section provides guidance on the required criteria, timing, and location (within the financial statements) for recording a particular item in the financial statements. Disclosure is not recognition.

General

> Income Taxes Applicable to Regulated Entities

980-740-25-1 For regulated entities that meet the criteria for application of paragraph 980-10-15-2, this Subtopic specifically:

- a. Prohibits net-of-tax accounting and reporting
- b. Requires recognition of a deferred tax liability for tax benefits that are flowed through to customers when temporary differences originate and for the equity component of the [allowance for funds used during construction](#)
- c. Requires adjustment of a deferred tax liability or asset for an enacted change in tax laws or rates.

980-740-25-2 If, as a result of an action by a regulator, it is probable that the future increase or decrease in taxes payable for (b) and (c) in the preceding paragraph will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that probable future revenue or reduction in future revenue pursuant to paragraphs 980-340-25-1 and 980-405-25-1. That asset or liability also shall be a temporary difference for which a deferred tax liability or asset shall be recognized.

980-740-25-2 If, as a result of an action by a regulator, it is probable that the future increase or decrease in taxes payable for (b) and (c) in the preceding paragraph will be recovered from or returned to customers through future rates, an asset or liability shall be recognized for that probable future revenue or reduction in future revenue pursuant to paragraphs 980-340-25-1 and 980-405-25-1. That asset or liability also shall be a temporary difference for which a deferred tax liability or asset shall be recognized.

Master Glossary

About Help Contact Us Copyright Terms and Conditions FASB.org

Industry → 980 Regulated Operations → 740 Income Taxes → 25 Recognition

Print ^ Display ^

US GAAP Accounting Rules and Structure

FASB Accounting Standards Codification

Sub-Topics of ASC 980

FASB FINANCIAL ACCOUNTING STANDARDS BOARD
Accounting Standards Codification

Ex. 740-10-25-1 **Go To**

Search

- General Principles >
- Presentation >
- Assets >
- Liabilities >
- Equity >
- Revenue >
- Expenses >
- Broad Transactions >
- Industry >**
- Master Glossary

Topic XXX

905 - Agriculture	▶
908 - Airlines	▶
91X - Contractors	▶
915 - Development Stage Entities	▶
92X - Entertainment	▶
93X - Extractive Activities	▶
9XX - Financial Services	▶
952 - Franchisors	▶
954 - Health Care Entities	▶
958 - Not-for-Profit Entities	▶
96X - Plan Accounting	▶
97X - Real Estate	▶
980 - Regulated Operations	▶
985 - Software	▶
995 - U.S. Steamship Entities	▶

10 - Overall
20 - Discontinuation of Rate-Regulated Accounting
250 - Accounting Changes and Error Corrections
340 - Other Assets and Deferred Costs
350 - Intangibles—Goodwill and Other
360 - Property, Plant, and Equipment
405 - Liabilities
410 - Asset Retirement and Environmental Obligations
450 - Contingencies
470 - Debt
605 - Revenue Recognition
710 - Compensation—General
715 - Compensation—Retirement Benefits
740 - Income Taxes
810 - Consolidation
815 - Derivatives and Hedging
835 - Interest
840 - Leases
842 - Leases

US GAAP Accounting Rules and Structure

Industry → 980 Regulated Operations →

25 Recognition

① **General Note:** The Recognition Section applies to a particular item in the financial statements.

General

> Effects of Regulation

· > Recognition of Regulatory Assets

980-340-25-1 Rate actions of a regulator that would otherwise

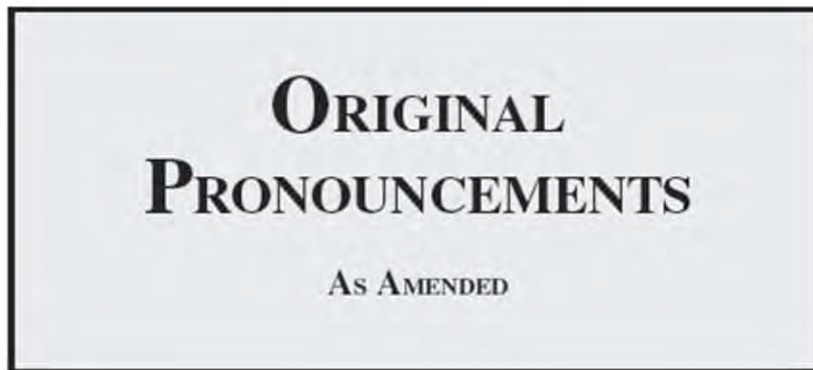
a. It is probable that cost in all

b. Based on an expected level of the regulator's

A cost that does not meet those criteria a



Financial Accounting Standards Board



Statement of Financial Accounting Standards No. 71

Accounting for the Effects of Certain Types of Regulation

archive & What Links Here

recording a

rt of an incurred cost ...

sult from inclusion of

ther than to provide for
s criterion requires that

asset when it does

US GAAP Accounting

Generally Accepted Accounting Principles



US GAAP Accounting

Securities and Exchange Commission Reporting Requirements Using the US-GAAP Basis of Accounting

■ Prospectus

- A detailed statement regarding the issuance of stock to the general public.
- Contains financial and other information that would assist the potential investor to evaluate the stock and the prospects of the company for profit, loss, and growth

■ 10-K reports

- Annual comprehensive overview of company's business – financial statements with notes and additional required information.

■ 10-Q reports

- Quarterly unaudited financial reports

■ Proxy statements to shareholders

- Security and Exchange Commission mandated disclosures used to solicit shareholders' votes in annual or special meetings
- Must include data on "named executive officers'" compensation and incentives (salaries, bonuses, shares of stock)

■ 8-K reports

- Report occurrence of any material events or corporate changes of interest to investors or security holders

US GAAP Accounting

Generally Accepted Accounting Principles



US GAAP Accounting



Questions?

Comments?

Observations?

Do they know?

Poll Q

The **Accounting Principles Board (APB)** was created by the American Institute of Certified Public Accountants in 1959 and issued pronouncements on accounting principles until 1973.

What was the name of the accountancy standards body that FASB replaced?

- a) US Accounting Board
- b) Accounting Standards Board
- c) Accounting Principles Board
- d) US Supreme Court



Financial Accounting

US GAAP 
Accounting

**Governmental
Accounting**

**Regulatory
Accounting**

**Income Tax
Accounting**

**International Financial
Reporting Standards**

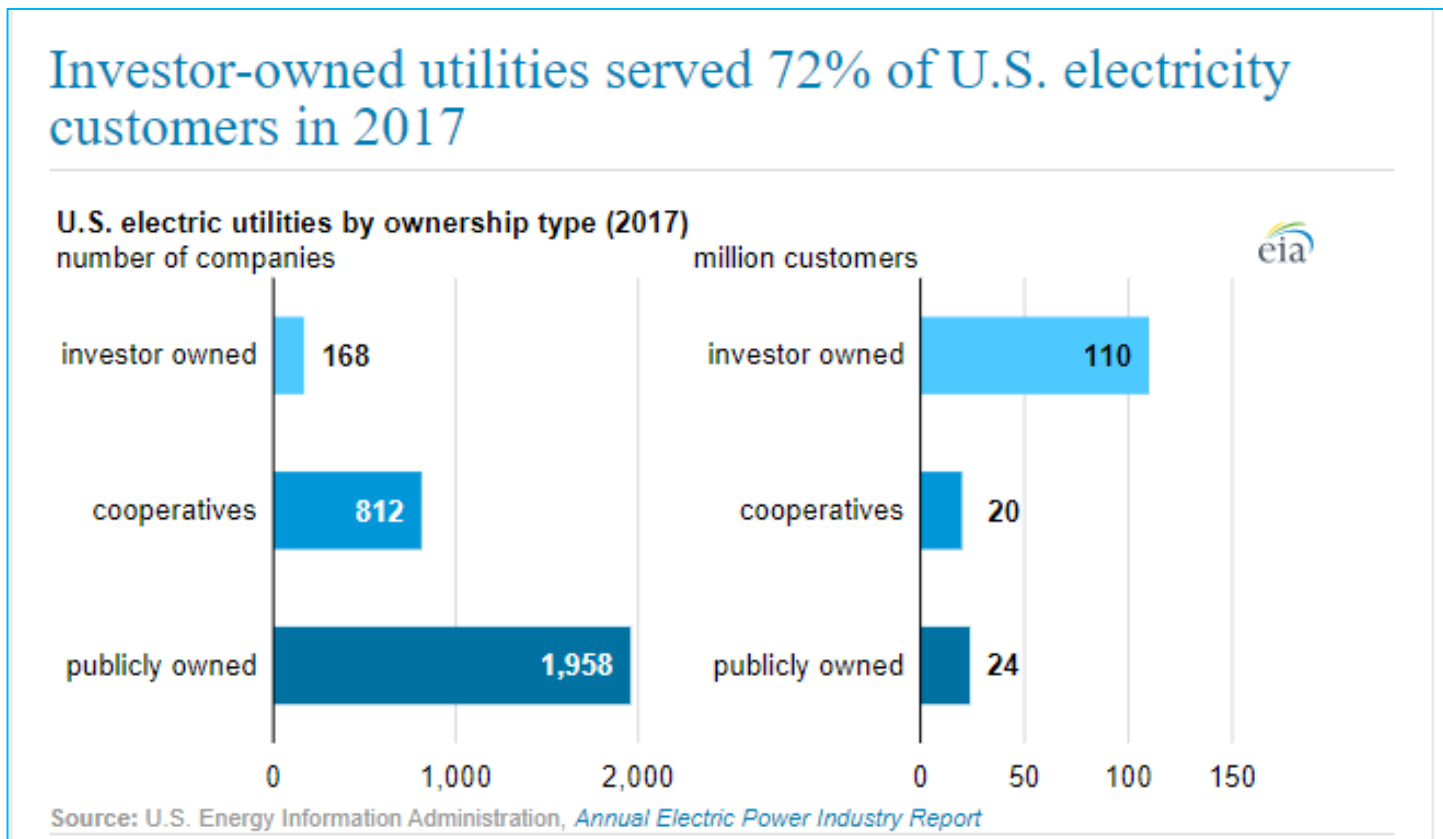
**Sustainability
Accounting**

Governmental Accounting

The other GAAP



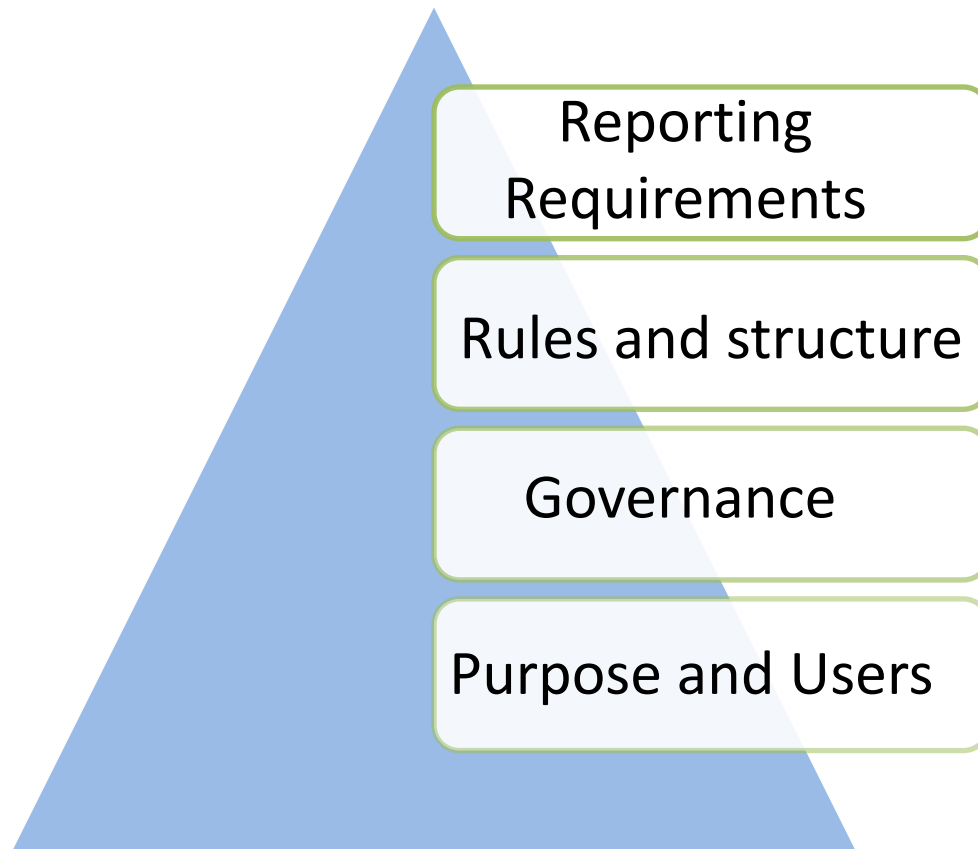
Governmental Accounting



According to the U.S. Energy Information Administration, in 2017 there were almost 3,000 electric utilities in the U.S., two-thirds were governmental serving only 15 percent of the total customers.

