

State of Washington
Financial Management
Advisory Council
GASB Update

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

Who Are These Guys?

Current Board Members

<u>Member</u>	<u>Term Expires</u>
Bob Attmore, Chair	2014
Jim Brown	2017—first term
Bill Fish	2016—first term
Michael Granof	2015—first term
David Sundstrom	2014—first term
Jan Sylvis	2017
Marcia Taylor	2015

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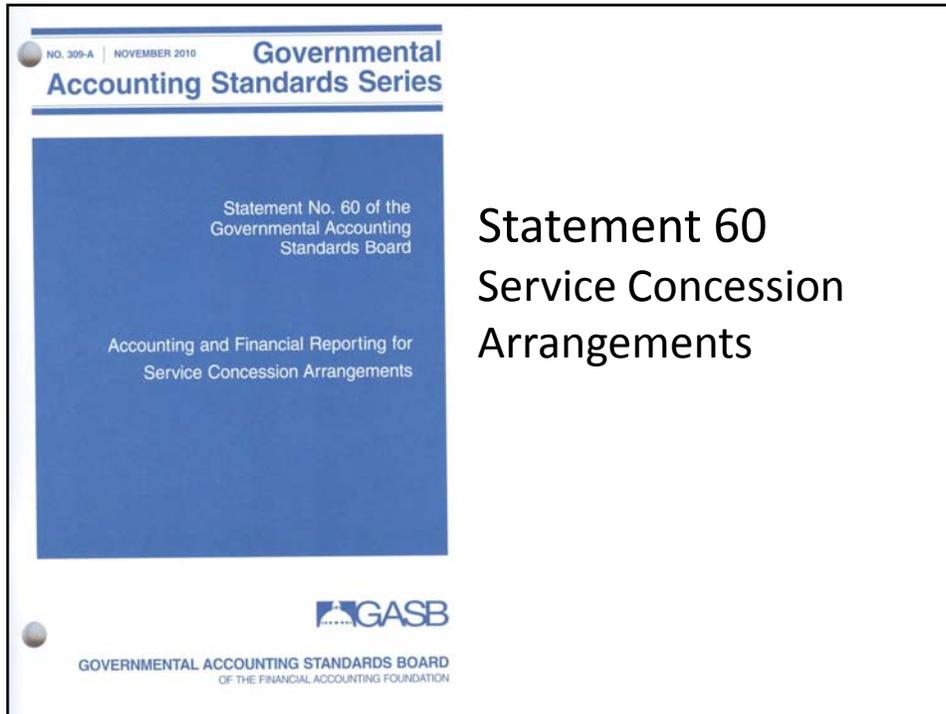
What is Effective?

Effective Dates—December 31

- 2012
 - Statement 57, paragraph 8—Agent OPEB Plans
 - Statement 60—Service Concession Arrangements
 - Statement 62—Codification of AICPA and FASB
 - Statement 63—Deferrals Presentation
 - Statement 64—Derivative Terminations
- 2013
 - Statement 61—Reporting Entity
 - Statement 65—Assets and Liabilities—Reclassification and Recognition
 - Statement 66—Technical Corrections
- 2014
 - Statement 67—Pension Plans
- 2015
 - Statement 68—Pensions for Employers

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2012



Service Concession Arrangements (SCAs)

- SCAs are a **type** of public-private or public-public partnership.
- The term public-private partnership is used to refer to a variety of:
 - Service arrangements
 - Management arrangements
 - SCAs

Scope

- The transferor conveys to the operator the right and related obligation to provide public services through the operation of a capital asset in exchange for significant consideration, such as an up-front payment, installment payments, a new facility, or improvements to an existing facility.
- The operator collects and is compensated from 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.
- The transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement

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NO. 309-C | DECEMBER 2010

Governmental Accounting Standards Series

Statement No. 62 of the
Governmental Accounting
Standards Board

Codification of Accounting and Financial
Reporting Guidance Contained in
Pre-November 30, 1989 FASB and
AICPA Pronouncements

