



GOVERNMENT FINANCE OFFICERS ASSOCIATION OF MISSOURI SPRING 2012 CONFERENCE GASB UPDATE

Presented by:

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GASB UPDATE

- GASB Statements to be Implemented
 - Statement No. 54 through Statement No. 66
- GASB Due Process Documents
 - Exposure drafts
 - Discussion memorandums
 - Invitations to comment (ITC)



GASB STATEMENT NO. 54

FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

- GASB S-54 is effective for fiscal years ending June 30, 2011 and thereafter
- Webinar download at sikich.com

GASB STATEMENT NO. 54

- Five classifications of fund balance based on hierarchy of constraints on spending fund balance
 - Nonspendable
 - Restricted
 - Unrestricted
 - Committed
 - Assigned
 - Unassigned

GASB STATEMENT NO. 54

- Not all fund balance is in spendable form and therefore may not be “constrained”
 - Inventory, prepaid items
 - Long-term loans
- Nonspendable category addresses these
 - Nonspendable fund balance should generally be excluded from the calculation of a target fund balance

GASB STATEMENT NO. 54

- Since unassigned fund balance has no spending constraints
 - Positive amounts of unassigned fund balance can only be reported in the general fund
 - Deficit fund balances in all governmental funds is reported as unassigned
 - General purpose target fund balances in the general fund are reported as unassigned fund balance
 - General purpose target fund balances in other governmental funds is reported as assigned

GASB STATEMENT NO. 54

- Restricted fund balance
 - External legal restrictions as defined by GASB S-34 or by enabling legislation as defined in GASB S-46
 - Enabling legislation
 - Enabling legislation authorizes the government to assess, levy, charge or otherwise mandate payment of resources from external resource providers and includes a legally enforceable requirement that those resources can only be used for the purpose stipulated in the legislation

GASB STATEMENT NO. 54

- Committed fund balance
 - Used to report fund balance where the constraint on spending the fund balance is self-imposed by formal action of the highest level of decision making authority
- Assigned fund balance
 - Used to report fund balance constrained by the government's intent to use fund balance for a specific purpose
 - Residual category for funds other than the general fund

GASB STATEMENT NO. 54

- Assigned fund balance
 - Residual category for funds other than the general fund
 - GASB assumed fund balance was assigned to the purpose of the fund when the fund was created
 - Must be reported as a positive amount
 - Cannot create an unassigned deficit
 - Similar to unreserved designated fund balance
 - However, reporting assigned fund balance is not optional

GASB STATEMENT NO. 54

- Flow of funds
- Some projects (funds) are funded by a variety of resources, including both restricted and unrestricted (committed, assigned, unassigned) funds
 - Flow assumption determines which are spent first
 - Policy to be adopted by governing board
 - Which is better?
 - Spending restricted first provides greater flexibility but requires greater accounting effort
 - Spending unrestricted first provides less flexibility but also less of an accounting burden

GASB STATEMENT NO. 54

- Flow of funds
 - GASB S-54 defaults to committed, then assigned, then unassigned
 - Basis for dissenting vote by one Board member
 - Adopt as part of overall fund balance policy
 - Adopt as part of annual budget

OTHER GASB STATEMENTS

- *GASB S-55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
 - Issued March 2009
 - Effective upon issuance
- *GASB S-56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*
 - Issued March 2009
 - Effective upon issuance

OTHER GASB STATEMENTS

- *GASB S-57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*
 - Issued December 2009
 - Effective June 30, 2012, and thereafter

GASB STATEMENT NO. 59

FINANCIAL INSTRUMENTS OMNIBUS

- Issued in June 2010
- Effective for fiscal years ending June 30, 2011, and thereafter
- Amends GASB S-25 and GASB S-43
 - Eliminates fair value exemption for unallocated insurance contracts, report as interest earning investment contracts
 - Participating investment contracts should be reported at fair value
 - Non-participating investment contracts are reported at contract value

GASB STATEMENT NO. 59

- Amends GASB S-31
 - 2a7-like pools operate in accordance SEC Rule 2a7
 - Report investment at share price or net asset value (NAV)

