American Association of Port Authorities 2012 Port Finance Seminar

GASB Update - What's New from Norwalk?

The views expressed in this presentation are those of the presenter. Official positions of the GASB are determined only after extensive due process and deliberation.

Agenda

- Key Effective Dates
- Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements
- Statement No. 61, The Financial Reporting Entity: Omnibus
- Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
- Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position
- Statement No. 64, Derivative Instruments: Application of Hedge Accounting Termination Provisions
- Statement No. 65, Items Previously Reported as Assets and Liabilities
- Other Projects on the Board's Agenda

Key Effective Dates

- June 30, 2012
 - Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
 - Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions
- June 30, 2013
 - Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements
 - Statement No. 61 The Financial Reporting Entity: Omnibus
 - Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements
 - Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position
- June 30, 2014
 - Statement No. 65 items Previously Reported as Assets and Liabilities
 - Statement No. 66 Technical Corrections—2012

GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements

Statement 60

- Addresses Service Concession Arrangements (SCAs).
- For purposes of the standard, a service concession arrangement (SCAs) is a type of public-private partnership in which:
 - The transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset ("facility") in exchange for significant consideration,
 - The operator collects and is compensated by fees from third parties,
 - The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services, **and**
 - The transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement .
- Effective for periods beginning after December 15, 2011.

GASB Statement No. 61 The Financial Reporting Entity: Omnibus

Statement 61

- Provides amendments to GASB Statement No. 14, The Financial Reporting Entity.
- Basic principles and criteria for determining component units remain the same:
 - Amendments made to certain specific aspects of the criteria.
 - Amendments made to how component units are reported.
- Effective for periods beginning on or after June 15, 2012 (FYE 6/30/2013)

Statement No. 62 Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements

- Primary objective of this Statement is to directly incorporate the applicable provisions in FASB and AICPA pronouncements issued on or before November 30, 1989, into the state and local government accounting and financial reporting standards:
 - Paragraph 17 of Statement 34 requires application of pre-November 30, 1989, FASB statements, APB opinions and ARBs, unless they conflict with or contradict GASB pronouncements.
 - Since FASB introduced its codification, its original pronouncements are nonauthoritative.
- Provisions generally apply to governmental activities, business-type activities, and proprietary funds, except as identified in the Statement.
 - Certain provisions are limited to business-type activities and proprietary funds.
- GASB Statement 20 is superseded:
 - Election to apply all post-November 30, 1989 FASB pronouncements not in conflict with GASB pronouncements is eliminated.
- Effective for periods beginning after December 15, 2011.

Statement No. 63 Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position

Statement 63

- Main purpose is to address presentation issues associated with the financial position elements created in Concepts Statement No. 4, *Elements of Financial Statements* (CONS 4):
 - Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net position

• Effective for periods beginning after December 15, 2011.

Early application is encouraged.

Deferred Outflows of Resources and Deferred Inflows of Resources

- CONS 4 specifically states that deferred outflows of resources and deferred inflows of resources should only be used as specifically required in authoritative GASB pronouncements.
- Currently deferred outflows of resources and deferred inflows of resources are only required in:
 - GASB 53 on derivative instruments, and
 - GASB 60 on service concession arrangements.
- GASB 65 is the result of a project which evaluated pre-CONS 4 standards for additional deferred outflows of resources and deferred inflows of resources.

Basic Reporting Requirements

- Report each of the financial position elements in a separate section in the statements of financial position in the following order:
 - Assets,
 - Deferred Outflows of Resources,
 - Liabilities,
 - Deferred Inflows of Resources, and
 - Net position.
- Allowed to report subtotals for:
 - Combination of assets and deferred outflows of resources, and
 - Combination of liabilities and deferred inflows

Economic Resources Measurement Focus Financial Statements

- The statements of financial position for these sets of financial statements should be referred to as the *Statement of Net Position*.
- Preferred reporting format is: assets + deferred outflows liabilities – deferred inflows = net position.
- Traditional balance sheet format is permitted:
 - Assets + deferred outflows = liabilities + deferred inflows + net position.
- Equity section referred to as *net position* instead of *net assets* and is reported in the following three components:
 - Net investment in capital assets,
 - Restricted,
 - Unrestricted,
 - No change in the definitions of these net position components other than incorporating impact of deferred outflows and inflows

Disclosures

- Required disclosures:
 - Details of the different types of deferred outflows of resources and deferred inflows of resources in the notes to the financial statements if significant components of the total deferred balances are obscured by aggregation.
 - If the amount reported for a component of net position is significantly affected by deferred outflows of resources or deferred inflows of resources, disclose an explanation of the effect of the deferred amounts on the component.

Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions When a Swap Counterparty has Entered Into Bankruptcy

Statement 64

- Clarifies whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider.
- Sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied.
- Replaced with an assignment or an in-substance assignment.
- Effective for periods beginning after June 15, 2011.

Statement No. 65 Items Previously Reported as Assets and Liabilities

Statement 65

- Objective of this Statement is to determine whether certain balances currently reported as assets and liabilities should continue to be reported as such or instead should be reported as:
 - A deferred outflows of resources, or
 - An outflow of resources (expense/expenditure);
 Or
 - A deferred inflows of resources, or
 - An inflows of resources (revenue).
- Effective for periods beginning after December 15, 2012.
 - Early Application is encouraged.