Governmental Accounting

The other GAAP



Governmental Accounting

Purpose and Users

The **Purpose** of governmental accounting is to provide financial information about governmental entities:

- That is comparable with legally adopted budgets,
- That allows assessment of financial condition and results of operations,
- Assists in determining compliance with finance-related laws, rules, and regulations; and
- Assists in evaluating efficiency and effectiveness.

Users of governmental financial reports are divided into three groups:

- The citizenry,
- legislative and oversight bodies, and
- Investors and creditors.

Source: GASB Concept Statement 1 (1987)

Governmental Accounting

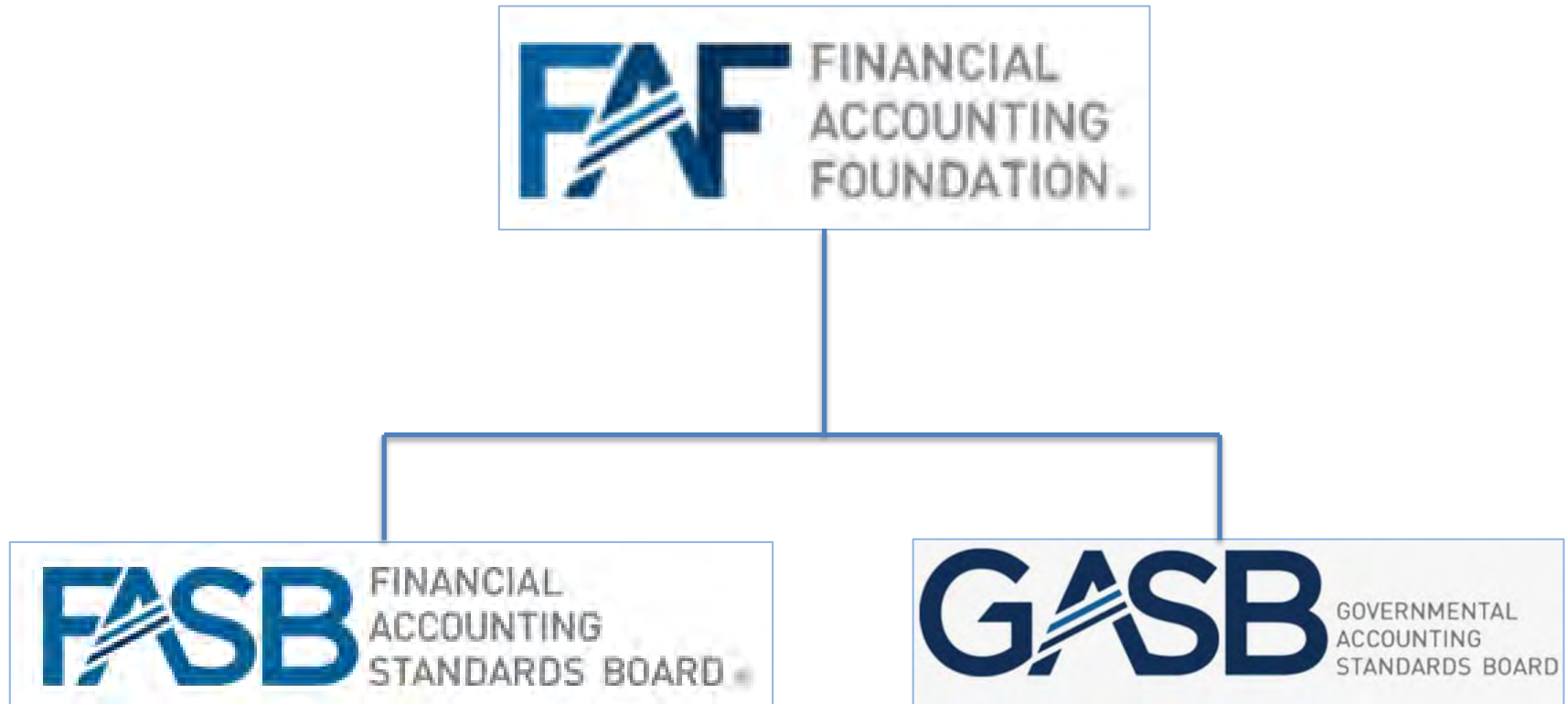
Governance



- Established in 1984 as the Standard Setting Body for US GAAP for governmental entities,
- Has the authority to **Establish** and **Interpret** Governmental GAAP,
- Seven Member Board with five-year terms (limited to two terms),
- Part of the **Financial Accounting Foundation**

Governmental Accounting

US GAAP Accounting



Governmental Accounting



Governmental Accounting

Governmental Accounting Standards Board Pronouncements

- Statements of Financial Accounting Standards
- Concept Statements
- Interpretations

April 2024 Governmental Accounting Standards Series

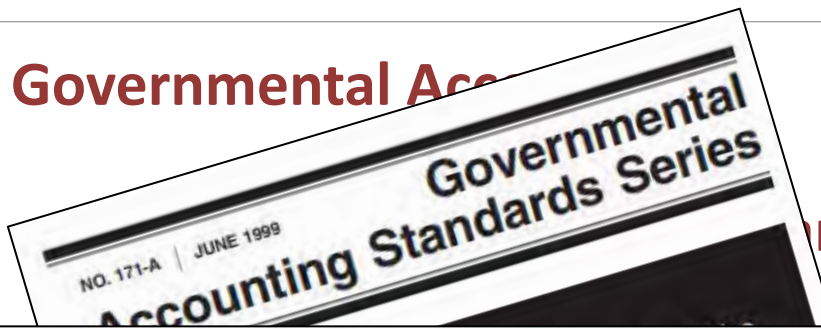
Statement No. 103 of the
Governmental Accounting
Standards Board

Financial Reporting Model
Improvements

GASB
GOVERNMENTAL ACCOUNTING STANDARDS BOARD



Governmental Accounting



and structure

Statement 34 (1999)

Special-purpose governments that are engaged in only governmental activities (such as some library districts) or that are engaged in both governmental and business-type activities (such as some school districts) generally should be reported in the same manner as general purpose governments. Special-purpose governments engaged only in business-type activities (such as utilities) should present the financial statements required for enterprise funds, including MD&A and other RSI.

MD&A - Management Discussion and Analysis

RSI - Required Supplemental Information

GOVERNMENTAL ACCOUNTING STANDARDS
OF THE FINANCIAL ACCOUNTING FOUNDATION

Governmental Accounting

The requirements in this Statement will improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source. This effort brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. It will eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

Statement No. 62 of the Governmental Accounting Standards Board

**Codification of Accounting and Financial Reporting Guidance
Contained in Pre-November 30, 1989 FASB and AICPA
Pronouncements**

December 2010

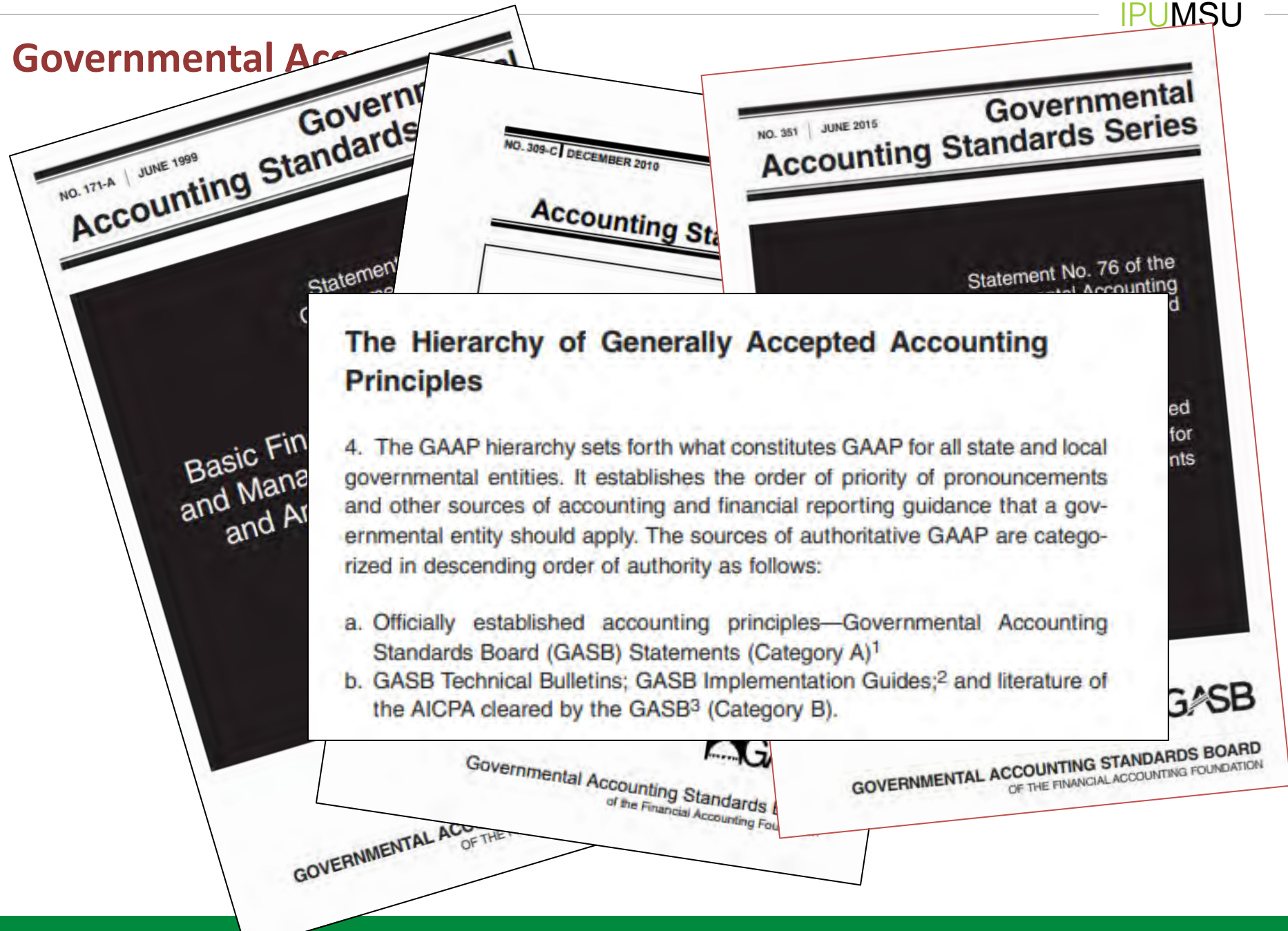
CONTENTS

	Paragraph Numbers
Introduction.....	1–2
Standards of Governmental Accounting and Financial Reporting	3–501
Scope and Applicability of This Statement	3–4
Capitalization of Interest Cost	5–22
Assets Qualifying for Interest Capitalization.....	8–10
The Amount of Interest Cost to Be Capitalized.....	11–15
The Capitalization Period	16–18
Capitalization of Interest Cost in Situations Involving Certain Tax-Exempt Borrowings and Certain Gifts and Grants.....	19–20
Disposition of the Amount Capitalized.....	21
Disclosures.....	22
Revenue Recognition for Exchange Transactions	23
Revenue Recognition When Right of Return Exists.....	24–28
Criteria for Recognizing Revenue When Right of Return Exists.....	26–28
Statement of Net Assets Classification	29–44
Current Assets.....	30–32
Classification and Disclosure of Allowances	33
Current Liabilities.....	34–35
Classification of Short-Term Obligations Expected to Be Refinanced	36–44
Classification.....	37–38
Ability to Consummate the Refinancing.....	39–43
Disclosure of Short-Term Obligations.....	44
Special and Extraordinary Items.....	45–50
Adjustment of Amounts Reported in Prior Periods.....	50
Comparative Financial Statements	51–53
Related Parties	54–57
Disclosures.....	55–56
Glossary.....	57
Prior-Period Adjustments.....	58–62
Disclosure of Prior-Period Adjustments and Restatements of Reported Changes in Net Assets	62