**Statement 62
Codification of
Pre-November 30, 1989
FASB and AICPA
Pronouncements**

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Five Classifications

- **Conflict with or contradict GASB standards**
 - FASB Statement No. 4—Gain or loss on debt extinguishments
 - FASB Statement No. 43—Compensated absences
- **Are not applicable to governments**
 - FASB Statement No. 84—Convertible debt
- **Rarely applicable (excluded)**
 - FASB Statement No. 19—Oil and Gas
- **Are applicable to governments**
 - FASB Statement No. 5—Contingencies
 - FASB Statement No. 34—Capitalization of interest
- **Will be addressed in GASB projects (applicable, but excluded)**
 - APB Opinion 16—Business combinations

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Basic Guidance

- **Statement 20 is superseded**
 - All applicable pre-November 30, 1989 standards are contained in the GASB's codification
 - All potentially applicable post-November 30, 1989 non-GASB standards will be "other accounting literature"
- **Guidance on 29 topics is brought into the GASB literature**

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Significant Topics

- Special and extraordinary items (APB Opinion 30)
- Comparative financial statements (Accounting Research Bulletin 43)
- Related parties (FASB Statement 57)
- Prior-period adjustments (FASB Statement 16 and APB Opinion 9)
- Accounting changes and error corrections (APB Opinion 20 and FASB Interpretation 20)
- Contingencies (FASB Statement 5 and FASB Interpretation 14)
- Extinguishments of debt (APB Opinion 26 and FASB Statement 76)
- Inventory (Accounting Research Bulletin 43)
- Leases (FASB Statements 13, 22, and 98 and FASB Interpretations 23, 26, and 27)

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Specialized Topics

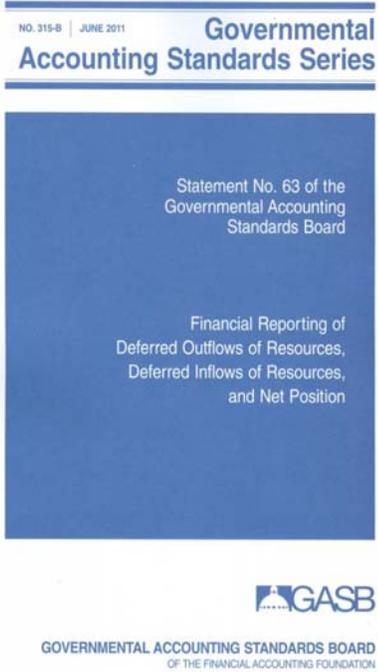
- Sales of real estate (FASB Statement 66)
- Real estate projects (FASB Statement 67)
- Research and development arrangements (FASB Statement 68)
- Broadcasters (FASB Statement 63)
- Cable television systems (FASB Statement 51)
- Insurance enterprises (FASB Statement 60)
- Lending activities (FASB Statement 91)
- Mortgage banking activities (FASB Statement 65)
- Regulated operations (FASB Statements 71, 90, and 101)

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Early Implementation— What are the Issues?

- GASB Statement 20, paragraph 7 option
- Guidance for government combinations
- FASB/IASB lease project

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The image shows the cover of a GASB document. At the top left, it says "NO. 315-B | JUNE 2011". To the right of that is "Governmental Accounting Standards Series". Below this is a large blue rectangular area containing the text: "Statement No. 63 of the Governmental Accounting Standards Board" and "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position". At the bottom of the blue area is the GASB logo. Below the blue area, it says "GOVERNMENTAL ACCOUNTING STANDARDS BOARD OF THE FINANCIAL ACCOUNTING FOUNDATION".

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

Statement 63
Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position

GASB
GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

Background

- Concepts Statement 4 identifies 5 elements that make up a statement of financial position:
 - Assets
 - Liabilities
 - Deferred outflows of resources
 - Deferred inflows of resources
 - Net position
- This differs from the composition currently required by Statement 34, which requires the presentation of assets, liabilities, and net assets in a statement of financial position

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Definitions

- Deferred outflows of resources
 - A consumption of net assets by the government that is applicable to a future reporting period
 - Has a positive effect on net position, similar to assets
- Deferred inflows of resources
 - An acquisition of net assets by the government that is applicable to a future reporting period
 - Has a negative effect on net position, similar to liabilities
- Net position
 - The residual of all elements presented in a statement of financial position = assets + deferred outflows – liabilities – deferred inflows