Deferred Outflow of Resources or Outflow of Resources

- Transactions in which the resulting item should be classified as a deferred outflow of resources:
 - Deferred debit amounts resulting from the refunding of debt (paragraph 5 of Statement No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, and paragraph 221 of Statement No. 62, *Codification of Accounting Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*).
 - Deferred loss resulting from sale-leaseback transactions (paragraph 242 of Statement 62).
- Transactions in which the resulting item should be recognized as an outflow of resources:
 - Initial direct costs incurred by the lessor for operating leases (paragraph 227 of Statement 62).
 - Debt issuance costs (paragraph 12 of Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, and paragraph 187 of Statement 62).

Deferred Inflow of Resources or Inflow of Resources

- Transactions in which the resulting item should be classified as a deferred inflow of resources:
 - Resources received in advance in relation to an imposed nonexchange transaction (paragraph 18 of Statement 33).
 - Resources received in advance in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when time requirements are the only eligibility requirements that have not been met by the receiving government (paragraph 19 of Statement 33).
 - Deferred credit amounts resulting from the refunding of debt (paragraph 5 of Statement 23, and paragraph 221 of Statement 62).
 - Deferred gain resulting from sale-leaseback transactions (paragraph 242 of Statement 62).

Items Where the Classification was Not Changed

- In the Basis for Conclusion the Board affirmed the items resulting from the following transactions should be classified as an asset:
 - Prepayments (paragraph 73 of NCGA Statement No. 1, *Governmental Accounting* and Financial Reporting Principles)
 - Circumstances in which a pension plan's net position exceeds the total pension liability (Exposure Draft, *Accounting and Financial Reporting for Pensions,* an amendment of GASB Statement No. 27)
- In the Basis for Conclusion the Board affirmed the items resulting from the following transactions should be classified as a liability:
 - Resources received in advance in relation to a derived tax revenue nonexchange transaction (paragraph 16 of Statement 33)
 - Resources received in advance in relation to a government-mandated nonexchange transaction or a voluntary nonexchange transaction when eligibility requirements other than time requirements have not been met (paragraph 19 of Statement 33)
 - Resources received in advance of an exchange transaction (paragraph 23 of Statement 62)

Other Areas Addressed by Statement 65

- Use of the term *deferred* should be limited to deferred inflows and deferred outflows of resources
- Major fund calculation guidance will be amended:
 - Use aggregate assets/deferred outflows and aggregate liabilities/deferred inflows in the calculation

Other Projects on the Board's Agenda

- Exposure Draft, Government Combinations and Disposals of Government Operations
 - Addresses accounting and financial reporting issues related to government combinations and disposals of government operations.
 - Provides guidance for identifying government combinations.
 - The exchange of significant consideration is the distinction between government merger and a government acquisition.
 - Government mergers Combination of legally separate entities without the exchange of significant consideration.
 - Requires the use of carrying values to measure the assets and liabilities
 - Government acquisitions Transactions in which a government acquires another entity, or its operations, in exchange for significant consideration.
 - Require measurements of assets acquired and liabilities assumed generally to be based upon their acquisition values.

- Exposure Draft, Government Combinations and Disposals of Government Operations, continued
 - Provides accounting and financial reporting guidance for *transfers* of *operation*.
 - Requires the use of carrying values to measure the assets and liabilities in a transfer of operations.
 - Provides accounting and financial reporting guidance for *disposals* of government operations that have been transferred or sold.
 - Requires disclosures to be made about government combinations and disposals of government operations.
 - Provisions of this proposed Statement would be effective for financial statements for periods beginning after December 15, 2013.
 - Comment period ends June 15, 2012

- Preliminary Views, Recognition of Elements of Financial Statements and Measurement Approaches
 - Presents the Board's preliminary views on *what* items should be reported based on the measurement focus of the specific financial statement and *when* those items should be reported based on the related basis of accounting.
- Exposure Draft, Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25
 - Establishes a definition of pension plan that reflects the primary activities of a fund that is used to provide pensions.
 - Established standards for financial reporting by defined benefit pension plans administered using a qualified trust. Distinctions are made regarding the particular requirements depending upon the type of plan administered.

- Exposure Draft, Accounting and Financial Reporting for Pension Plans, an amendment of GASB Statement No. 27
 - Establishes a definition of pension plan that reflects the primary activities of a fund that is used to provide pensions.
 - Establishes the procedures for measuring and recognizing the obligations associated with pensions as liabilities and the cost of pensions as expenses, deferred outflows of resources, or a deferred inflow of resources.
 - Identifies the methods and assumptions that would be used to project pension payments, discount projected payments to their present values, and attribute those present values to periods of employee service.
 - Enhances note disclosure and required supplementary information requirements for employers whose employees are provided with defined benefit pensions and defined contribution benefits through a qualified trust.

GASB Technical Agenda

- Comprehensive Implementation Guide Update
- Economic Condition Reporting: Fiscal Sustainability
- Financial Guarantees
- Fair Value Measurement
- Other Post Employment Benefit Accounting and Financial Reporting (Re-examination of GASB 45)

Research Agenda Projects

- Electronic Financial Reporting
- Fiduciary Responsibilities
- GAAP Hierarchy
- Lease Accounting

Questions?



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