Paragraph
Numbers

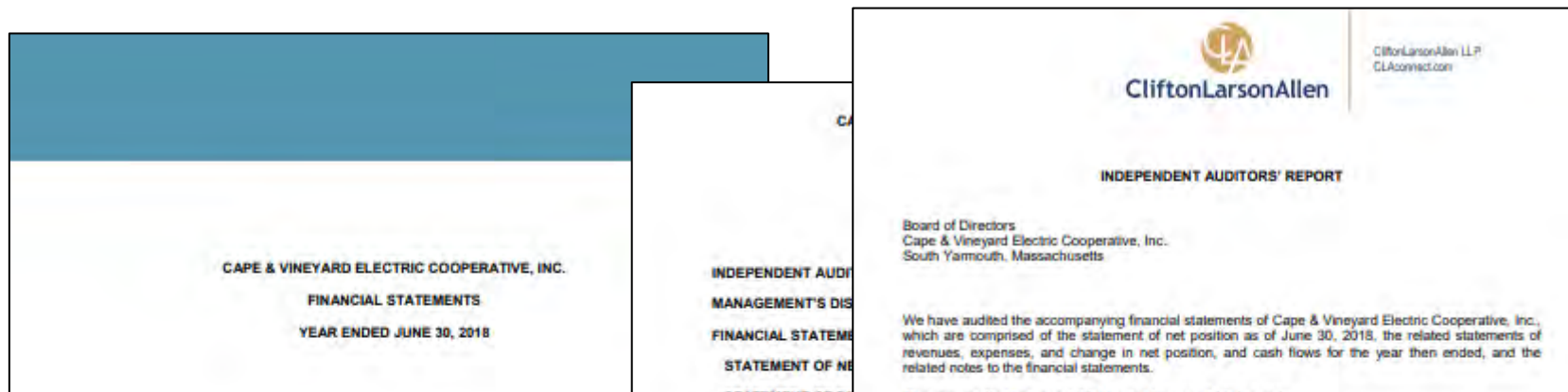
Mortgage Banking Activities (continued)	
Loan Origination Fees and Costs.....	467
Fees for Services Rendered.....	468
Fees Relating to Loans Held for Sale	469–470
Fees Relating to Loans Not Held for Sale	471
Expired Commitments and Prepayments of Loans	472
Disclosures.....	473–474
Glossary.....	475
Regulated Operations.....	476–500
General Standards of Accounting for the Effects of Regulation	480–483
Specific Standards Derived from the General Standards.....	484–492
Allowance for Resources Used during Construction.....	485
Intra-Entity Profit.....	486–487
Accounting for Impairments of Regulatory Assets	488–491
Disallowances of Costs of Recently Completed Plants	492
Other Disclosure	493–494
Refunds.....	493
Recovery without Return on Investment	494
Discontinuation of Accounting for the Effects of Certain Types of Regulation.....	495–500
Accounting and Reporting When the Criteria for Regulated Operations Are No Longer Met.....	497
Accounting to Reflect the Discontinuation of Accounting for the Effects of Certain Types of Regulation	498–499
Disclosure	500
Right of Offset	501
Effective Date and Transition	502
Appendix A: Background	503–512
Appendix B: Basis for Conclusions.....	513–602
Appendix C: Codification Instructions	603

Governmental Accounting Standards



The Hierarchy of Generally Accepted Accounting Principles

4. The GAAP hierarchy sets forth what constitutes GAAP for all state and local governmental entities. It establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. The sources of authoritative GAAP are categorized in descending order of authority as follows:
 - a. Officially established accounting principles—Governmental Accounting Standards Board (GASB) Statements (Category A)¹
 - b. GASB Technical Bulletins; GASB Implementation Guides;² and literature of the AICPA cleared by the GASB³ (Category B).



Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Financial Statements

CVEC's financial statements are prepared in accordance with U.S. generally accepted accounting principles (GAAP), as set forth by the Governmental Accounting Standards Board (GASB). The financial statements are presented on the accrual basis of accounting and include the following three basic financial statements: (1) the Statement of Net Position, (2) the Statement of Revenues, Expenses, and Change in Net Position, and (3) the Statement of Cash Flows.

Governmental Accounting



Governmental Accounting

Questions



Monopolies

Poll Question

Which Railroad in the game Monopoly was not a real railroad?

1. B&O Railroad
2. Short Line Railroad
3. Pennsylvania Railroad
4. Reading Railroad



Financial Accounting

**US GAAP
Accounting**



**Governmental
Accounting**



**Regulatory
Accounting**

**Income Tax
Accounting**

**International Financial
Reporting Standards**

**Sustainability
Accounting**

Regulatory Accounting

RAP – Regulatory Accounting Principles

Regulatory Accounting

RAP – Regulatory Accounting Principles



Regulatory Accounting

Purpose and Users

The Purpose of Regulatory Accounting is to:

Protect: Rate Payers, Regulated Companies, and the Public.

Gather: financial information which:

- Allows assessment of financial condition and results of operations,
- Reflects the cost of service by customer class,
- Allows the tracking of costs by function,
- Allows for regulatory economic oversight.

Users of regulatory financial reports are divided into three groups:

- The ratepayers,
- Utilities and **Regulators**
- Investors and creditors.

Regulatory Accounting

Rules and Structure



- In 1903, in response to the lack of a standard for railway accounting, the industry created a committee which held over fifty meetings over a two-year period (1903 to 1905). The committee's report ended up serving little purpose since the various companies could not reach a consensus as to a uniform standard.
- Since regulatory agencies could not rely on private entries to develop their own accounting standards, regulators developed and implemented their own **Uniform Systems of Accounts (USoA)**.

Regulatory Accounting

Rules and Structure

- In 1903, in response to the lack of a standard for railway accounts, the Interstate Commerce Commission (ICC) established a

What is a **Uniform System of Accounts?**

It is a comprehensive document that sets out

- Accounting policies and procedures,
- A numbering structure,
- Account descriptions, and
- Accounting instructions.

- Since regulatory agencies could not rely on private entries to develop their own accounting standards, regulators developed and implemented their own **Uniform Systems of Accounts (USoA)**.



Regulatory Accounting

Rules and Structure

- In **1905**, Wisconsin created a railroad commission with full ratemaking power over the state's railroad tariffs
- The Interstate Commerce Commission, (ICC) was the first federal regulatory agency to be given responsibility for the economic oversight of a critical industry. The **Hepburn Act in 1906** gave the ICC the power to set maximum rates of the nation's railroads.
- by **1907**, Wisconsin and New York gained ratemaking authority over the state's electric companies.



Regulatory Accounting

Rules and Structure

STATE OF NEW JERSEY

BOARD OF
PUBLIC UTILITY COMMISSIONERS

UNIFORM SYSTEM OF ACCOUNTS

FOR

Street or
Traction Railway Utilities

FIRST ISSUE

Effective January 1, 1913

UNIV. OF
CALIFORNIA

TRENTON
1912.

The first interstate USoA was published in 1922 by the National Association of Railroad and Utilities Commissioners (NARUC),

In the 1930's the Federal Communications Commission and the Federal Power Commission (predecessor of FERC) issued their own USoA.

Utility Accounting and Structure

National Association of Regulatory
Utility Commissioners (NARUC)
**WATER UTILITY UNIFORM
SYSTEM OF ACCOUNTS—
Classes A, B & C**

The Federal Energy Regulatory
Commission (FERC)

Title 18 C.F.R. Conservation
of Power and Water
Resources

PART 101—UNIFORM
SYSTEM OF ACCOUNTS
PRESCRIBED FOR PUBLIC
UTILITIES AND LICENSEES
SUBJECT TO THE
PROVISIONS OF THE
FEDERAL POWER ACT

The Federal Energy Regulatory
Commission (FERC)
**Title 18--Conservation of Power
and Water Resources CHAPTER I--
PART 201--UNIFORM SYSTEM OF
ACCOUNTS PRESCRIBED FOR
NATURAL GAS COMPANIES
SUBJECT TO THE PROVISIONS OF
THE NATURAL GAS ACT**

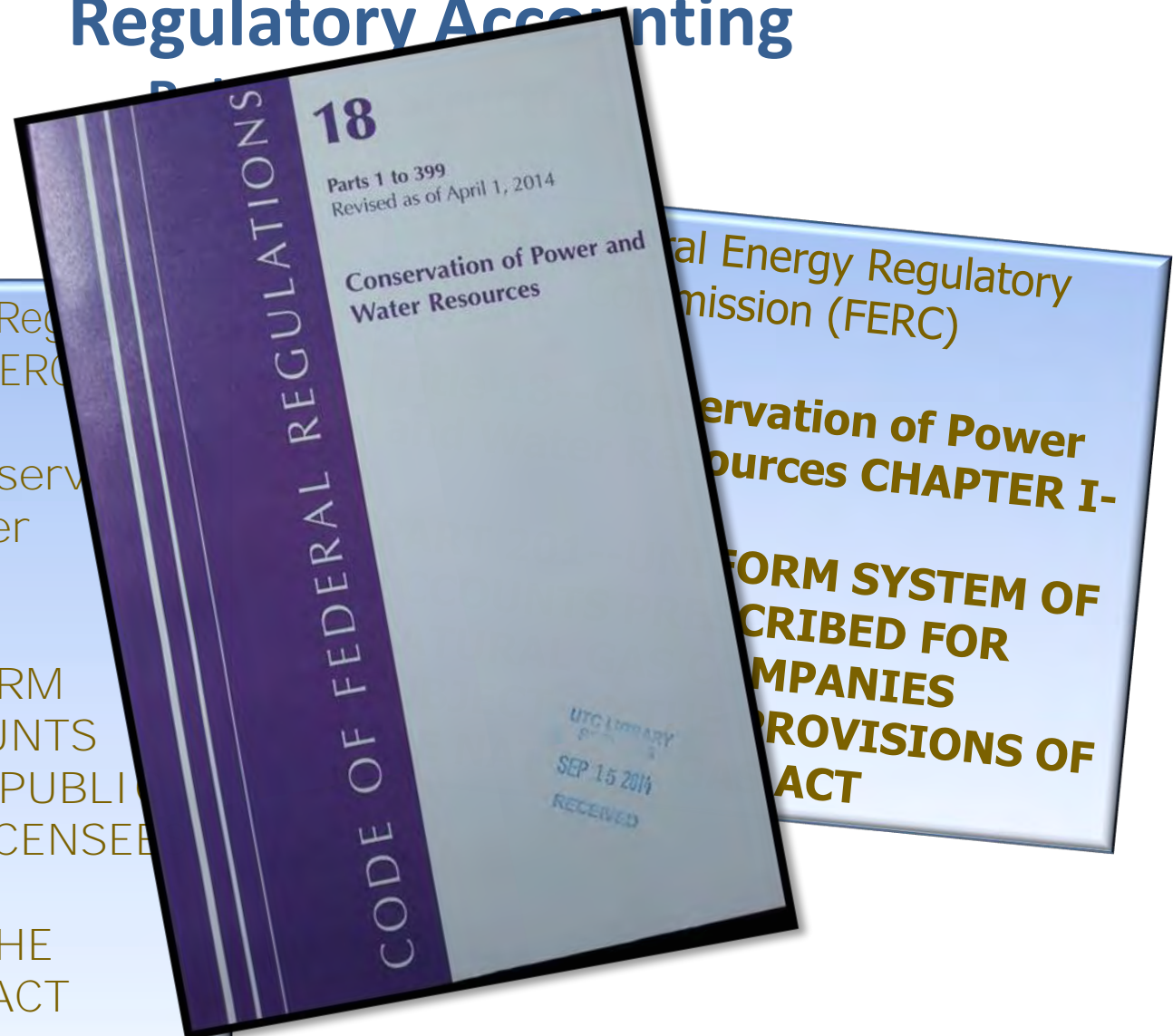
FEDERAL COMMUNICATIONS COMMISSION
(FCC)
**47 C.F.R. PART 32--UNIFORM SYSTEM
OF ACCOUNTS FOR
TELECOMMUNICATIONS COMPANIES**

Regulatory Accounting

The Federal Energy Regulatory Commission (FERC)

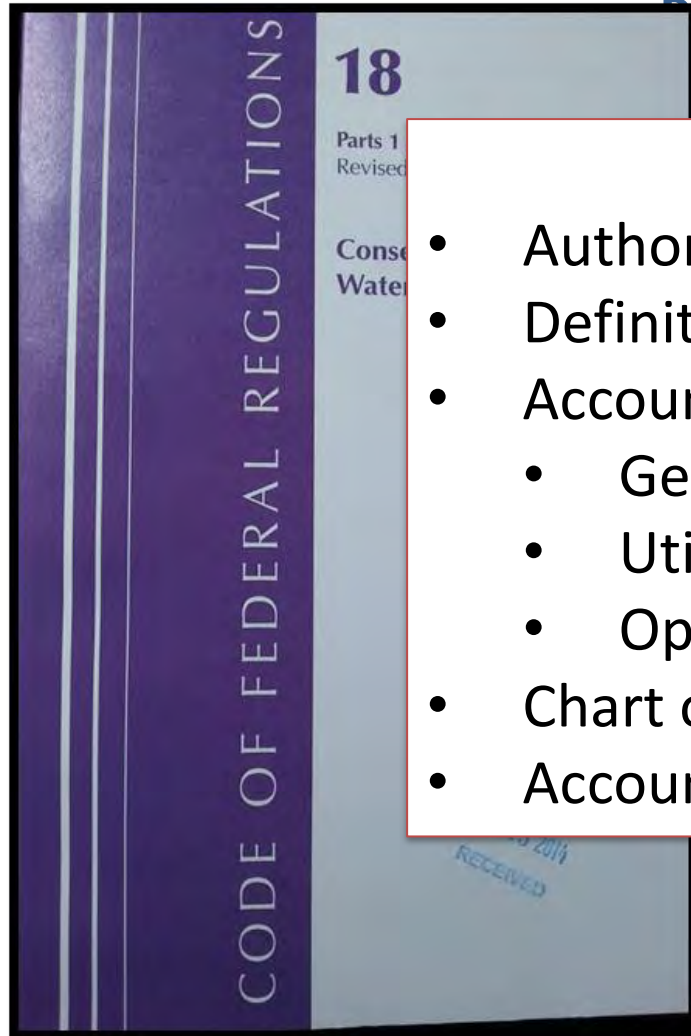
Title 18 C.F.R. Conservation of Power and Water Resources

PART 101—UNIFORM SYSTEM OF ACCOUNTS PRESCRIBED FOR PUBLIC UTILITIES AND LICENSEES SUBJECT TO THE PROVISIONS OF THE FEDERAL POWER ACT



Regulatory Accounting

Rules and Structure



USoA Structure

- Authority and Application
- Definitions
- Accounting Instructions
 - General Instructions
 - Utility Plant Instructions
 - Operating Expense Instructions
- Chart of Accounts (COA)
- Account Descriptions

Regulatory Accounting

When used in this system of accounts:

27. *Project property* means the property described in and subject to a license issued by the Commission.