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Display Requirements

- Deferred outflows should be reported in a separate section following assets
- Similarly, deferred inflows should be reported in a separate section following liabilities
- Net Position components resemble net asset components under Statement 34, but include the effects of deferred outflows and deferred inflows
 - Net investment in capital assets
 - Restricted
 - Unrestricted
- Governmental funds continue to report fund balance

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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	171,382,667	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	79,695,671	181,208,191	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

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Disclosures

- Provide details of different types of deferred amounts if components of the total deferred amounts are obscured by aggregation on the face of the statements
- If the amount reported for a component of net position is significantly affected by the difference between deferred inflows or outflows and their related assets or liabilities—provide an explanation in the notes

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Deferred Outflows/Inflows

- Statement 53—Accounting and Financial Reporting for Derivative Instruments
- Statement 60—Service Concession Arrangements

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2013

NO. 309-B | NOVEMBER 2010

Governmental Accounting Standards Series

Statement No. 61 of the Governmental Accounting Standards Board

The Financial Reporting Entity: Omnibus

an amendment of GASB Statements No. 14 and No. 34

Statement 61
The Financial Reporting Entity—Omnibus

 **GASB**

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

A Reexamination

- Determine whether the standards for defining and presenting the financial reporting entity in Statement 14, as amended:
 - Include the organizations that *should be* included
 - Exclude organizations that *should not be* included
 - Display and disclose the financial data of component units in the most appropriate and useful manner
 - Are consistent with the current conceptual framework

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Overview

- The most significant effects of the amendments are to:
 - Increase the emphasis on financial relationships
 - Raises the bar for inclusion
 - Refocus and clarify the requirements to blend certain component units
 - Improve the recognition of ownership interests
 - Joint ventures
 - Component units
 - Investments

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Inclusion Criteria

- Statement 14 requires inclusion if Potential Component Unit is fiscally dependant. That is, Primary Government has authority over:
 - Budget, or
 - Setting taxes and charges, or
 - Issuing debt
- Statement 61 adds a requirement for a financial benefit or burden before inclusion is required.

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Inclusion Criteria

- Statement 14 requires inclusion of a Potential Component Unit if exclusion would make reporting entity's statements "misleading or incomplete"
- Statement 61 eliminates "incomplete," and emphasizes that the determination would normally be based on financial relationships
 - Such as significant financial benefit to/burden on the Primary Government that is other than temporary

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Blending Requirements

- Statement 14 requires blending if Primary Government and Component Unit have “substantively the same” governing body
- Statement 61 expands that requirement to also include:
 - A financial benefit/burden relationship, or
 - Primary Government has “operational responsibility” for Component Unit
 - Primary Government’s personnel manage activities of Component Unit like a fund, program, or department of the primary government

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Blending Requirements

- The blending criteria is broadened to include component units whose total debt outstanding is expected to be repaid entirely or almost entirely by revenues of the primary government
 - Even if the component unit provides services to constituents or other governments, rather than exclusively or almost exclusively to the primary government

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Blending Requirements

- Clarifies that the funds of a blended Component Unit have the same characteristics, reporting alternatives, and limitations as those of the Primary Government
 - Major fund reporting
 - Could be combined with other funds for display

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Blending Requirements

- Clarifies how to blend component units in a business-type activity (BTA) reporting model:
 - In the three basic statements:
 - For a multiple column BTA
 - Additional column(s), as if funds of the Primary Government
 - For a single column BTA
 - Consolidate Component Unit data into the single column
 - Present combining information in the notes
 - Additional column(s), with Primary Government total column

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Major Component Units

- Clarifies the types of relationships that should generally affect the major Component Unit determination:
 - Primarily financial relationships
 - Significant transactions with the Primary Government
 - Significant financial benefit/burden relationship
 - Could be based on the nature of services provided by Component Unit
- Eliminates consideration of each Component Unit's significance relative to other Component Units