GASB STATEMENT NO. 59

- Amends GASB S-40
 - Disclosures of interest rate risk should exclude
 - Investments in SEC Rule 2a7 mutual funds
 - Investments in 2a7 like funds
 - Net asset value (NAV) does not fluctuate with changing interest rates
 - No interest rate risk to disclose



GASB STATEMENT NO. 60

ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

- Issued November 2010
- Effective for fiscal years ending December 31, 2012, and thereafter
- A type of public-private or public-public partnership
- Parties: transferor, operator, customer/user
- Benefits:
 - Leverage existing infrastructure for cash
 - Get facilities built, but transfer the risks
 - Provide services in a more efficient manner

GASB STATEMENT NO. 60

- Transferor Accounting
- If existing facility, continue to report as capital asset
- If facility purchased or constructed, record:

Capital Asset	XX
Contract Obligations Payable	XX
Deferred Revenue	XX
- Capital asset is subject to existing requirements for depreciation, impairment, and disclosures

GASB STATEMENT NO. 60

- Transferor Accounting
- Should recognize a liability for certain obligations to sacrifice financial resources if:
 - Obligation relates directly to the facility, or
 - Obligation relates to a commitment to maintain a minimum or specified level of service in the facility
- Deferred inflow should be reduced and revenue recognized in a systematic and rational manner over the term of the SCA

GASB STATEMENT NO. 60

- Accounting for Revenue Sharing Agreements
 - Applicable when transferor and operator share the facility's revenues
 - Golf courses, tennis facilities, pools, recreation facilities
 - Operator recognizes 100% of revenue earned and expenses incurred
 - Transferor recognizes only its share of the revenue
 - If risk of operations is transferred
 - If risk of operations is not transferred
 - Transferor still reports entire operation
 - If payments are periodic, recognize the present value



GASB STATEMENT NO. 61

DEFINING THE FINANCIAL REPORTING ENTITY

- Issued in December 2010
- Effective for fiscal years ending June 30, 2013, and thereafter
 - Revised definition of financial accountability
 - Appoint voting majority of separate board
 - Impose will **or** financial benefit or burden
 - Pleasure driveway
 - Do not appoint a voting majority
 - Fiscal dependency **and** financial benefit or burden

GASB STATEMENT NO. 61

- Impose will
 - Remove appointed members of the organization's governing board at will
 - Ability to modify or approve the budget of the organization
 - Ability to modify or approve rate or fee changes affecting revenues, such as water usage rate increases
 - Ability to veto, overrule, or modify the decisions of the organization's governing body
 - Ability to appoint, hire, reassign, or dismiss

GASB STATEMENT NO. 61

- Financial benefit/burden
 - You (primary government) is legally entitled to or can otherwise access the organization's resources (surpluses)
 - You are legally obligated or have otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization
 - You are obligated in some manner for the debt of the organization

GASB STATEMENT NO. 61


- Fiscal dependency
 - You (primary government) approve their budget
 - You approve their tax levy
 - You approve their debt issues

GASB STATEMENT NO. 61

- Revised reporting component units
 - Discrete presentation is default
 - Blending required if:
 - Board substantively the same and
 - Financial benefit or burden and
 - Same management as primary government (PG)
 - Provide services almost entirely to PG or constituents
 - CU debt paid by PG

GASB STATEMENT NO. 61

- Component unit even if not financially accountable
 - Retained GASB S-39
 - Fundraising organizations
 - Legally separate, tax exempt
 - Resources held almost entirely for you (PG) or constituents
 - Entitled to or can access resources
 - Report as a discretely presented component unit
 - Foundations
 - Friends of the Library



GASB STATEMENT NO. 62
CODIFICATION OF ACCOUNTING AND
FINANCIAL REPORTING GUIDANCE
CONTAINED IN PRE-NOVEMBER 30, 1989,
FASB AND AICPA PRONOUNCEMENTS

- Issued December 2010
- Effective for fiscal years ending December 31, 2012, and thereafter
 - Incorporates pronouncements issued before November 30, 1989, by the following that do not contradict with GASB Pronouncements
 - FASB Statements and Interpretations (SFAS 106)
 - Accounting Principle Board opinions (APB)
 - AICPA Accounting Research Bulletins
 - Supersedes GASB S-20