28. *Property retired*, as applied to electric plant, means property which has been removed, sold, abandoned, destroyed, or which for any cause has been withdrawn from service.

29. *Public utility* means any person who owns or operates facilities subject to the jurisdiction of the Commission under the Federal Power Act. (See section 201(e) of said act.)

30. *Regional market* means an organized energy market operated by a public utility, whether directly or through a contractual relationship with another entity.

31. *Regulatory Assets and Liabilities* are assets and liabilities that result from rate actions of regulatory agencies. Regulatory assets and liabilities arise from specific revenues, expenses, gains, or losses that would have been included in net income determination in one period under the general requirements of the Uniform System of Accounts but for it being probable:

A. that such items will be included in a different period(s) for purposes of developing the rates the utility is authorized to charge for its utility services; or

B. in the case of regulatory liabilities, that refunds to customers, not provided for in other accounts, will be required.

Order 141, 12/1/1950; Dec. 13, 1947, provides in part as follows.

Prescribing a system of accounts for public utilities and licensees under the Federal Power Act. The

CODE OF FEDERAL REGULATIONS

18

Parts 1 to 399
Revised as of

Conservation
Water Resources

182.3 Other regulatory assets.

A. This account shall include the amounts of regulatory-created assets, not includible in other accounts, resulting from the ratemaking actions of regulatory agencies. (See Definition No. 30.)

B. The amounts included in this account are to be established by those charges which would have been included in net income, or accumulated other comprehensive income, determinations in the current period under the general requirements of the Uniform System of Accounts but for it being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specific identi-

particular source of a cannot be made, such ins, rate moderation velization plans, ac- tory credits, shall be unts recorded in this rally to be charged. the recovery of the to the same account been charged if in- when incurred, except assets established f account 407.4 shall unt 407.3, regulatory with the recovery in

ty of all or part of an this account is dis- lowed amount shall unt 426.5. Other De- out 435, Extraor- , in the year of the

upporting the entries all be kept so that nish full information and amount of each included in this ac- tification for inclu- ts in this account.

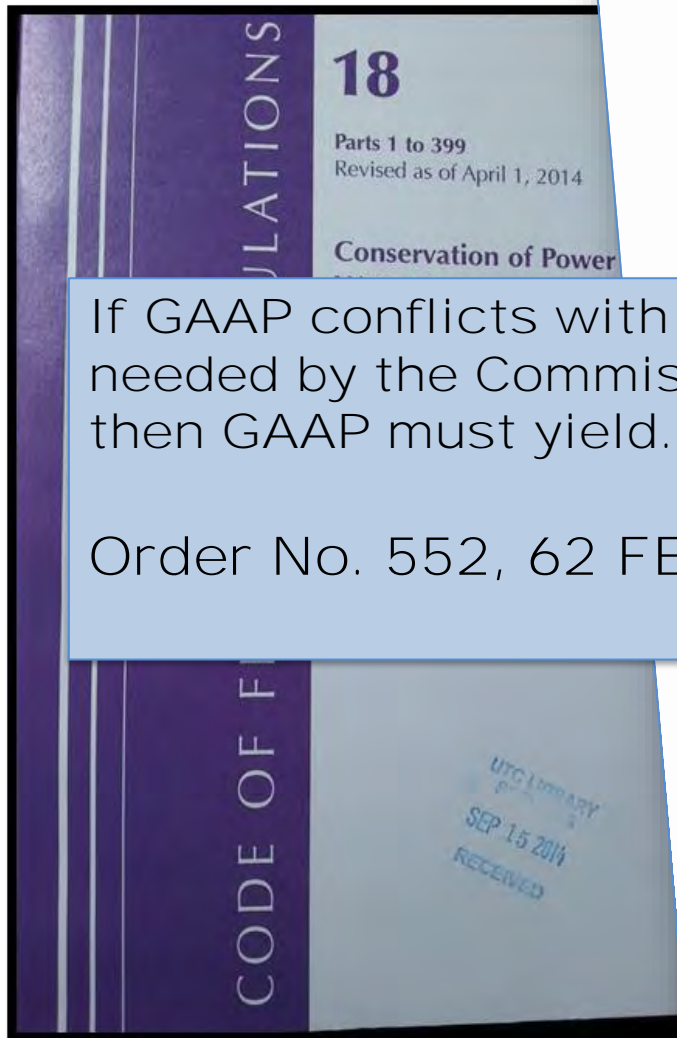
urvey and investiga- (major only).

shall be charged with for preliminary sur- vigations, etc., made determining the fea- projects under con- struction results, be credited and the ty plant account rk is abandoned, the ade to account 426.5, . or to the appro- pense account.

t shall also include d analyses mandated es related to plant in ction results from s account shall be appropriate utility arged with an equi- such study costs di-

being probable that such items will be included in a different period(s) for purposes of developing rates that the utility is authorized to charge for its utility services. When specific identi-

tion. The portion of such study costs not attributable to new construction or the entire cost if construction does not result shall be charged to account 182.2, Unrecovered Plant and Regulatory



UNITED STATES OF AMERICA 62, ferc ¶61,299
 FEDERAL ENERGY REGULATORY COMMISSION
 18 CFR Parts 101 and 201
 [Docket No. RM92-1-000]
 Revisions to Uniform Systems of Accounts
 to Account for Allowances under the
 Clean Air Act Amendments of 1990
 and Regulatory-Created Assets and Liabilities
 and to Form Nos. 1, 1-F, 2 and 2-A
 ORDER NO. 552
 (Issued March 31, 1993)
 AGENCY: Federal Energy Regulatory Commission

If GAAP conflicts with the accounting and financial reporting needed by the Commission to fulfill its statutory responsibilities, then GAAP must yield.

Order No. 552, 62 FERC 61,299, (March 31, 1993)

information collection provisions, ...
 effective until approved by the Office of Management and Budget.
 Notice of this date will be published in the Federal Register.
 Docket No. RM92-1-000 - 2 -
 FOR FURTHER INFORMATION CONTACT:
 Gregory A. Berson
 Office of Chief Accountant
 Page 1

UNITED STATES OF AMERICA 62, ferc 61,299
FEDERAL ENERGY REGULATORY COMMISSION

18 CFR Parts 101 and 201

[Docket No. RM92-1-000]

Revisions to Uniform Systems of Accounts
to Account for Allowances under the
Clean Air Act Amendments of 1990
and Regulatory-Created Assets and Liabilities
and to Form Nos. 1, 1-F, 2 and 2-A

ORDER NO. 552

(Issued March 31, 1993)

...GAAP cannot control when it would prevent the

Commission from carrying out its duty to provide jurisdictional companies with the opportunity to earn fair return on their investment and to protect ratepayers from excessive charges and discriminatory treatment.

Order No. 552, 62 FERC 61,299, (March 31, 1993)

effective until...
Notice of this date will be published in the Federal Register

Docket No. RM92-1-000

- 2 -

FOR FURTHER INFORMATION CONTACT:

Gregory A. Berson
Office of Chief Accountant
Page 1

UTC LIBRARY
SEP 15 2014
RECEIVED

CODE OF

ATIONS

18

Parts 1 to 399

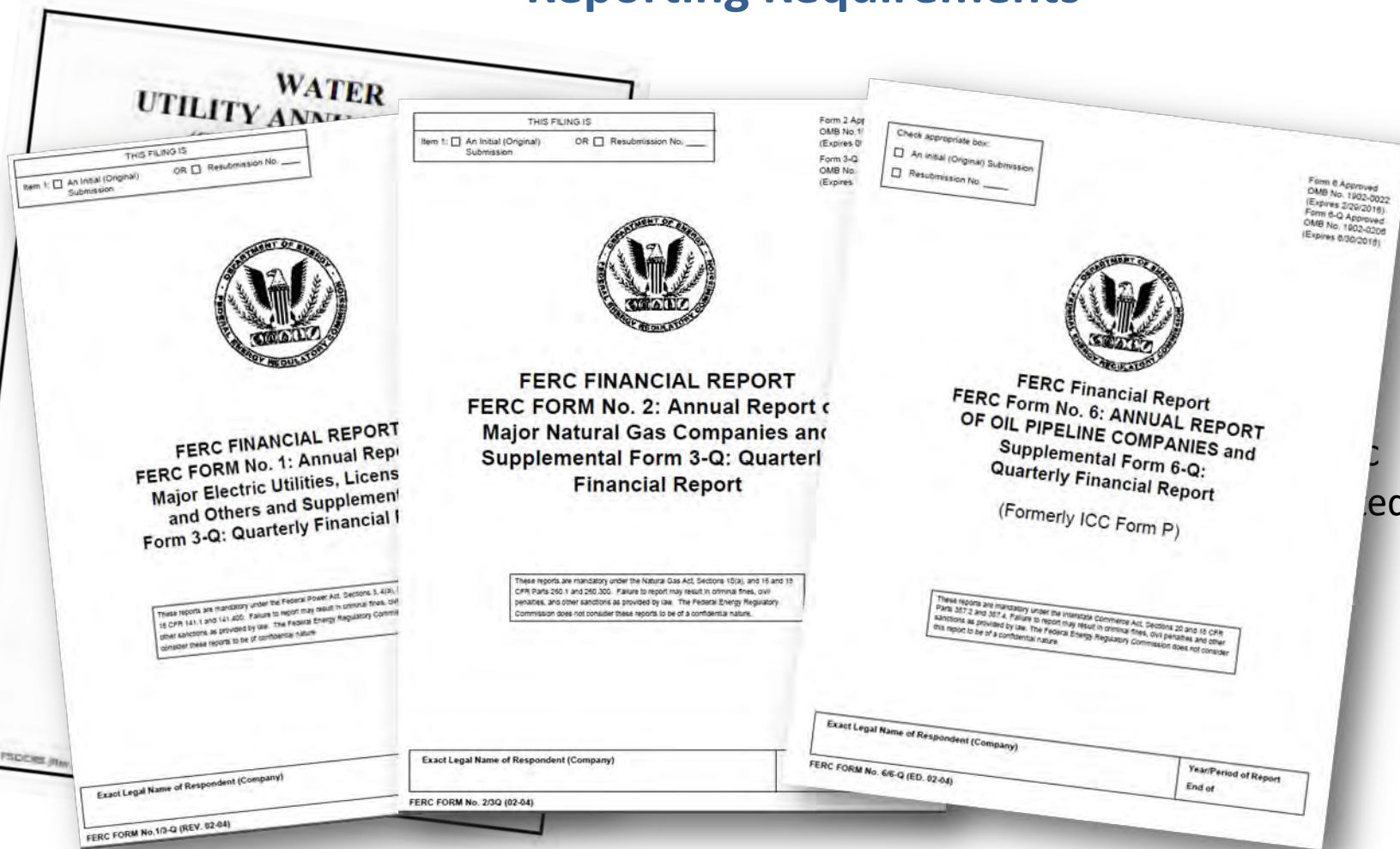
Revised as of April 1, 2014

Regulatory Accounting

RAP – Regulatory Accounting Principles



Regulatory Accounting Reporting Requirements



Regulatory Accounting Reporting Requirements

THIS FILING IS

Form 1: An Initial (Original) Submission OR Resubmission No. _____

Form 1 Approved
OMB No. 1902-0021
(Expires 12/31/2014)

Form 1-F Approved
OMB No. 1902-0029
(Expires 12/31/2014)

Form 3-Q Approved
OMB No. 1902-0205
(Expires 05/31/2014)

DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of
Major Electric Utilities, Licensees
and Others and Supplemental
Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(b), 304 and 309, and (8, CFR 141.1 and 141.40). Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

Exact Legal Name of Respondent (Company) _____

Year/Period of Report _____
End of _____

FERC FORM No. 1/3-Q (REV. 02-04)

The Federal Energy Regulatory Commission (FERC) requires quarterly reports along with the annual report requirement. The reports include both financial and operating data.

A study done by the Washington Utilities and Transportation Commission found FERC reports commonly range from 260 Pages to 520 Pages.

