NACUBO
Accounting Update

November 8, 2011
NACUBO Accounting Update

• Thanks Accounting Principles Council
• Current members from public institutions:
  - Ken Wilson, University of Michigan, Chair
  - Peggy Arrivas, University of California System
  - Carlos Hernandez, University of Texas at El Paso
  - Kathryn Kapka, University of Texas at Tyler
NACUBO Accounting Overview

- Regular meetings with GASB
- Comment Letters to GASB
- Participation in GASB Public Hearings and Roundtables
- GASB Field Tests
- GASB Comprehensive Implementation Guide Committee
- GASB Task Forces (this year, “financial guarantees”)
- Governmental Accounting Standards Advisory Council (GASAC)
- Getting to know FAF
- Advisory Reports
  [http://www.nacubo.org/Business_and_Policy_Areas/Accounting/Advisory_Reports.html](http://www.nacubo.org/Business_and_Policy_Areas/Accounting/Advisory_Reports.html)
NACUBO Meetings With GASB

- Alternative SRECNA
- Endowments held by public institutions
- Educational Meetings on Financial Aid
- Pell Grants
- Pensions
- Department Reporting Needs
Recent NACUBO Comment Letters

• Pension Accounting
• Termination of Hedge Accounting
• Deferred inflows and outflows of resources
• Service concession arrangements
• The financial reporting entity
• Service efforts and accomplishments
Public Roundtables, Field Tests

- GAO
  - Dodd Frank Act: provision for GASB funding
  - Why GASB matters
- Performance reporting
- Pensions
  - Testimony
  - Field test for single employer plans
GASB Task Forces

- 2011 -- Financial guarantees
  - 529 plans
  - State guarantees for financial aid
- Derivatives
- Reporting entity
- Intangible assets
- Elements of financial statements
- Service efforts and accomplishments
- Intangible assets
Comprehensive Implementation Guide
Advisory Committee

- Ken Wilson, UM
- Review and provide feedback on questions and answers to be included in the Guide
- Provide input and clarification as it relates to higher education
- Latest set of Questions – accounting for changes in market value of endowments (i.e. treatment of underwater endowments)
Governmental Accounting Standards
Advisory Council

- Currently Sue Menditto
- Charles Tegen, Clemson University (2012)
- Technical agenda prioritization
- Advises the GASB on technical issues
- Higher education issues: reporting entity, public/private partnerships, alternative investments, financial guarantees, fiduciary activities, multiple employer pension plans, economic condition reporting
Financial Accounting Foundation (FAF)

- Oversees the FASB and GASB
- GASAC and FASAC
- Higher Education very familiar with the FAF in 1984
  - Jurisdiction
  - Higher education became a split industry
- Very active lately
  - New leadership
  - Constituent advocacy
Financial Accounting Foundation (FAF)

• Notable Projects
  – Listening Tours and outreach to constituents
  – GASB Funding
  – Post-implementation review of standards
  – Research on the appropriate scope of GASB

• Higher Education Advocacy
  – Is it time to become familiar with FAF again?
NACUBO Advisory Reports

- Advisory Guidance 2011-02: Credit Quality Disclosures (August 29, 2011)
- Advisory Guidance Defining an Operating Measure for Independent Colleges and Universities Revised March 2011 (March 31, 2011)
- Advisory Report 2010-1 Public Institution: Methodologies for Allocation Depreciation, Operation and Maintenance of Plant, and Interest Expenses to Functional Expense Categories (February 25, 2010)
- Advisory Guidance 2009 Implementing FSP FAS 117-1 (June 2009)
- Advisory Report 2000-7 Federal Appropriations for Land Grant Colleges and Universities (September 8, 2000)
- Advisory Report 2000-5 Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Higher Education (September 8, 2000)
GASB

Technical Plan – EDs Issued

• ED: Reporting Balances Previously Recognized as Assets or Liabilities
  – Comment deadline is November 18th!
• ED: Pension Accounting and Reporting
  – Comment deadline was October 14th
ED: Balances Previously Recognized as Assets or Liabilities

- Foundation is Concepts Statement No. 4
  - Deferred inflows of resources and inflows of Resources
  - Deferred outflows or resources and outflows of Resources
- Don’t do this at home!
- Difference between deferrals and assets / liabilities
  - Service or performance obligations
  - Deferred tuition revenue
  - Prepaid insurance
  - Deferred inflows / outflows related to SCA or hedge market adjustments
ED: Pension Accounting and Reporting

• NACUBO Comments
  http://www.nacubo.org/Business_and_Policy_Areas/Accounting/Accounting_Comment_Letters.html

• Issues
  – Multiple employer cost sharing plans
    • Collective liability
    • liabilities are present obligations to sacrifice resources that the government has little or no discretion to avoid
  – Component units – part of state single or agent plans
    • Liability allocation
GASB

Technical Plan – Schedule

- 4th Q (2011) – PV – Economic Condition Reporting
- 4th Q (2012) – ED – OPEB
Economic Condition Reporting

- Fiscal sustainability
- Five year projections
- RSI
- Is this an appropriate role for GASB?
Fair Value Measurement

• Development of a definition of fair value
  – FASB definition as starting point

• Measurement
  – Investments not mentioned in statement 31
  – Alternative investments, limited partnerships, hedge funds, REIT

• Potential disclosures about fair value
Financial Guarantees

- **Scope** – three parties must be involved
  - Investor or holder of an instrument
  - Issuer of an instrument
  - Entity extending the financial guarantee
- **Component units** – considered separate entities for the purpose of applying provisions of the project
- **Guarantees that are the result of nonexchange transactions**
- **Expected cash flows and obligating events**
- **Additional disclosures**
GASB

Technical Plan – Research

- Electronic Financial Reporting
- Fiduciary Responsibility
- Leases
GASB

Technical Plan – Research

• Electronic Financial Reporting
  – XBRL (eXtensible business reporting language)

• Fiduciary Responsibility
  – Agency transactions (?)

• Leases
  – GASB is following FASB and IASB project
GASB Reporting Changes

• FY 12 – Swap Counterparty Terminations (SGAS 64)
• FY 13 – Financial Reporting of Deferred Outflow of Resources, Deferred inflows of Resources, and Net Position (SGAS 63)
• FY13 – Codification (SGAS 62)
• FY13 – Financial Reporting Entity Omnibus (SGAS 61)
• FY13 – Service Concession Arrangements (SGAS 60)
GASB Reporting Changes

• SGAS 60, Service Concession Arrangements
  – Control
  – Capital assets and fee income
  – Deferred inflows / outflows of resources

• SGAS 61 – Financial Reporting Entity Omnibus
  – Blended component units
  – Notes to financial statements

• SGAS 62 – Codification
  – Clearly defines GAAP for publics
  – Post 1989 FASB guidance change
GASB Reporting Changes

- SGAS 63, Reporting Deferred Inflows, Outflows and Net Position
  - Five balance sheet categories
  - Net position rather than net assets
- SGAS 64, Application of Hedge Accounting Termination Provisions
  - Amends SGAS 53
  - Counterparty reassignments – GASB does not consider such reassignments a “terminating event”
NACUBO Accounting Update

Questions?
Suggestions?
How to get involved:

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