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Reporting Equity Interests

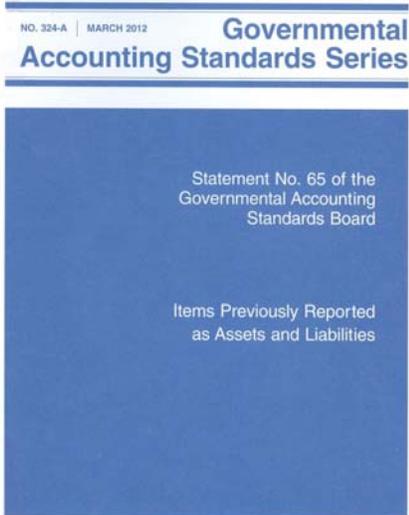
- An asset should be recognized for an equity interest in:
 - A joint venture
 - A partnership
 - An investment
 - A component unit
 - If the component unit is blended, the equity interest is eliminated in the blending process
 - Minority interests would be classified in net assets as "Restricted, nonexpendable"
- Recognition and Measurement is based on Joint Venture equity interest requirements in Statement 14

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Note Disclosures

- Clarifies that *current* disclosures require:
 - Rationale for including *each* component unit
 - Whether it is discretely presented, blended, or included as a fiduciary fund(Practical consideration: Can aggregate similar Component Units for disclosure)
- No new disclosures

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NO. 324-A | MARCH 2012

Governmental Accounting Standards Series

Statement No. 65 of the Governmental Accounting Standards Board

Items Previously Reported as Assets and Liabilities

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OF THE FINANCIAL ACCOUNTING FOUNDATION

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

Deferred Inflows of Resources

- Grants received in advance of meeting timing requirement
- Deferred amounts from refunding of debt (credits)
- Proceeds from sales of future revenues
- Deferred gain from sale-leaseback
- “Regulatory” credits

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Deferred Outflows of Resources

- Grant paid in advance of meeting timing requirement
- Deferred amounts from refunding of debt (debits)
- Cost to acquire rights to future revenues (intra-entity)
- Deferred loss from sale-leaseback

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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)

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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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Outflows of Resources

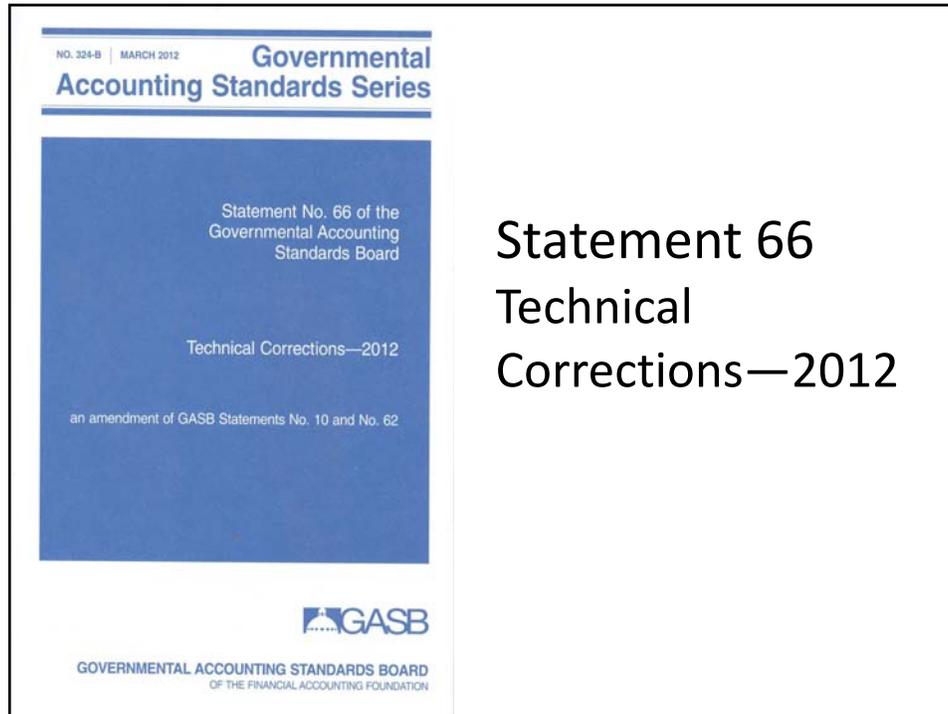
- Debt issuance costs (other than insurance)
- Initial costs incurred by lessor in an operating lease
- Acquisition costs for risk pools
- Loan origination costs

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Inflows of Resources

- Loan origination fees
- Commitment fees (after exercise or expiration)

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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