Regulatory Accounting Reporting Requirements

THIS FILING IS

Form 1: An Initial (Original) Submission OR Resubmission No. _____

Form 1 Approved
OMB No. 1902-0021
(Expires 12/31/2014)

Form 1-F Approved
OMB No. 1902-0029
(Expires 12/31/2014)

Form 3-Q Approved
OMB No. 1902-0205
(Expires 05/31/2014)

DEPARTMENT OF ENERGY
FEDERAL ENERGY REGULATORY COMMISSION

FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of
Major Electric Utilities, Licensees
and Others and Supplemental
Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(b), 304 and 309, and (E, CFR 141, 1 and 141.60). Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

Exact Legal Name of Respondent (Company) _____

Year/Period of Report
End of _____

FERC FORM No. 1/3-Q (REV. 02-04)

In October 2021 the Federal Energy Regulatory Commission (FERC) begin requiring companies to file all reports in **XBRL** Format.


- XBRL, or **eXtensible Business Reporting Language**, is an XML standard for tagging business and financial reports to increase the transparency and accessibility of business information by using a uniform format.

Regulatory Accounting Reporting Requirements

THIS FILING IS

Form 1: An Initial (Original) Submission OR Resubmission No. _____

Form 1 Approved
OMB No. 1902-0021
(Expires 12/31/2014)
Form 1-Q Approved
OMB No. 1902-0029
(Expires 12/31/2014)
Form 3-Q Approved
OMB No. 1902-0205
(Expires 05/31/2014)



FERC FINANCIAL REPORT
FERC FORM No. 1: Annual Report of
Major Electric Utilities, Licensees
and Others and Supplemental
Form 3-Q: Quarterly Financial Report

These reports are mandatory under the Federal Power Act, Sections 3, 4(b), 304 and 309, and (8, CFR 141.1 and 141.60). Failure to report may result in criminal fines, civil penalties and other sanctions as provided by law. The Federal Energy Regulatory Commission does not consider these reports to be of confidential nature.

Exact Legal Name of Respondent (Company) _____

Year/Period of Report
End of _____

FERC FORM No. 1-Q (REV. 02-04)

- The XBRL specification is developed and published by XBRL International, a non-profit consortium of more than 650 companies and agencies.
- All publicly listed companies are required to use XBRL to submit financial reports to the Security Exchange Commission.

Regulatory Accounting Reporting Requirements

Taxonomy ▾

Network Browser ⏪ **Details** Relationships Tree Locations

Network: Presentation ▾ Lang: en ▾

- ⊖ Electric Plant in Service [Line Items]
 - ⊖ 1. INTANGIBLE PLANT
 - ⊖ 2. PRODUCTION PLANT
 - ⊖ 3. Transmission Plant
 - ⊖ (350) Land and Land Rights
 - ⊖ (351) Energy Storage Equipment - Transmission
 - Energy Storage Equipment - Transmission, Balance
 - Energy Storage Equipment - Transmission, Addition
 - Energy Storage Equipment - Transmission, Retirement
 - Energy Storage Equipment - Transmission, Adjustments
 - Energy Storage Equipment - Transmission, Transfer
 - Energy Storage Equipment - Transmission, Balance
 - ⊖ (352) Structures and Improvements
 - ⊖ (353) Station Equipment
 - ⊖ (354) Towers and Fixtures
 - ⊖ (355) Poles and Fixtures
 - ⊖ (356) Overhead Conductors and Devices
 - ⊖ (357) Underground Conduit
 - ⊖ (358) Underground Conductors and Devices
 - ⊖ (359) Roads and Trails
 - ⊖ (359.1) Asset Retirement Costs for Transmission Plant

Energy Storage Equipment, Transmission Plant, Additions

Properties

Property	Value
Name	EnergyStorageEquipmentTransmissionPlantAdditions
Namespace	http://ferc.gov/form/2022-01-01/ferc
Data Type	xbri:monetaryItemType
XBRL Type	monetaryItemType
Substitution Group	xbri:item
Period Type	duration
Abstract	false
Nilable	true
Balance	debit

Labels

Type	Lang	Label
Standard Label	en	Energy Storage Equipment, Transmission Plant, Additions
Documentation	en	The cost of acquisition of items as classified in account 351 energy stor
F1-204 Electric Plant In Service labels	en	Energy Storage Equipment - Transmission, Additions

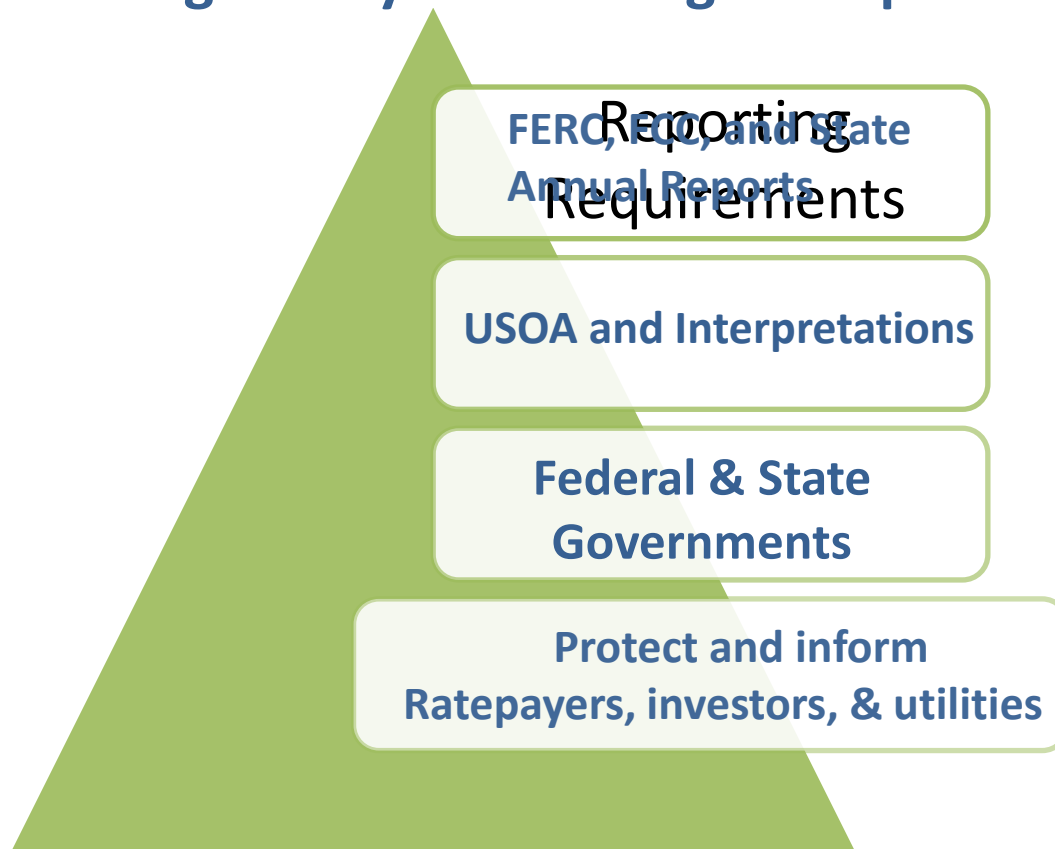
References

Type	Reference
------	-----------

FERC FORM No. 13-Q (REV. 02-04)

Regulatory Accounting

RAP – Regulatory Accounting Principles





Financial Accounting

**US GAAP
Accounting**



**Governmental
Accounting**



**Regulatory
Accounting**



**Income Tax
Accounting**

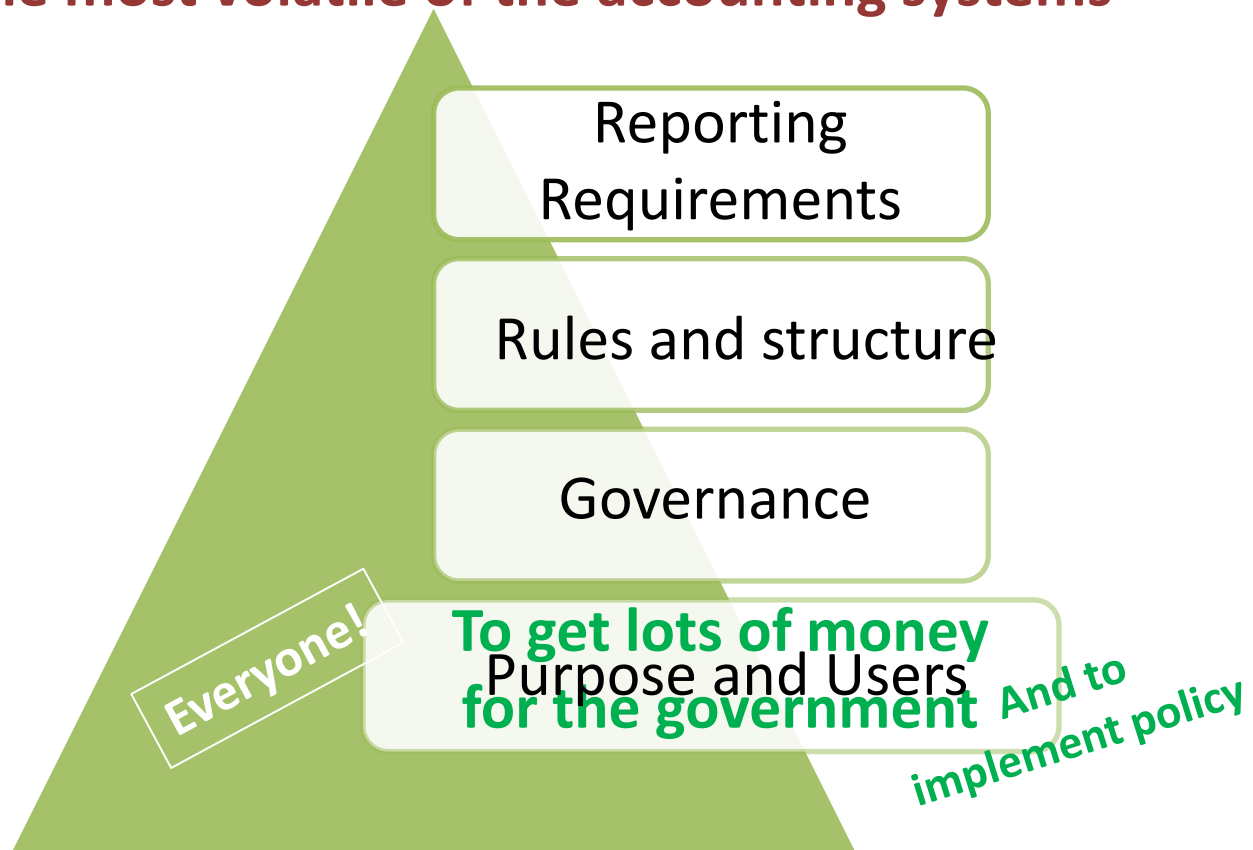


**International Financial
Reporting Standards**

**Sustainability
Accounting**

Income Tax Accounting

The most volatile of the accounting systems



Income Tax Accounting Governance

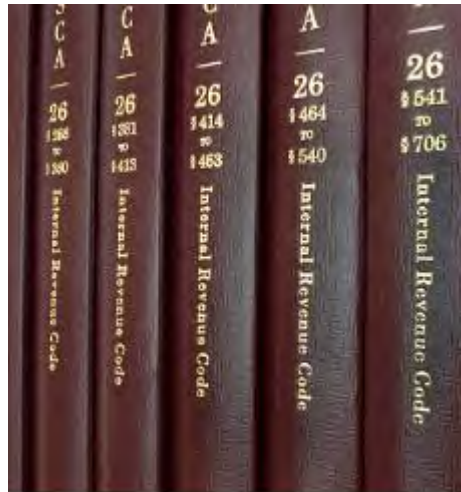


- Revenue Act of 1862 created the position of Commissioner of Internal Revenue, what would become the **Internal Revenue Service**,
- 1913, the 16th Amendment of the Constitution gave **Congress** the power to levy income taxes,
- **Formally - Congress** is the Standard Setting Body for Income Tax Accounting,
- **Practically - IRS** has the delegated authority to **Interpret and Implement** Congressional intent and is the actual Standard Setter.

Income Tax Accounting

Rules and Structure

- The Internal Revenue Code is Title 26 of the United States Code.
- The Code describes how and when **income** and **deductions** are recognized for income tax purposes in computing taxable income. *(Note the use of Terminology)*
- The federal tax regulations (26 CFR) are the official interpretation of the Internal Revenue Code providing the rules for income tax accounting.



Income Tax Accounting

Rules and Structure

26 U.S. Code § 167 - Depreciation

U.S. Code Notes

(a) GENERAL RULE

There shall be allowed as a depreciation deduction a reasonable allowance for the exhaustion, wear and tear (including a reasonable allowance for obsolescence)—

- (1) of property used in the trade or business, or
- (2) of property held for the production of income.

PART V— § 172. Net operating loss deduction

PART VI— § 173. Circulation expenditures

PART VI— § 174. Amortization of research and experimental expenditures

PART VI—

PART IX—ITEMS NOT DEDUCTIBLE (§§ 261 - 280H)

PART X—TERMINAL RAILROAD CORPORATIONS AND THEIR SHAREHOLDERS (§ 281)

Income Tax Accounting

Depreciated Structures

(f) PROPERTY TO WHICH SECTION DOES NOT APPLY

This section shall not apply to—

(1) CERTAIN METHODS OF DEPRECIATION

Any property if—

(A) the taxpayer elects to exclude such property from the application of this section, and

(B) for the 1st taxable year for which a depreciation deduction would be allowable with respect to such property in the hands of the taxpayer, the property is properly depreciated under the unit-of-production method or any method of depreciation not expressed in a term of years (other than the retirement-replacement-betterment method or similar method).