GASB STATEMENT NO. 62

- Capitalized interest
 - Proprietary funds
- Revenue recognition when right of return exists
 - Proprietary funds
- Defines classifications for a classified statement of position (balance sheet)
- Over 500 paragraphs
- Due to issuance of FASB Codification



GASB STATEMENT NO. 63

FINANCIAL REPORTING OF DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION

- Issued June 2011
- Effective for fiscal years ending December 31, 2012, and thereafter
- GASB Concepts Statement No. 4, *Elements of Financial Statements*
 - *Assets* - resources with present service capacity that the government presently controls (BS)
 - *Liabilities* - present obligations to sacrifice resources that the government has little or no discretion to avoid (BS)
 - *Outflow of resources* - a consumption of net assets by the government that is applicable to the reporting period (IS)
 - *Inflow of resources* - an acquisition of net assets by the government that is applicable to the reporting period (IS)

GASB STATEMENT NO. 63

- A *deferred outflow of resources* is a consumption of net assets by the government that is applicable to a future reporting period (BS)
- A *deferred inflow of resources* is an acquisition of net assets by the government that is applicable to a future reporting period (BS)
- *Net position* is the residual of all other elements presented in a statement of financial position (BS/IS)

GASB STATEMENT NO. 63

- Reporting
 - Deferred Outflows
 - After assets
 - No subtotal of assets and deferred outflows required (?)
 - Deferred Inflows
 - After liabilities
 - No subtotal of liabilities and deferred inflows required (?)
 - Net Position
 - $A+DO-L-DI=NP$
 - Replaces Net Assets/Fund Balances

GASB STATEMENT NO. 63

- What to report in the categories?
- Addressed by GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*



GASB STATEMENT NO. 64

DERIVATIVE INSTRUMENTS: APPLICATION OF HEDGE ACCOUNTING TERMINATION PROVISIONS

- *GASB S-53, Accounting and Financial Reporting for Derivative Instruments*
 - Issued in June 2011
 - Effective for fiscal years ending June 30, 2012, and thereafter
 - Continuation of effective hedge after replacement of a swap counterparty
 - Specifies criteria to be met to continue to apply hedge accounting



GASB STATEMENT NO. 65

ITEMS PREVIOUSLY REPORTED AS ASSETS AND LIABILITIES

- Issued in March 2012
- Effective for fiscal years ending December 31, 2013, and thereafter
- GASB Concepts Statement No. 4 limits use of terms “deferred outflows” and “deferred inflows” of financial resources to those instances specifically identified in GASB pronouncements

GASB STATEMENT NO. 65

- Specific guidance
 - Accounting gain or loss on refunding of debt
 - Deferred inflow or deferred outflow
 - Amortize into interest expense
 - Nonexchange transactions – accrual basis
 - Most deferred revenue from nonexchange transactions becomes a deferred inflow of resources
 - Imposed nonexchange transactions (e.g., property taxes)
 - Government-mandated nonexchange transactions and voluntary nonexchange transactions (e.g., grants)
 - Debt issuance costs – expense in period incurred

GASB STATEMENT NO. 65

- Specific guidance
 - Regulated operations
 - Governmental funds – modified accrual basis
 - All deferred revenue in governmental funds becomes deferred inflow of resources
 - Major fund calculation
 - Combine assets with deferred outflows
 - Combine liabilities with deferred inflows
 - Use of the term “deferred” only allowed in this context
 - Future pronouncements will expand use of terms (e.g., pension project)

GASB STATEMENT NO. 66

TECHNICAL CORRECTIONS, 2012

- Issued March 2012
- Effective for fiscal years ending December 31, 2013, and thereafter
 - Conflict between GASB S-10 and S-54
 - GASB S-10 Insurance activities in general fund or special revenue fund
 - GASB S-54 definition of a governmental fund
 - Solution follow GASB S-54

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Issued June 2011, comment deadline October 15, 2011
 - Current pension accounting
 - Accounting liability only if you don't fund what the actuary recommends
 - Unfunded actuarial accrued liability
 - Disclosed in notes and required supplementary information

