

GASB UPDATE

September 19, 2014

Presented by:
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Effective Dates – September 30

2014

- Statement 65 – Assets and Liabilities – Reclassification and Recognition
- Statement 66 – Technical Corrections
- Statement 67 – Financial Reporting for Pension Plans
- Statement 70 – Nonexchange Financial Guarantees

2015

- Statement 68 – Accounting and Financial Reporting for Pensions
- Statement 69 – Government Combinations and Disposals of Government Operations
- Statement 71 – Pension Contributions Made Subsequent to the Measurement Date (Earlier if 68 implemented early)





2014



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Statement 65 -
**Items Previously
Reported as
Assets and
Liabilities**



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From Liabilities To Deferred Inflows of Resources

- **The excess of the net carrying amount of refunded debt over its reacquisition price;**
- A reduction in the present value of the payments due from lessee under a capital lease as a result of the lessor's passing on the economic advantages of a refunding of tax-exempt debt;
- Property taxes received or recognized as a receivable prior to the period they were intended to finance;
- Other imposed nonexchange revenues received or recognized as a receivable prior to the period when the use of the resources is either required or first permitted;
- Proceeds from the sale of future revenues;



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From Liabilities To Deferred Inflows of Resources (continued)

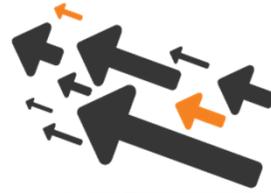
- Resources received from a grantor when the only eligibility criterion that has ***not been met by the recipient is a timing requirement***;
- Payments received within the financial reporting for the right to future revenues;
- Gain on a sale-leaseback transaction;
- Points received by a lender in relation to a loan origination;
- Loan origination fees received in connection with mortgage-banking activities (including any portion related to points) for loans held for sale; and
- Revenue of a governmental fund that is not recognized solely because it is not yet considered to be available.



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From Assets To Deferred Outflows of Resources

- **The excess of the reacquisition price of refunded debt over its net carrying amount;**
- Resources provided by a grantor to a grantee when the only eligibility criterion that has ***not been met by the recipient is a time requirement;***
- Payments made within the financial reporting entity to purchase the right to future revenues;
- A loss on a sale-leaseback transaction;
- Direct loan origination costs paid in connection with mortgage banking activities for loans held for sale; and
- Fees paid to permanent investors to ensure the ultimate sale of loans in connection with mortgage banking activities (prior to sale).



Items That Remain Liabilities

- Derived tax revenue received in advance
- Premium revenues (risk pools)
- Grants received in advance of meeting eligibility requirements (other than timing)



Items That Remain Assets

- Grants paid in advance of meeting eligibility requirements (other than timing)
- Rights to future revenues acquired from outside the reporting entity



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From Assets To Outflows of Resources

- Debt issuance costs (excluding any portion that represents prepaid insurance);
- Initial direct costs of operating leases;
- Acquisition costs related to insurance activities;
- Direct loan origination costs;
- Fees paid in connection with the purchase of a loan; and
- Direct loan origination costs paid in connection with mortgage banking activities for loans held for investment purposes.



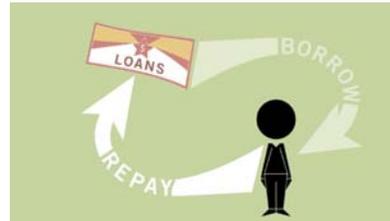
Applied retroactively by restating financial statements



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From Liabilities To Inflows of Resources

- Loan origination fees received (other than the portion related to points);
- Fees received in connection with the purchase of loans; and
- Loan origination fees received in connection with mortgage banking activities (other than the portion related to points) for loans held for investment purposes.



Applied retroactively by restating financial statements



Effect On The Determination Of Major Funds

- **GASB Statement No. 34** requires that certain governmental and enterprise funds be classified as major funds based on their relative proportion of assets, liabilities, revenues, or expenditures/expense.
- **GASB Statement No. 65** clarifies that henceforth the point of reference for this determination will no longer be *assets*, but rather *assets + deferred outflows of resources*. Likewise the determination of a major fund will focus not just on *liabilities*, but rather on *liabilities + deferred inflows of resources*.



Example Of Use Of Deferred

- **The government has received \$5 of prepaid rent in connection with its rental of vacant office space;**
- The government has received a \$15 advance from a grantor for which it has not yet met key eligibility requirements;
- The government has recognized a receivable for property taxes that are intended to finance the subsequent fiscal year (\$1,000); and
- The government has not yet recognized \$50 as revenue solely because it is not yet considered to be *available*.