(2) CERTAIN PUBLIC UTILITY PROPERTY

Any public utility property (within the meaning of subsection (i)(10)) if the taxpayer does not use a normalization method of accounting.

§ 173. Circulation expenditures

PART VI

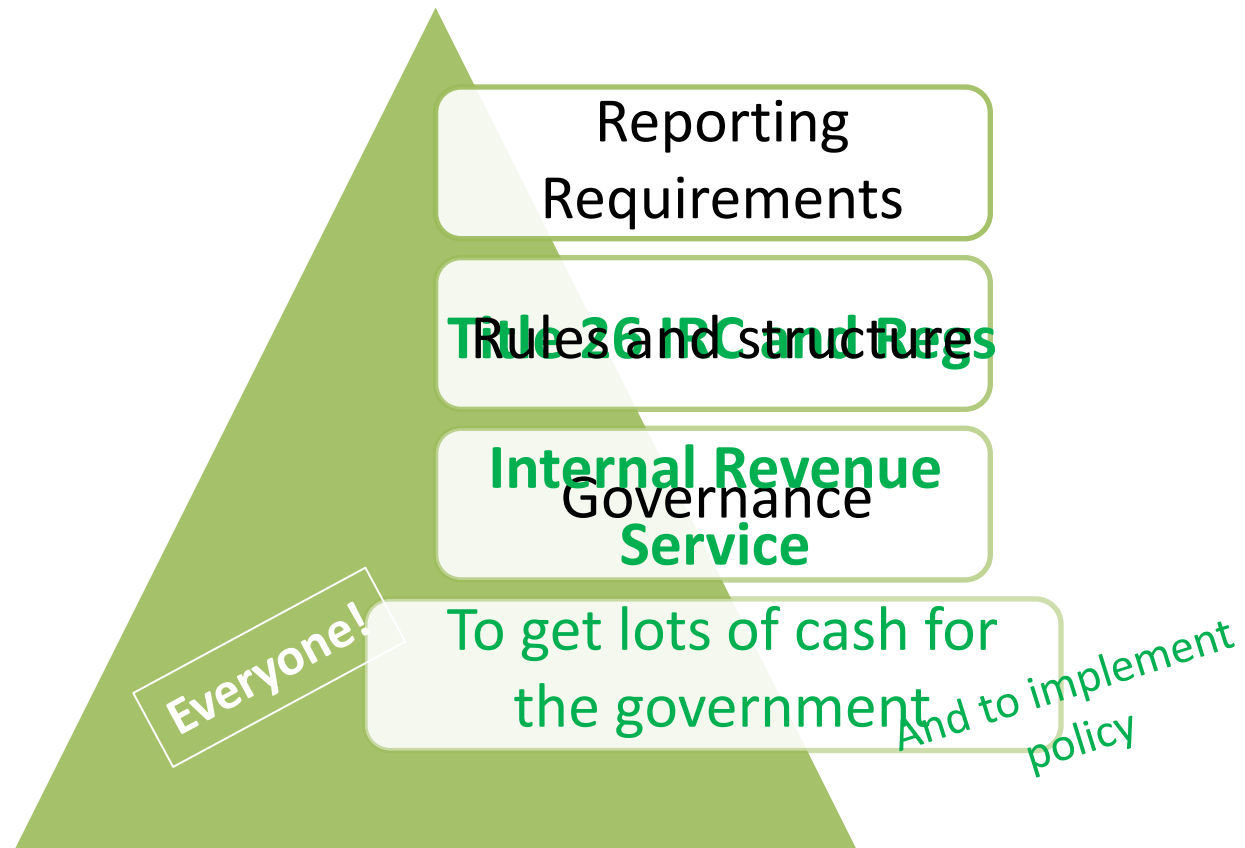
PART VI

§ 174. Amortization of research and experimental expenditures

PART IX—ITEMS NOT DEDUCTIBLE (§§ 261 - 280H)

PART X—TERMINAL RAILROAD CORPORATIONS AND THEIR SHAREHOLDERS (§ 281)

Income Tax Accounting



Income Tax Accounting

1120 U.S. Corporation Income Tax Return

OMB No. 1545-0123

For calendar year 2023 or tax year beginning _____, 2023, ending _____, 2023

Go to www.irs.gov/Form1120 for instructions and the latest information.

A Check if:

1a Consolidated return (attach Form 851) **TYPE OR PRINT**

b Life/nonlife consolidated return

2 Personal holding co. (attach Sch. PH)

3 Personal service corp. (see instructions)

4 Schedule M-3 attached

B Employer identification number _____

C Date incorporated _____

D Total assets (see instructions) \$ _____

E Check if: (1) Initial return (2) Final return (3) Name change (4) Address change

1a Gross receipts or sales		1a	
b Returns and allowances		1b	
c Balance. Subtract line 1b from line 1a		1c	
2 Cost of goods sold (attach Form 1125-A)		2	
3 Gross profit. Subtract line 2 from line 1c		3	
4 Dividends and inclusions (Schedule C, line 23)		4	
5 Interest		5	
6 Gross rents		6	
7 Gross royalties		7	
8 Capital gain net income (attach Schedule D (Form 1120))		8	
9 Net gain or (loss) from Form 4797, Part II, line 17 (attach Form 4797)		9	
10 Other income (see instructions—attach statement)		10	
11 Total income. Add lines 3 through 10		11	
12 Compensation of officers (see instructions—attach Form 1125-E)		12	
13 Salaries and wages (less employment credits)		13	
14 Repairs and maintenance		14	
15 Bad debts		15	
16 Rents		16	
17 Taxes and licenses		17	
18 Interest (see instructions)		18	
19 Charitable contributions		19	
20 Depreciation from Form 4562 not claimed on Form 1125-A or elsewhere on return (attach Form 4562)		20	
21 Depletion		21	
22 Advertising		22	
23 Pension, profit-sharing, etc., plans		23	
24 Employee benefit programs		24	
25 Energy efficient commercial buildings deduction (attach Form 7205)		25	
26 Other deductions (attach statement)		26	
27 Total deductions. Add lines 12 through 26		27	
28 Taxable income before net operating loss deduction and special deductions. Subtract line 27 from line 11		28	
29a Net operating loss deduction (see instructions)		29a	
b Special deductions (Schedule C, line 24)		29b	
c Add lines 29a and 29b		29c	
30 Taxable income. Subtract line 29c from line 28. See instructions		30	
31 Total tax (Schedule J, Part I, line 11)		31	
32 Reserved for future use		32	
33 Total payments and credits (Schedule J, Part II, line 23)		33	
34 Estimated tax penalty. See instructions. Check if Form 2220 is attached <input type="checkbox"/>		34	
35 Amount owed. If line 33 is smaller than the total of lines 31 and 34, enter amount owed		35	
36 Overpayment. If line 33 is larger than the total of lines 31 and 34, enter amount overpaid		36	
37 Enter amount from line 36 you want: Credited to 2024 estimated tax Refunded		37	

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than taxpayer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____ Title _____

Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed PTIN _____

Firm's name _____ Firm's EIN _____

Firm's address _____ Phone no. _____

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11450Q Form **1120** (2023)

990 Return of Organization Exempt From Income Tax

OMB No. 1545-0047

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Do not enter social security numbers on this form as it may be made public.

Go to www.irs.gov/Form990 for instructions and the latest information.

Open to Public Inspection

Department of the Treasury Internal Revenue Service

A For the 2023 calendar year, or tax year beginning _____, 2023, and ending _____, 2023

B Check if applicable:

Address change Name change Initial return Final return/terminated Amended return Application pending

C Name of organization _____

D Employer identification number _____

E Telephone number _____

F Name and address of principal officer: _____

G Gross receipts \$ _____

H(a) Is this a group return for subsidiaries? Yes No

H(b) Are all subsidiaries included? Yes No

I Tax-exempt status: 501(c)(3) 501(c) () (insert no.) 4947(a)(1) or 527

J Website: _____

K Form of organization: Corporation Trust Association Other

L Year of formation: _____

M State of legal domicile: _____

Part I Summary

1 Briefly describe the organization's mission or most significant activities: _____

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **3**

4 Number of independent voting members of the governing body (Part VI, line 1b) **4**

5 Total number of individuals employed in calendar year 2023 (Part V, line 2a) **5**

6 Total number of volunteers (estimate if necessary) **6**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **7a**

b Net unrelated business taxable income from Form 990-T, Part I, line 11 **7b**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)		
9 Program service revenue (Part VIII, line 2g)		
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
14 Benefits paid to or for members (Part IX, column (A), line 4)		
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		
16a Professional fundraising fees (Part IX, column (A), line 11e)		
b Total fundraising expenses (Part IX, column (D), line 25)		
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		
19 Revenue less expenses. Subtract line 18 from line 12		
20 Total assets (Part X, line 16)	Beginning of Current Year	End of Year
21 Total liabilities (Part X, line 26)		
22 Net assets or fund balances. Subtract line 21 from line 20		

Part II Signature Block

Under penalties of perjury, I declare that I have examined this return, including accompanying schedules and statements, and to the best of my knowledge and belief, it is true, correct, and complete. Declaration of preparer (other than officer) is based on all information of which preparer has any knowledge.

Signature of officer _____ Date _____

Type or print name and title _____

Print/Type preparer's name _____ Preparer's signature _____ Date _____ Check if self-employed PTIN _____

Firm's name _____ Firm's EIN _____

Firm's address _____ Phone no. _____

May the IRS discuss this return with the preparer shown above? See instructions Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2023)

Income Tax Accounting

Schedule M-1 Reconciliation of Income (Loss) per Books With Income per Return
 Note: The corporation may be required to file Schedule M-3. See instructions.

1 Net income (loss) per books		7 Income recorded on books this year not included on this return (itemize):	
2 Federal income tax per books		Tax-exempt interest \$	
3 Excess of capital losses over capital gains			
4 Income subject to tax not recorded on books this year (itemize):		8 Deductions on this return not charged against book income this year (itemize):	
		a Depreciation \$	
5 Expenses recorded on books this year not deducted on this return (itemize):		b Charitable contributions \$	
a Depreciation \$			
b Charitable contributions \$			
c Travel and entertainment \$			
6 Add lines 1 through 5		9 Add lines 7 and 8	
		10 Income (page 1, line 28)—line 6 less line 9	

17 Taxes and licenses
 18 Interest (see instructions)
 19 Charitable contributions
 20 Depreciation from Form 4562 not
 21 Depletion

Form 1120 (2022) Page 4

Schedule K Other Information (see instructions)

1 Check accounting method: **a** Cash **b** Accrual **c** Other (specify) _____

2 See the instructions and enter the:

a Business activity code no. _____

b Business activity _____

c Product or service _____

3 Is the corporation a subsidiary in an affiliated group or a parent–subsidiary controlled group?
 If "Yes," enter name and EIN of the parent corporation _____

Yes	No

Paid Preparer Use Only

Print/Type preparer's name	Preparer's signature	Date	Check <input type="checkbox"/> if self-employed	PTIN
Firm's name	Firm's EIN			
Firm's address	Phone no.			

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 114500 Form 1120 (2023)

Income Tax Accounting

1120 U.S. Corporation Income Tax Return **990** Return of Organization Exempt From Income Tax

OMB No. 1545-0123 Form **2023** OMB No. 1545-0047 **2023**

For calendar year 2023 or tax year beginning 2023, ending 2023

Go to www.irs.gov/Form1120 for instructions and the latest information.

