

NOTE 10—GOODWILL AND PURCHASED INTANGIBLE ASSETS

Changes in goodwill for the two years ended September 30, 2019 are as follows (in thousands):

	<u>Cubic Transportation Systems</u>	<u>Cubic Mission Solutions</u>	<u>Cubic Global Defense</u>	<u>Total</u>
Net balances at September 30, 2017	\$ 50,870	\$ —	\$ 270,692	\$ 321,562
Reassignment on October 1, 2017	—	125,321	(125,321)	—
Acquisitions (see Note 2)	—	13,085	665	13,750
Foreign currency exchange rate changes	(1,084)	(279)	(323)	(1,686)
Net balances at September 30, 2018	49,786	138,127	145,713	333,626
Reassignment on April 1, 2019	—	3,428	(3,428)	—
Acquisitions	206,988	40,392	—	247,380
Foreign currency exchange rate changes	(2,182)	(523)	(204)	(2,909)
Net balances at September 30, 2019	<u>\$ 254,592</u>	<u>\$ 181,424</u>	<u>\$ 142,081</u>	<u>\$ 578,097</u>

As described in Note 18, we concluded that CMS became a separate operating segment beginning on October 1, 2017. In conjunction with the changes to reporting units, we reassigned goodwill between CGD and CMS based on their relative fair values on October 1, 2017.

In July 2017, we acquired Deltenna, a wireless infrastructure company specializing in the design and delivery of radio and antenna communication solutions. Deltenna's operations were included in our CGD reporting unit upon its acquisition. On April 1, 2019, we reorganized our reporting structure to include Deltenna in our CMS reporting unit and reassigned \$3.4 million of goodwill from CGD to CMS based upon its relative fair value. Since its acquisition, Deltenna's sales, operating results, and cash flows have not been significant to our consolidated results. As such, reportable segment information has not been restated for this change in the composition of our reportable segments.

We complete our annual goodwill impairment test each year as of July 1 separately for our CTS, CGD and CMS reporting units.

The test for goodwill impairment is a two-step process. The first step of the test is performed by comparing the fair value of each reporting unit to its carrying amount, including recorded goodwill. If the carrying amount of a reporting unit exceeds its fair value, the second step is performed to measure the amount of the impairment, if any, by comparing the implied fair value of goodwill to its carrying amount. Any resulting impairment determined would be recorded in the current period.

For our 2019 impairment test, the estimated fair value of all three of our reporting units exceeded their respective carrying amounts. As such, there was no impairment of goodwill in 2019.

Significant management judgment is required in the forecast of future operating results that are used in our impairment analysis. The estimates we used are consistent with the plans and estimates that we use to manage our business. Although we believe our underlying assumptions supporting these assessments are reasonable, if our forecasted sales and margin growth rates, timing of growth, or the discount rate vary from our forecasts, we may be required to perform interim analyses in fiscal 2020 that could expose us to material impairment charges in the future.