GASB Accounting Update

FOCUS
Newport news
April 23, 2013

Larry Goldstein
President, Campus Strategies, LLC
Session Agenda

- Recently issued GASB pronouncements
- Upcoming GASB effective dates
- Examination of relevant GASB standards
  - GASB 63
  - GASB 65
- Questions, comments, and reactions
Recently Issued GASB Documents
GASB Pronouncements


Statement 64—Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 3 (6/11)…
GASB Pronouncements

- 2012-13 Comprehensive Implementation Guide (10/12)
- 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)
GASB Pronouncements

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

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

Statement 69—Government Combinations and Disposals of Government Operations (1/13) •
Documents for public comment

- Preliminary Views: Recognition of Elements of Financial Statements and Measurement Approaches (6/11)

GASB Exposure Documents

Documents for public comment

Upcoming Effective Dates
GASB Effective Dates

June 30, 2013

- Statement 60—Service Concession Arrangements
- Statement 61—The Financial Reporting Entity: Omnibus
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…
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 63

Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position
New Terminology

- Introduced in Concepts Statement No. 4, Elements of Financial Statements (June 2007)
- After 20+ years, GASB defined the essential elements of financial statements
- Along with defining assets and liabilities, GASB introduced three new elements...
New Terminology

- Deferred outflows of resources
- Deferred inflows of resources
- Net position

Deferred outflows of resources
- Start with definition of outflows of resources

Consumption of net assets applicable to current reporting period...
New Terminology

– Concept of “deferred” acknowledges that some net asset consumption relates to future periods

– As such, it must be distinguished from current consumption of net assets producing new category

Deferred inflows of resources

– Again, start with definition of inflows of resources…
New Terminology

- Acquisition of net assets applicable to the current reporting period
  - Concept of “deferred” acknowledges that some net asset acquisition relates to future periods
  - As such, it must be distinguished from current acquisition of net assets—results in new category…
New Terminology

Net position

– “Net assets” becomes too narrow a term with introduction of deferred outflows and inflows
– Recall that deferred outflows and inflows refer to consumption / acquisition of net assets applicable to future period
– Net position is the residual of assets, liabilities, deferred inflows, deferred outflows…
New Terminology

Presentation

– Encouraged to use a “net” presentation approach (assets, \textit{plus} deferred outflows of resources, \textit{less} liabilities, \textit{less} deferred inflows of resources, \textit{equals} net position)

– Balance sheet format is acceptable (assets \textit{plus} deferred outflows \textit{equals} liabilities \textit{plus} deferred inflows \textit{plus} net position)

– Net assets no longer acceptable…
New Terminology

- Three components of net position required
  - *Net investment in capital assets*
  - Restricted—distinguishing between major categories of restrictions
    - If restricted nonexpendable exist, should be presented separately from restricted expendable
  - Unrestricted...
New Terminology

Disclosures

– If nature of deferred amounts is not explained on face of statement, must be addressed in notes

– If a deferred balance is significant relative to a net position component, this should be explained in the notes

Effective for fiscal years ending June 30, 2013, with retroactive application •
Questions?
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 Accounting Update

Questions, Comments, and Reactions

Larry.Goldstein@Campus-Strategies.com
(540) 942-9146