

GASB Update

Statements No. 63-70

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Learning Objectives

- Discuss the details of GASB No. 63 and 65, Deferred inflows, outflows, and net position.
- Identify situations where GASB No. 69, Combinations, is applicable.
- Communicate the purpose of GASB No. 64 and 66.
- Introduce GASB No. 70

Effective Dates

- **December 31, 2012**
 - Statement 60 – Service Concession Arrangements
 - Statement 62 – Pre-89 Codification
 - Statement 63 – Deferrals and Net Position
- **June 30, 2013**
 - Statement 61 – Financial Reporting Entity
- **December 31, 2013**
 - Statement 65 – Deferrals (Reclassifications)
 - Statement 66 – Technical Corrections

Effective Dates

- **June 30, 2014**
 - Statement 67 – Pension Plans
 - Statement 70 – Nonexchange Financial Guarantees
- **December 31, 2014**
 - Statement 69 – Combinations and Disposals
- **June 30, 2015**
 - Statement 68 – Pensions-Employers



Deferred Outflows, Deferred Inflows, and Net Position

GASB Statements No. 63 and 65

Two Related Standards

- **December 31, 2012**
 - Statement 63 – Deferrals and Net Position
- **December 31, 2013**
 - Statement 65 – Deferrals (Reclassifications)
- For Statement 65, early application is encouraged. If you are reporting deferred inflows and outflows, it might make sense to implement earlier.



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

GASB Statement No. 63

Background

- Initiated in May 2010
- Concepts Statements 4 identified 5 elements of a statement of financial position:
 - Assets
 - Liabilities
 - Deferred outflows
 - Deferred inflows
 - Net position
- This standard changes GASB No. 34's statement of financial position.

Key Definitions

- Net position
 - The residual of all elements presented in the statement of financial position.
 - Name change for net assets, not fund balance
- Deferred outflows of resources
 - A consumption of net assets that is applicable to a future period.
 - Positive effect on net position, similar to an asset
- Deferred inflows of resources
 - An acquisition of net assets that is applicable to a future period.
 - Negative effect on net position, similar to a liability

Clarifies the Financial Statement Geography

- Statement 53 (Derivatives) and Statement 60 (Service Concession Agreements) required the use of a deferred inflow and/or deferred outflow.
- Statement 65 reclassify items to be reported as deferred inflows and/or deferred outflows.


	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and cash equivalents	\$ 11,712,829	\$ 10,516,820	\$ 22,229,649	\$ 303,935
Investments	29,250,291	64,575	29,314,866	7,428,952
Derivative instrument—rate swap	1,040,482	-	1,040,482	-
Receivables (net)	11,792,650	3,609,615	15,402,265	4,042,290
Internal balances	313,768	(313,768)	-	-
Inventories	322,149	126,674	448,823	83,697
Equity interest in joint venture	2,303,256	-	2,303,256	-
Capital assets:				
Land, improvements, and construction in progress	28,435,025	6,408,150	34,843,175	751,239
Other capital assets, net of depreciation	141,587,735	150,980,601	292,568,336	36,993,547
Total capital assets	170,022,760	157,388,751	327,411,511	37,744,786
Total assets	226,758,185	171,392,667	398,150,852	49,603,660
DEFERRED OUTFLOWS OF RESOURCES				
Accumulated decrease in fair value of hedging derivatives	-	127,520	127,520	-
LIABILITIES				
Accounts payable and accrued expenses	7,538,543	659,592	8,198,135	1,803,332
Advances from grantors	1,435,599	-	1,435,599	38,911
-	-	-	-	-



LIABILITIES

Accounts payable and accrued expenses	7,538,543	659,592	8,198,135	1,803,332
Advances from grantors	1,435,599	-	1,435,599	38,911
Forward contract	-	127,520	127,520	-
Long-term liabilities:				
Due within 1 year	9,236,000	4,426,286	13,662,286	1,426,639
Due in more than 1 year	83,302,378	74,482,273	157,784,651	27,106,151
Total liabilities	<u>101,512,520</u>	<u>79,695,671</u>	<u>181,208,191</u>	<u>30,375,033</u>

DEFERRED INFLOWS OF RESOURCES

Accumulated increase in fair value of hedging derivatives	1,040,482	-	1,040,482	-	
Deferred service concession arrangement receipts	-	4,467,536	4,467,536	-	
Total deferred inflows of resources	<u>1,040,482</u>	<u>4,467,536</u>	<u>5,508,018</u>	<u>-</u>	

NET POSITION

Net investment in capital assets	103,711,386	79,088,574	182,799,960	15,906,392	
Restricted for:					
Transportation and public works	10,655,737	-	10,655,737	-	
Debt service	3,076,829	1,451,996	4,528,825	-	
Housing and community redevelopment	6,845,629	-	6,845,629	-	
Other purposes	1,483,387	-	1,483,387	492,445	

Reminders

- Net position has components
 - Net investment in capital assets
 - Restricted
 - Unrestricted
- For fund financial statements, the label of fund balance remains.