GASB DUE PROCESS DOCUMENTS

- *ED – Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Problem
 - Budget friendly, modified accrual basis
 - Accrual basis, liability when earned by employee
 - Lack of comparability due to choices of actuarial valuations and assumptions
 - Not recognizing spikes, cost of retro benefits or true cost of pensions and any changes
 - Solution

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Proposed solution
 - Net pension liability
 - Difference between obligation for pensions and assets of the pension plan
 - Record as a liability in all accrual basis financial statements
 - Governmental activities
 - Enterprise funds
 - Deferred inflow or outflow of resources

GASB DUE PROCESS DOCUMENTS

- *ED – Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Measuring the net pension liability
 - Projected benefit payments
 - Assumptions – Actuarial Standards of Practice
 - » Future salary increases
 - » COLAs
 - » Discount rate
 - Funding ARC – investment rate
 - Not funding ARC – blended rate
 - Cost of funds (borrowing)
 - Entry age normal actuarial cost method
 - » Level percentage of payroll

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Timing of measurement
 - Actuarial valuation done as of your year end
 - Or 1 year and one day of your fiscal year end (recent compromise)
 - Update AV no older than 24 months from your year end

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Pension expense
 - Separately report
 - Normal cost
 - Immediate recognition of
 - » Change in terms of pension benefits
 - » Investment earnings
 - » For retired employees
 - Changes in assumptions
 - Difference between assumptions and actual

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Disclosures
 - Greatly expanded
 - Required supplementary information
 - Greatly expanded – 10 years
 - Actuary costs
 - Greatly expanded

GASB DUE PROCESS DOCUMENTS

- ED – *Accounting and Financial Reporting for Pensions, an amendment of GASB Statement No. 27*
 - Cost sharing plans
 - Each employer reports their “share” of the overall plan’s net pension liability
 - Special funding situations
 - Not so “special” anymore
 - Report each “employer’s share”
 - Measured by including “special funding”
 - Status
 - Final statement expected in June 2012

GASB DUE PROCESS DOCUMENTS

- *PV – Recognition of Elements of Financial Statements and Measurement Approaches*
 - Issued June 2011, comment deadline September 2011
 - Result will be concepts statement
 - Measurement focus
 - What items to report in financial statements
 - Basis of accounting
 - When we recognize items in a financial statement

GASB DUE PROCESS DOCUMENTS

- *PV – Recognition of Elements of Financial Statements and Measurement Approaches*
 - Replaces current financial resources measurement focus
 - Near term financial resources measurement focus
 - Fair value reporting?????
 - Status
 - Proposed exposure draft in October 2012
 - Final concepts statement in June 2013
 - Used in developing future pronouncements

GASB DUE PROCESS DOCUMENTS

- *PV – Economic Condition Reporting: Financial Projections*
 - Issued November 2011, comment deadline March 16, 2012
 - Result will be a future statement (after ED)
 - 5 components of information needed to assess fiscal sustainability

GASB DUE PROCESS DOCUMENTS

- *PV – Economic Condition Reporting: Financial Projections*
 - Projections of the total cash inflows and major individual cash inflows, in dollars and as a percentage of total cash inflows, with explanations of the known causes of fluctuations in cash inflows
 - Projections of the total cash outflows and major individual cash outflows, in dollars and as a percentage of total cash outflows, with explanations of the known causes of fluctuations in cash outflows
 - Projections of the total financial obligations and major individual financial obligations, including bonds, pensions, other postemployment benefits, and long-term contracts, with explanations of the known causes of fluctuations in financial obligations

GASB DUE PROCESS DOCUMENTS

- *PV – Economic Condition Reporting: Financial Projections*
 - Projections of annual debt service payments (principal and interest)
 - Narrative discussion of the major intergovernmental service interdependencies that exist and the nature of those service interdependencies
 - Projections made for a minimum of 5 years
 - Cash basis of accounting

GASB DUE PROCESS DOCUMENTS

- *PV – Economic Condition Reporting: Financial Projections*
 - Major opposition
 - GFOA
 - AICPA
 - Status
 - ED spring/summer 2013
 - Final statement in October 2013

QUESTIONS?

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