Under section 501(c), 527, or 4947(a)(1) of the Internal Revenue Code (except private foundations)

Part I Summary

1 Briefly describe the organization's mission or most significant activities:

2 Check this box if the organization discontinued its operations or disposed of more than 25% of its net assets.

3 Number of voting members of the governing body (Part VI, line 1a) **3**

4 Number of independent voting members of the governing body (Part VI, line 1b) **4**

5 Total number of individuals employed in calendar year 2022 (Part V, line 2a) **5**

6 Total number of volunteers (estimate if necessary) **6**

7a Total unrelated business revenue from Part VIII, column (C), line 12 **7a**

7b Net unrelated business taxable income from Form 990-T, Part I, line 11 **7b**

	Prior Year	Current Year
8 Contributions and grants (Part VIII, line 1h)		
9 Program service revenue (Part VIII, line 2g)		
10 Investment income (Part VIII, column (A), lines 3, 4, and 7d)		
11 Other revenue (Part VIII, column (A), lines 5, 6d, 8c, 9c, 10c, and 11e)		
12 Total revenue—add lines 8 through 11 (must equal Part VIII, column (A), line 12)		
13 Grants and similar amounts paid (Part IX, column (A), lines 1–3)		
14 Benefits paid to or for members (Part IX, column (A), line 4)		
15 Salaries, other compensation, employee benefits (Part IX, column (A), lines 5–10)		
16a Professional fundraising fees (Part IX, column (A), line 11e)		
b Total fundraising expenses (Part IX, column (D), line 25)		
17 Other expenses (Part IX, column (A), lines 11a–11d, 11f–24e)		
18 Total expenses. Add lines 13–17 (must equal Part IX, column (A), line 25)		
19 Revenue less expenses. Subtract line 18 from line 12		
	Beginning of Current Year	End of Year
20 Total assets (Part X, line 16)		
21 Total liabilities (Part X, line 26)		
22 Net assets or fund balances. Subtract line 21 from line 20		

Income

1a Gross receipts or sales

b Returns and allowances

c Balance. Subtract line 1b

2 Cost of goods sold (attach)

3 Gross profit. Subtract line 2

4 Dividends and inclusions

5 Interest

6 Gross rents

7 Gross royalties

8 Capital gain net income (a)

9 Net gain or (loss) from Form 990-B

10 Other income (see instructions)

11 Total income. Add lines 3 through 10

12 Compensation of officers

13 Salaries and wages (less expenses)

14 Repairs and maintenance

15 Bad debts

16 Rents

17 Taxes and licenses

18 Interest (see instructions)

19 Charitable contributions

20 Depreciation from Form 4562

21 Depletion

22 Advertising

23 Pension, profit-sharing, etc.

24 Employee benefit program

25 Energy efficient commercial buildings

26 Other deductions (attach schedule)

27 Total deductions. Add lines 12 through 26

28 Taxable income before net operating loss deduction

29a Net operating loss deduction

b Special deductions (Schedule E)

c Add lines 29a and 29b

30 Taxable income. Subtract line 29b from line 28

31 Total tax (Schedule J, Part II)

32 Reserved for future use

33 Total payments and credits

34 Estimated tax penalty. See instructions

35 Amount owed. If line 33 is less than line 31, enter amount from line 31 minus line 33

36 Overpayment. If line 33 is more than line 31, enter amount from line 33 minus line 31

37 Enter amount from line 36

Sign Here

Under penalties of perjury, I declare that I prepared this return to the best of my knowledge and belief, and I am not aware of any information that would cause this return to be inaccurate.

Signature of officer

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check if self-employed

PTIN

Firm's name

Firm's EIN

Firm's address

Phone no.

Paid Preparer Use Only

Print/Type preparer's name

Preparer's signature

Date

Check if self-employed

PTIN

Firm's name

Firm's address

Phone no.

May the IRS discuss this return with the preparer shown above? See instructions Yes No

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 114500 Form **1120** (2023)

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11282Y Form **990** (2023)

Income Tax Accounting

Reporting Requirements

Form 1120 (2022) Page **4**

Schedule K Other Information (see instructions)

1 Check accounting method: **a** Cash **b** Accrual **c** Other (specify) _____

2 See the instructions and enter the:

a Business activity code no. _____

b Business activity _____

c Product or service _____

3 Is the corporation a subsidiary in an affiliated group or a parent–subsidiary controlled group? _____
 If "Yes," enter name and EIN of the parent corporation _____

	Yes	No
1		
2		
3		

Part XII Financial Statements and Reporting

Check if Schedule O contains a response or note to any line in this Part XII

1 Accounting method used to prepare the Form 990: Cash Accrual Other _____
 If the organization changed its method of accounting from a prior year or checked "Other," explain on Schedule O.

	Yes	No
1		

Income Tax Accounting

Although Wikipedia says the IRS has over 800 various forms and schedules that are filed with state and local governments.

Search on IRS website for “forms” resulted in 1,496 different forms – even recognizing there are some duplicates since the same form can be in English or another language, Spanish being the most popular. In short, that is a lot of reporting.



Questions?

Comments?



Do they know?

Poll Question

The first treatise written about double entry bookkeeping was written by a close friend of Leonardo DaVinci.

a) True

b) False

The first known treatise about double-entry bookkeeping was written by Luca Pacioli in 1494. He later became close friends with Leonardo DaVinci.



Financial Accounting

**US GAAP
Accounting**



**Governmental
Accounting**



**Regulatory
Accounting**



**Income Tax
Accounting**



**International Financial
Reporting Standards**

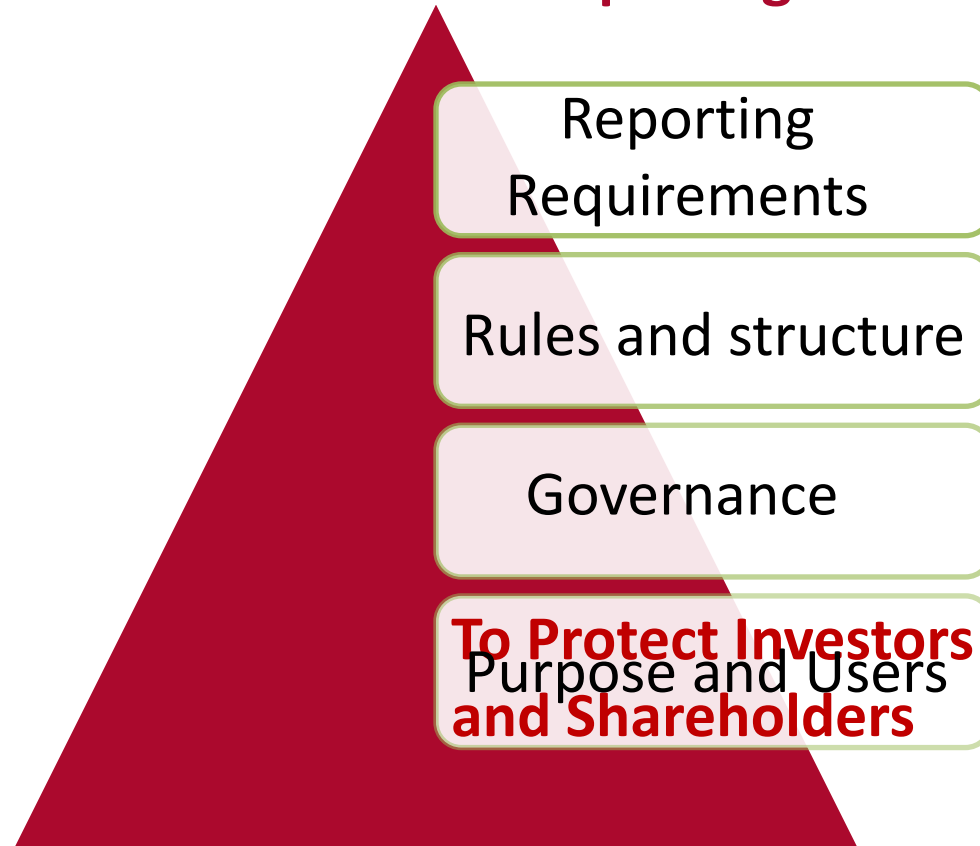
**Sustainability
Accounting**

International Accounting

IFRS – International Financial Reporting Standards

International Accounting

IFRS – International Financial Reporting Standards



International Accounting

The **International Accounting Standards Board (IASB)**, is

- An independent non-profit organization,
- Responsible for the oversight, administration, and financing, of the **IFRS**, and
- The appointment of its board members.



International Accounting

Governance

The International Accounting Standards Board (IASB)

- Has the authority to Establish and Interpret international accounting
 - Now more than 160 jurisdictions recognize IFRS as their accounting standard
- In 1973, IFRS was created to bring uniformity to the many “country-based GAAPs”
- IFRS is considered principle-based while US-GAAP is considered rule-based.



International Accounting

Governance

The **International Financial Reporting Standards Foundation**:

- Is a nonprofit organization
- Oversees financial reporting standard-setting through the **International Accounting Standards Board (IASB)**,
- Its main objective is the development and promotion of the International Financial Reporting Standards,

IFRS Foundation



International Accounting

Rules and structure



International
Accounting
Standards (IAS) – 41

International
Financial Reporting
Standards – 17

IFRS 14 Regulatory Deferral Accounts

Following



Standard 2022 Issued

1 Aug 2024	Podcast	July 2024 IASB podcast now available
29 Jul 2024	Update	July 2024 IASB Update now available
23 Jul 2024	Announcement	IASB completes technical decisions on three projects
12 Jul 2024	Meeting	July 2024 International Accounting Standards Board agenda and meeting papers now available
28 May 2024	Update	May 2024 IASB Update now available
10 May 2024	Meeting	May 2024 International Accounting Standards Board agenda and meeting papers now available
1 May 2024	Meeting	March 2024 Accounting Standards Advisory Forum meeting summary now available
29 Apr 2024	Update	April 2024 IASB Update now available

International Accounting

Convergence with US-GAAP



Problem – gives authority to set US accounting standards to a foreign entity.

Proposed Solution – US GAAP stays adopting IFRS standards as applicable.

International Accounting

IFRS – International Financial Reporting Standards





International Financial Reporting Standards

Financial Accounting

**US GAAP
Accounting**



**Governmental
Accounting**



**Regulatory
Accounting**



**Income Tax
Accounting**



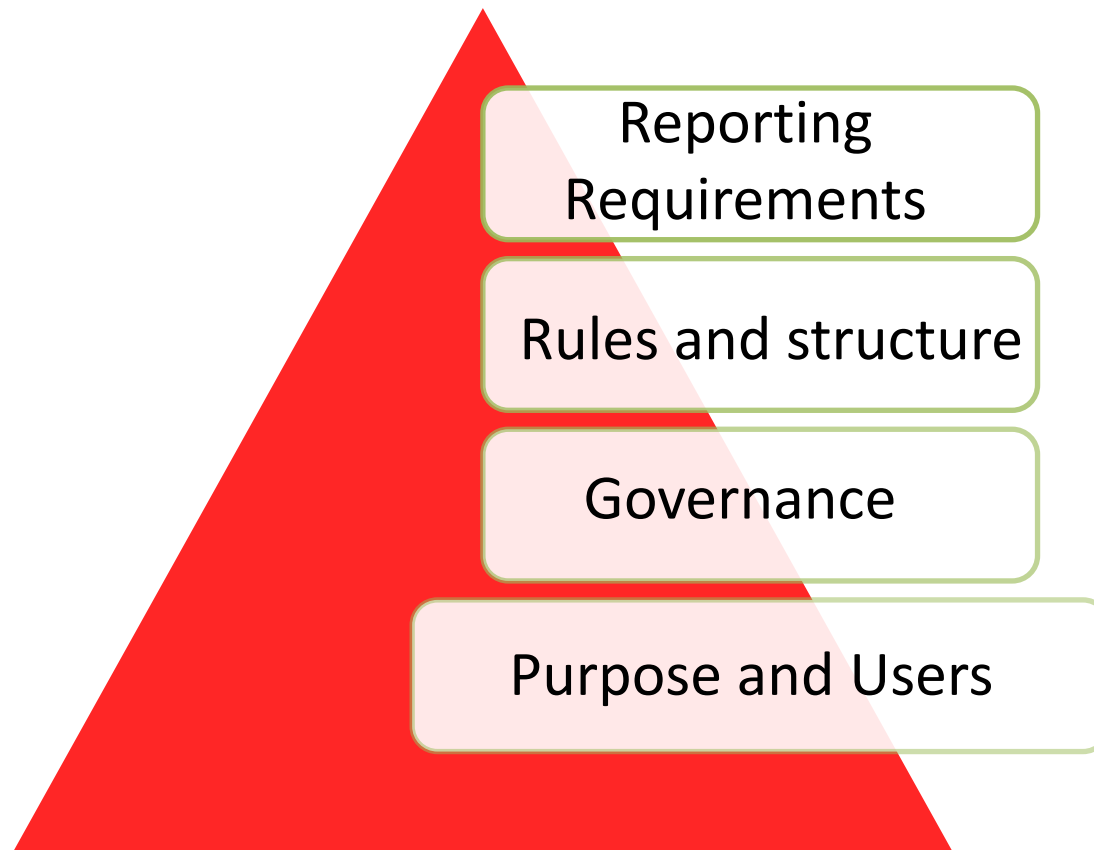
**International Financial
Reporting Standards**



**Sustainability
Accounting**

Sustainability Accounting

Addresses Environmental Sustainability through Accounting



Sustainability Accounting



Purpose and Users

What is **ESG**?

- Environmental
- Social
- Governance

- To communicate the impacts of ecological and social environmental factors facing the reporting company.
- To establish industry-specific sustainability disclosure standards across **ESG** topics that facilitate communication between **companies and investors** about financially material, decision-useful information.

Sustainability Accounting

Environmental - What is the impact of business operations on the natural world? How are environmental risks and compliance addressed?

What is **ESG**?

- Environmental
- Social
- Governance

Social - What is the impact of business operations on society? How are stakeholder needs and interests met?

Governance - How are internal controls for decision-making and business operations structured? How is ethical, sustainable, transparent behavior governed, measured, and reported on?