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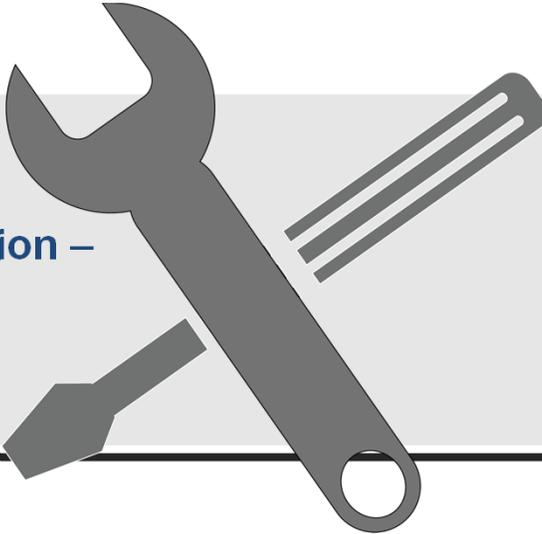
Example Of Use Of Deferred (*continued*)

- **Today it would not be uncommon to see all four items combined and reported as *deferred revenue* (i.e., $\$5 + \$15 + \$1,000 + \$50 = \$1,070$).**
- In contrast, under GASB Statement No. 65, only the latter two items ($\$1,000 + \$50 = \$1,050$) would qualify, since both the offset for prepaid rent and the offset for the grantor advance would be liabilities (unearned revenue) rather than deferred inflows of resources.



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Statement of Net Position				
	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 MSA 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				
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
Forward contract	—	127,520	127,520	—
Long-term liabilities:				
Due within one year	9,236,000	4,426,286	13,662,286	1,426,639
Due in more than one year	83,302,378	74,482,273	157,784,651	27,106,151
Total liabilities	101,512,520	79,696,671	181,209,191	30,375,033
DEFERRED INFLOWS				
Accumulated increase in fair value of hedging derivatives	1,040,482	—	1,040,482	—
Unamortized service concession arrangement payments	—	4,467,536	4,467,536	—
Total deferred inflows	1,040,482	4,467,536	5,508,018	—
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
Unrestricted (deficit)	(1,567,785)	6,816,410	5,248,625	2,829,790
Total net position	\$ 124,205,183	\$ 87,356,980	\$ 211,562,163	\$ 19,228,627



Statement 66 - Technical Correction – 2012

Conflicts

- **Statement 62 with**
 - Statement 13 – Leases
 - Statement 48
 - Purchase of a loan or group of loans
 - Servicing fees related to mortgage loans
- **Statement 10 with**
 - Statement 54 – Risk financing pools



Statement 70 -
Nonexchange
Financial
Guarantees



What Are Nonexchange Financial Guarantees?

- **Based the same definition of nonexchange that is found in Statement 33**
 - Excludes exchange and exchange-like transactions
- **Entities addressed**
 - Providers of financial guarantees
 - Recipients of financial guarantees



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When Should The Guarantee Be Recognized?

- **Provider of financial guarantee**
 - When qualitative factors and historical data, if any, indicate that it is more likely than not that a government will make a payment on nonexchange financial guarantees it extended, the government should recognize a liability
- **Recipient of financial guarantee**
 - When nonexchange financial guarantee is legally released as an obligor from the obligation and from any liability to the guarantor, the government should recognize revenue



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When Should The Guarantee Be Measured?

- **Provider of financial guarantee**
 - Amount equal to the discounted present value of the best estimate of the future outflows expected to be incurred as a result of the guarantee
 - If there is no best estimate, the discounted present value of the minimum amount in that range *should be recognized*
- **Recipient of financial guarantee**
 - Amount equal to the reduction of the guaranteed liability should be recognized



2015



Statement 69 - Government Combinations and Disposals of Operations



What Is Covered?

- **Combinations in which no consideration is provided**
 - Government mergers
 - Transfers of operations
- **Combinations in which consideration is provided**
 - Government acquisitions
- **Disposal of government operations reporting**



How Should Mergers and Transfers of Operations Be Reported?

- **Assets and liabilities at carrying values**
 - Presumption of GAAP
 - Mergers
 - New entity – Date of merger
 - Continuing entity – Beginning of fiscal year
- **Transfers of operations – Date of transfer**
- **Adjustments**
 - Accounting principles, policies, and estimates
 - Capital asset impairment
 - Transaction eliminations



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How Should Acquisitions Be Reported?

- **Assets (and liabilities) at acquisition value**
 - GAAP applicable to state and local governments is used for recognition
 - Market-based entry price measurements
 - Exceptions
- **Accounting for the difference**
 - Goodwill – deferred outflow of resources
 - Contribution received or reduction of non-current assets
- **Reporting period**



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How Should The Disposals Of Government Operations Be Reported?

- **Governments would report disposals of operations for all disposals of operations (transfers or sales).**
 - Gains and losses reported as special items
- **Costs associated with disposals of government operations**
 - Should consider all costs associated with disposals of operations



Questions

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