Session Agenda

- Recently issued GASB pronouncements
- Upcoming GASB effective dates
- Examination of selected GASB standards
  - GASB 65
  - GASB 68
- Other GASB projects
- FASB activity
- Questions, comments, and reactions
Recently Issued GASB Documents
GASB Pronouncements

Statement 65—Items Previously Reported as Assets and Liabilities (3/12)

Statement 66—Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62 (3/12)

Statement 67—Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25 (6/12)
GASB Pronouncements

Statement 68—Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27 (6/12)

Statement 69—Government Combinations and Disposals of Government Operations (1/13)
GASB Pronouncements

- 2012-13 Comprehensive Implementation Guide (10/13) •
GASB Exposure Documents

Documents for public comment

- Preliminary Views: Economic Condition Reporting: Financial Projections (11/11)—ON HOLD PENDING FAF ACTION ON GASB SCOPE ISSUE

- Preliminary Views: Fair Value Measurement and Application (6/13)…
GASB Exposure Documents

Documents for public comment


- Exposure Draft: Pension Transition for Contributions Made Subsequent to the Measurement Date—an amendment of GASB Statement No. 68 (6/13)
Upcoming Effective Dates
GASB Effective Dates

June 30, 2013

- Statement 60—Service Concession Arrangements
- Statement 61—The Financial Reporting Entity: Omnibus
- Statement 62—Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements...
GASB Effective Dates

June 30, 2013 (contd.)

- Statement 63—Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

June 30, 2014

- Statement 65—Items Previously Reported as Assets and Liabilities…
GASB Effective Dates

June 30, 2014 (contd.)

- Statement 66—Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62
- Statement 67—Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25
- Statement 70—Accounting and Financial Reporting for Nonexchange Guarantees…
GASB Effective Dates

June 30, 2015

- Statement 68—Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27
- Statement 69—Government Combinations and Disposals of Government Operations
GASB 65

Items Previously Reported As Assets and Liabilities
Former Assets / Liabilities

- Standard issued to conform financial reporting to Concepts Statement No. 4
  - New definitions for asset and liability
  - Introduction of deferred inflows of resources and deferred outflows of resources

- Issuance of Statement No. 62—Codification of pre-1989 guidance

- Goal is to eliminate inconsistent treatment…
Former Assets / Liabilities

- Standard addresses ten major topics, several of which have subtopics
- Only those most relevant to higher education are addressed in this presentation
- Refundings of debt
  - For both current and advance refundings...
Former Assets / Liabilities

- Difference between reacquisition price and carrying amount of old debt should be reported as a deferred inflow of resources or deferred outflow of resources.

- Amount should be recognized as component of interest expense in a systematic and rational manner over life of new or old debt, whichever is shorter...
Former Assets / Liabilities

- Nonexchange transactions
  - Resources received before eligibility requirements are met should be reported as liabilities
  - Resources received after eligibility requirements are met, but before time requirements are met, should be reported as a deferred inflow of resources...
Former Assets / Liabilities

Sales of future revenues

- Unlikely to occur in Virginia higher education but could occur with the sale of a student loan portfolio

Institution should report the proceeds from sale as a deferred inflow of resources...
Former Assets / Liabilities

Debt issuance costs

– Except for any portion related to prepaid insurance, all issuance costs incurred should be recognized as expense.

– Portions related to prepaid insurance should be recognized as assets and amortized to expense in a systematic and rational manner over the duration of the debt...
Former Assets / Liabilities

- Sale-leaseback transactions
  - Gain or loss recognized on sale of property linked to a leaseback should be reported as a deferred inflow of resources or deferred outflow of resources
  - Amortized in a systematic and rational manner over lease term
- Discontinue use of *deferred* except as related to inflows or outflows of resources...
Former Assets / Liabilities

Effective for fiscal years ending June 30, 2014, with retroactive application •
GASB 68

Accounting and Financial Reporting for Pensions
Pensions

Standard has major implications

Shifts focus of pension accounting from funding approach to accounting approach
  – Liability recognition in financial statements versus notes

Eliminates 30-year amortization period in favor of immediate recognition
  – Potentially dramatic impact on unrestricted net assets
Pensions

- Net pension liability defined as overall pension obligation minus accumulated pension assets
  - Must be recognized on statement of net position

- Proportionate share of liability for cost-sharing employer plans
  - Changes in liability must adjust pension expense reported on SRECNA
Pensions

- Significant expansion of notes and required supplementary information (RSI)
- Effective for fiscal years ending June 30, 2015
- Consider asking VRS to present at next FOCUS meeting
- Also recognize that GASB likes comparability between pensions and OPEB •
Other GASB Projects

- **Active**
  - Fiduciary responsibilities
  - Leases
  - OPEB
  - GAAP hierarchy

- **Potential**
  - Asset retirement obligations
  - Equity interest in component units…
Other GASB Projects

Potential (contd.)

- Financial performance measurements
- Financial transactions with characteristics of both loans and grants
- Impairments of assets other than capital assets
- In-kind contributions
- Interim financial reporting…
Other GASB Projects

Potential (contd.)
- Irrevocable charitable trusts
- Present value
- Reporting unit presentation •
FASB Activity

- FASB Not-for-Profit Advisory Committee efforts coming to fruition
  - Established in 2011 to examine NFP reporting issues
  - Identified several issues of concern
- FASB project focusing on
  - Improving net asset classification requirements…
FASB Activity

- Improving information about liquidity, financial performance, and cash flows—whether in statements or notes

Tentative decisions

- Require an operating measure
- Streamline net assets classes from three to two—*with* or *without* donor restrictions

Require enhanced disclosures about nature / amount of restrictions…
FASB Activity

– Require disclosures of amount / purpose for board designations of unrestricted net assets
– Require direct method for cash flow reporting and eliminate required reconciliation of change in net assets with net cash flows from operating activities...
FASB Activity

- Revise cash flow classifications for following items

  - Cash gifts with donor restrictions related to PP&E would move from financing to operating
  - Cash payments related to PP&E would move from investing to operating
  - Cash flows of investment income would move from operating to investing...
FASB Activity

Cash flows for interest expense would move from operating to financing

Future topics for discussion

– Liquidity

– Guidance on functional expenses

– Alternative statement formats, particularly for the statement of activities

ED expected by June 2014
GASB Accounting Update

Questions, Comments, and Reactions

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