Disclosures

- Details of different types of deferred inflows and outflows are to be disclosed either on the face of the financial statement or in the footnotes.
- Explain the effect and reason for the effect on net position if significant.
 - Related assets and deferred outflows
 - Related liabilities and deferred inflows



Items Previously Reported as Assets and Liabilities

GASB Statement No. 65

Concept Statement No. 4 States....

- The recognition of deferrals is limited to those instances specifically identified by GASB, so GASB needed to provide a standard that addressed items already deferred in the financial statements.
- That standard is GASB No. 65.

Items Currently Reported as Liabilities that Change to Deferred Inflows

- Commonly called deferred revenue, deferred credits, etc.
- Listing:
 - Advanced grant funds that have a time restriction
 - Taxes received in advance
 - Deferred amounts as a result of a refunding of debt
 - Proceeds from the sale of future revenue
 - Deferred gain from sale-leaseback
 - “Regulatory credits”
 - “Unavailable” revenue

Items Currently Reported as Liabilities that Remain Liabilities

- Listing:
 - Resources received in advance of an exchange transaction
 - Derived tax revenue received in advance
 - Premium revenues (risk pools)
 - Grants received in advance of meeting eligibility requirements (other than timing).
 - Refunds imposed by a regulator

Items Currently Reported as Assets that Change to Deferred Outflows

- Listing:
 - Grants paid in advance of meeting a timing requirement
 - Deferred amounts from refunding of debt
 - Cost of acquire rights to future revenues
 - Deferred loss from sale-leaseback

Items Currently Reported as Assets that Remain Assets

- Listing:
 - Prepayments
 - Grants paid in advance of meeting eligibility requirements (other than timing)
 - Rights to future revenues acquired from outside the reporting entity
 - “Regulatory” assets

Some Items are No Longer Deferred at All

- Deferred liabilities now inflows
 - Loan origination fees
 - Commitment fees
 - Fees received for sale of loans
- Deferred assets now outflows
 - Debt issuance costs
 - Initial cost incurred by lessor in an operating lease
 - Acquisition costs for risk pools
 - Loan origination costs
 - Costs to acquire loans

Other Provisions

- Use of the term deferred is reserved for deferred inflows and deferred outflow and should be limited to those concepts.
- Major fund determination should include deferred outflows in the assets and deferred inflows in the liabilities for calculation purposes.



Government Combinations and Disposal of Government Operations

GASB Statement No. 69

Highlights

- Scope
 - Government mergers
 - Government acquisitions
 - Transfer of operations
 - Disposal of operations
 - NOT a purchase of legally separate operation that remains legally separate
 - NOT just assets or liabilities

Definitions

- **Government merger** – combination of legally separate entities without significant consideration exchanged.
- **Transfer of operations** – combination of operations without significant consideration
- **Government acquisition** - combination of legally separate entities or operations with significant consideration exchanged.



Miscellaneous Standards

GASB Statements No. 64 and 66



Derivative Instruments: Application of Hedge Accounting Termination Provisions

GASB No. 64

an amendment of GASB No. 53

Termination Does Not Always Mean the End?

- GASB No. 53 requires immediate recognition of deferred amounts when a swap is terminated.
- GASB No. 64 states a hedge continues, if all of the following are true.
 - Collectability of the swap payments is probable.
 - Counterparty is replaced with an assignment or in-substance assignment.
 - Counterparty is in an act of default.

In a Nutshell...

- If you had a SWAP and the counterparty defaults and another counterparty basically pick-up where they left off, then treat as if nothing ever happened.



Technical Corrections - 2012

GASB No. 66

an amendment of GASB No. 10 and 62

Oops...

- GASB No. 54, removed the limitation on using general fund or internal service fund for risk financing activities.
- GASB No. 62, 13, and 48. Clarified language on issues related to:
 - Operating leases
 - Recognition of premium or discount on purchase of loans.
 - Servicing fees for receivables that have been sold.



Accounting and Financial Reporting for Nonexchange Financial Guarantees

GASB No. 70

Who does it apply to?

- Governments that extend financial guarantees for the obligations of another government, a not-for-profit entity, or a private entity without directly receiving equal or approximately equal value in exchange (a nonexchange transaction) and...
- As a part of this nonexchange financial guarantee, a government commits to indemnify the holder of the obligation if the entity that issued the obligation does not fulfill its payment requirements. Also, some governments issue obligations that are guaranteed by other entities in a nonexchange transaction

How does it affect reporting?

- Recognition of a liability when appropriate.
- Specifies information to be disclosed by governments that extend nonexchange financial guarantees.
- Requires new information to be disclosed by governments that receive nonexchange financial guarantees.



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