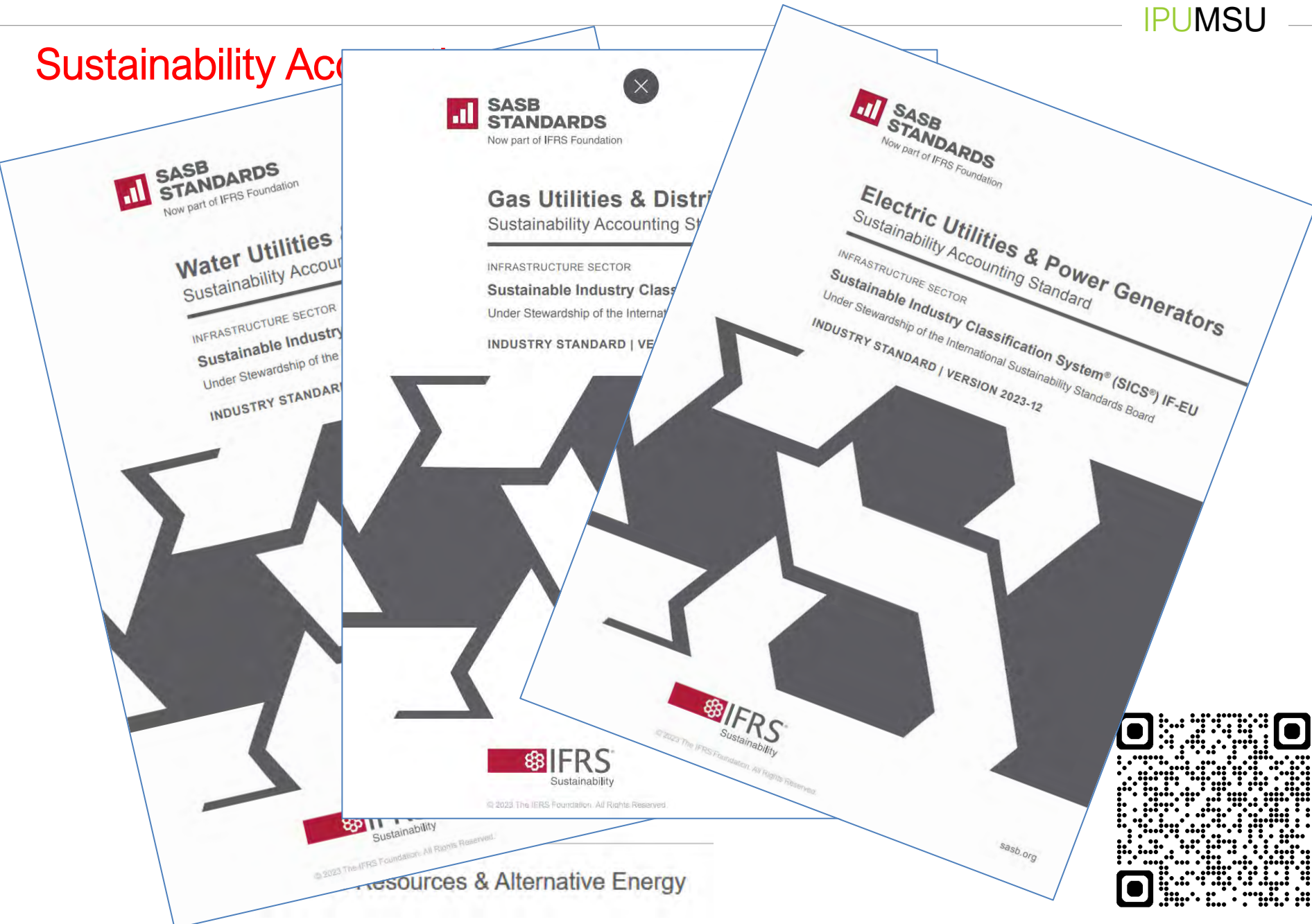
Sustainability Accounting

Governance

The Sustainability Accounting Standards Board (**SASB**) is a non-profit organization, founded in 2011 to develop Sustainability Accounting Standards.

Sustainability accounting focuses on disclosures of environmental sustainability performance and the impact on society. Standards provide for comparability.

Sustainability Accounting



Sustainability Accounting

In 2022 the Standards Board (S

Standards Board

International

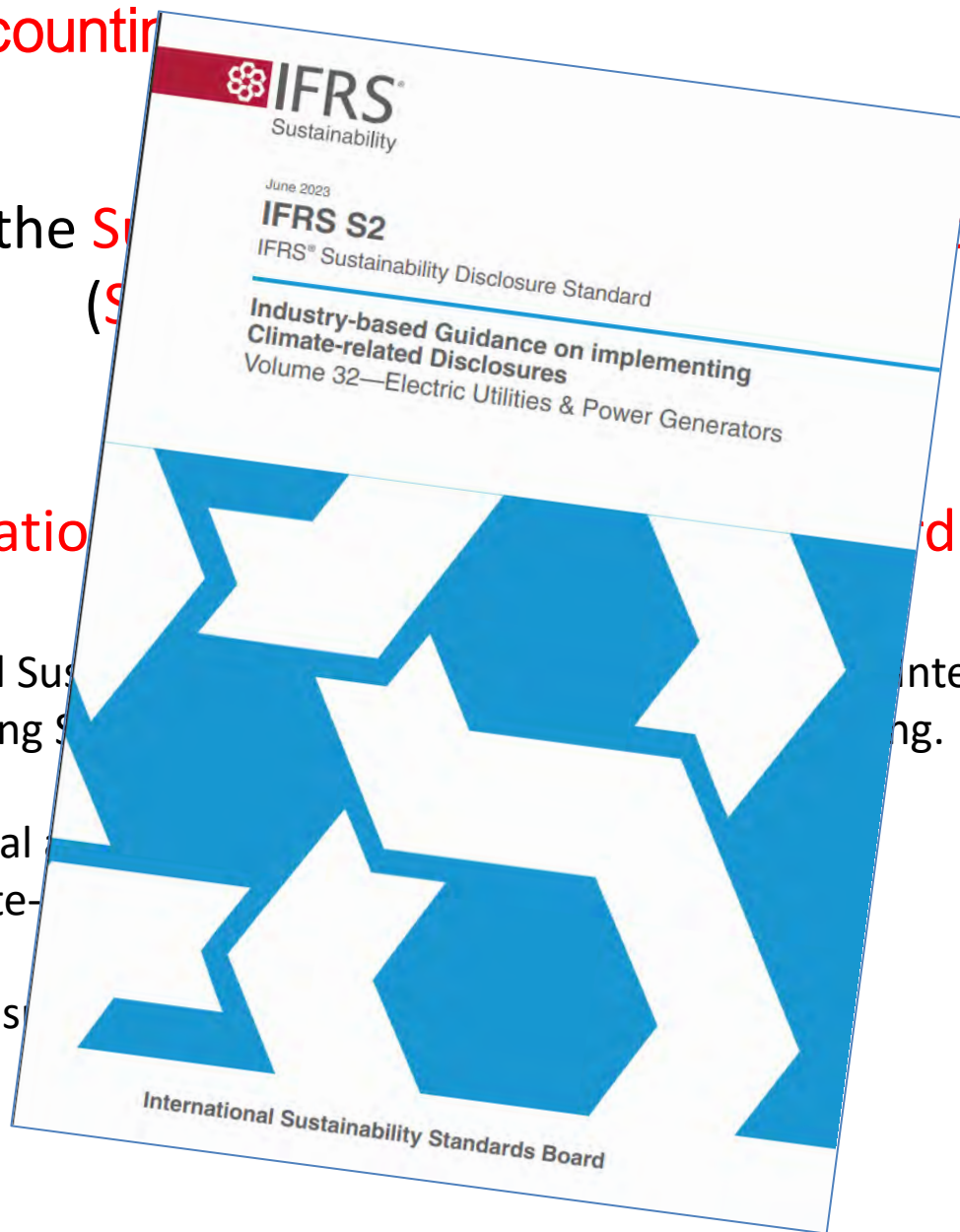
International Standards Board (ISSB).

The International Sustainability Standards Board (ISSB) has issued the International Sustainability Standards Board (ISSB) Financial Reporting Standards (IFRS S1 and IFRS S2).

International Sustainability Standards Board (ISSB) Financial Reporting Standards (IFRS S1 and IFRS S2).

- IFRS S1 General Requirements for Disclosure of Sustainability-Related Financial Information
- IFRS S2 Climate-Related Disclosures

Along with disclosure



Sustainability Accounting - Security and Exchange Commission

**New SEC Rules
Issued
March 6, 2024!**

SEC Adopts Rules to Enhance and Standardize Climate-Related Disclosures for Investors

FOR IMMEDIATE RELEASE | 2024-31

Washington D.C., March 6, 2024 — The Securities and Exchange Commission today announced new rules to enhance and standardize climate-related disclosures for public companies and public offerings. The final rules reflect the

“These final rules build on past requirements by mandating material climate risk disclosures by public companies and in public offerings. The rules will provide investors with consistent, comparable, and decision-useful information, and issuers with clear reporting requirements. Further, they will provide specificity on what companies must disclose, which will produce more useful information than what investors see today. They will also require that climate risk disclosures be included in a company’s SEC filings, such as annual reports and registration statements rather than on company websites, which will help make them more reliable.”



Sustainability Accounting Reporting Framework

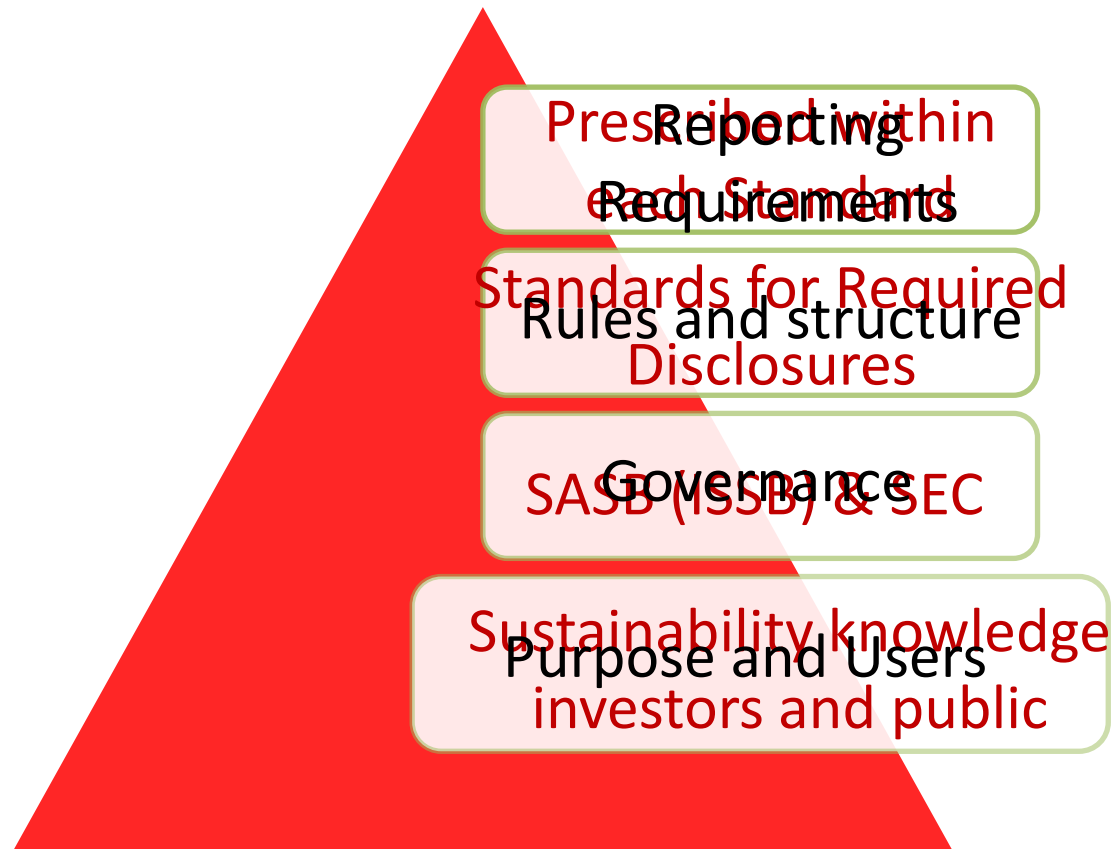


American Water prepared the Sustainability Report in accordance with the standards of the Global Reporting Initiative (GRI), Sustainability Accounting Standards Board (SASB), and Task Force on Climate-Related Financial Disclosures (TCFD) and included applicable metrics from the Edison Electric Institute (EEI) and American Gas Association (AGA) ESG/sustainability reporting template.



Sustainability Accounting

Addresses Environmental Sustainability through Accounting



Sustainability Accounting

Questions?



Comments?

Remarks or Observations?



Financial Accounting

**US GAAP
Accounting**



**Governmental
Accounting**



**Regulatory
Accounting**



**Income Tax
Accounting**



**International Financial
Reporting Standards**



**Sustainability
Accounting**



As someone in the public utility regulatory field, the efficient communication and understanding of economic and financial information is essential.

But to do so requires a working familiarity with different basis of accounting and the ability to recognize each as they are encountered and understand the source of authority for each .

Hopefully, this lecture helps you achieve that goal.

That's it Everyone!!
Thank you for attending!



I have to
remember to fill out
the evaluation!

