GASB Update

FOCUS

Staunton

May 14, 2009

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Session Agenda

- Recently issued GASB pronouncements
- Upcoming GASB effective dates
- Current GASB projects
- GASB 49—Pollution remediation obligations
- GASB 52—Endowment real estate as investments
- Questions, comments, and reactions
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Recently Issued GASB Documents
GASB Pronouncements

Statement 50—Pension Disclosures, an amendment of GASB Statements No. 25 and No. 27 (5/07)

Statement 51—Accounting and Financial Reporting for Intangible Assets (6/07)

Concepts Statement No. 4—Elements of Financial Statements (6/07)
GASB Pronouncements

Statement 52—Land and Other Real Estate Held as Investments by Endowments (11/07)

Statement 53—Accounting and Financial Reporting for Derivative Instruments (6/08)

2008-09 Comprehensive Implementation Guide (10/08)
GASB Pronouncements

- **Concepts Statement No. 5—Service Efforts and Accomplishments Reporting**, an amendment of GASB Concepts Statement No. 2 (11/08)

GASB Pronouncements

Statement 54—Fund Balance Reporting and Governmental Fund Type Definitions (3/09)

Statement 55—The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments (3/09)
GASB Pronouncements


Derivatives Implementation Guide (4/09)
GASB Exposure Documents

- Request for response
  - Suggested guidelines for SEA reporting (7/08)
- Invitation to Comment, Pension Accounting and Financial Reporting (4/09) •
Upcoming GASB Effective Dates
GASB Effective Dates

June 30, 2009

- Statement 43—Phase III (OPEB plans)
- Statement 45—Phase II (Employers OPEB)
- Statement 49—Pollution Remediation Obligations
- Statement 52—Endowment Real Estate
- TB 2008-1—ARC Determination for Pensions...
GASB Effective Dates

June 30, 2009

- TB 2008-1—ARC Determination for OPEB with Statement 45
- Statement 55—GAAP Hierarchy
- Statement 56—Codification of previous SAS GAAP…
GASB Effective Dates

June 30, 2010

- Statement 45—Phase III (Employers OPEB)
- Statement 51—Intangible Assets
- Statement 53—Derivatives
- TB 2008-1—ARC Determination for OPEB with Statement 45
Current GASB Projects

- Service concession arrangements (2Q 2009)
- Chapter 9 bankruptcies (2Q 2009)
- Financial instrument omnibus (2Q 2009)
- OPEB implementation issues (2Q 2009)
- Comprehensive implementation guide (3Q 2009)
Current GASB Projects

- Codification of pre-November 30, 1989 FASB pronouncements (4Q 2009)
- Recognition and measurement (1Q 2010)
- Statement 14 reexamination (1Q 2010)
Questions?
GASB 49
Pollution Remediation Obligations
Pollution Remediation Obligations

Types of obligations covered

- Pre-cleanup activities such as site assessment, feasibility study, design
- Cleanup activities such as neutralization, containment, disposal activities
- Oversight and enforcement costs
- Operation and maintenance of remedy and monitoring…
Pollution Remediation Obligations

Recognition threshold

– Assess whether one or more components of an obligation are recognizable

Institution knows or reasonably believes that a site is polluted

Obligating event occurs…
Pollution Remediation Obligations

Obligating events

– Compelled to take remediation action because of imminent danger
– Violate pollution-prevention permit
– Named or evidence suggests institution will be named as responsible party or potentially responsible party (PRP) for remediation…
Pollution Remediation Obligations

- Named or evidence suggests institution will be named in lawsuit to participate in remediation
  
   Exclude lawsuits without merit

- Institution commences or legally obligates itself to commence remediation…
Pollution Remediation Obligations

Recognition

- Recognize components of liability as they become reasonably estimable
- Benchmarks
  - Receipt of administrative order
  - Participation as responsible party or PRP
  - Completion of corrective measure feasibility study...
Pollution Remediation Obligations

- Issuance of authorization to proceed
- Remediation design and implementation
  - Cost accumulation, not fair value
  - Current value versus present value
  - Expected cash flow technique versus FASB 5...
Pollution Remediation Obligations

Capitalization permitted in limited circumstances
- Cleanup to prepare for sale
- Polluted property bought and cleaned for use
- Asset impaired and cleanup restores lost service utility
- Acquired capital assets have alternative use
GASB 52

Endowment Real Estate Investments
Endowment Real Estate

Paragraph 19 of GASB 34 defines land as a capital asset

- Requires recognition at cost (or fair value at time of donation)

Many endowments hold land and other real estate for investment purposes

Standard applies to real estate held as true and term endowments *but not quasi-endowments*...
Endowment Real Estate

- True and term endowment real estate should be measured at fair value
- Changes in value should be reported in SRECNA as investment income
- Investment disclosures per paragraph 15 of GASB 31 should be presented as appropriate
GASB Update

Questions, Comments, and Reactions

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