Pension Accounting and Reporting

Highlights

- Scope limited to pensions provided through trusts that meet certain criteria
- Revises recognition, measurement, disclosure requirements for all employers
 - Liability
 - Measured net of pension plan's fiduciary net position
 - Fully recognized in accrual-basis financial statements
 - Changes in the liability
 - Some recognized as expense in the period of the change
 - Others recognized as deferred outflows/inflows of resources with expense recognized over defined future periods

Scope and Applicability

- Defined benefit and defined contribution pensions provided through trusts that meet the following criteria:
 - Employer/nonemployer contributions irrevocable
 - Plan assets dedicated to providing pensions
 - Plan assets legally protected from creditors
- Excludes all OPEB
- Applies to employers and nonemployer contributing entities that have a legal obligation to make contributions directly to a pension plan
 - Special funding situations
 - Other circumstances

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Defined Benefit Pensions

- Liabilities to the pension plan (for example, payables to plan for contributions at year end)
- Liabilities to employees for pensions
 - “Net pension liability” (NPL)
 - Total pension liability (TPL), net of pension plan’s fiduciary net position
 - TPL = actuarial present value of projected benefit payments attributed to past periods
 - Fiduciary net position as measured by pension plan
 - Single/agent employers recognize 100 percent of NPL
 - Cost-sharing employers recognize proportionate shares of collective NPL

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Focus on Cost-Sharing Plans

- Public Employee Retirement System
- Teachers Retirement System
- School Employee Retirement System
- Law Enforcement Officers' and Fire Fighters' Retirement System
- Public Safety Employees' Retirement System

NPL: Measurement—Timing

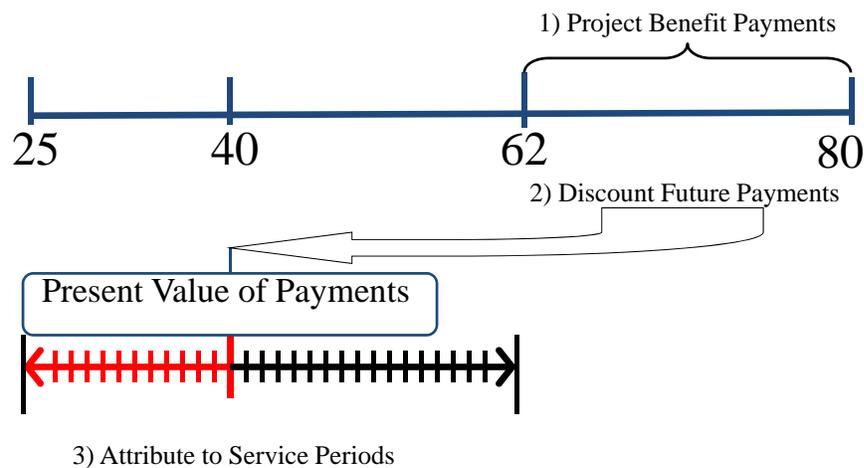
- Potentially three different dates to consider
 - FYE, measurement date, actuarial valuation date
- Measurement date (of NPL)
 - As of date no earlier than end of prior fiscal year
 - Both components (TPL/plan net position) as of the same date
- Actuarial valuation date (of TPL)
 - If not measurement date, as of date no more than 30 months (+1 day) prior to FYE
 - Actuarial valuations at least every two years (more frequent valuations encouraged)

Timing—Example

- Measurement date (NPL) no earlier than December 31, 2014 (prior fiscal year-end)
- Actuarial valuation date (TPL) no earlier than June 30, 2012 (30 months + 1 day prior to fiscal year-end)

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Basic Three-Step Measurement Approach



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NPL: Measurement—General Approach

- Methods and assumptions
 - Generally, assumptions in conformity with Actuarial Standards of Practice
 - Fewer alternatives than in Statement 27 for methods and assumptions for GAAP reporting purposes
 - No changes required to actuarial methods and assumptions used to determine funding amounts as long as those methods and assumption comply with the standard

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NPL: Measurement—Projection

- Benefit terms/agreements at measurement date
- Current active and inactive employees
- Incorporate expectations of:
 - Salary changes
 - Service credits
 - Automatic postemployment benefit changes (including COLAs)
 - Ad hoc postemployment benefit changes *if substantively automatic*

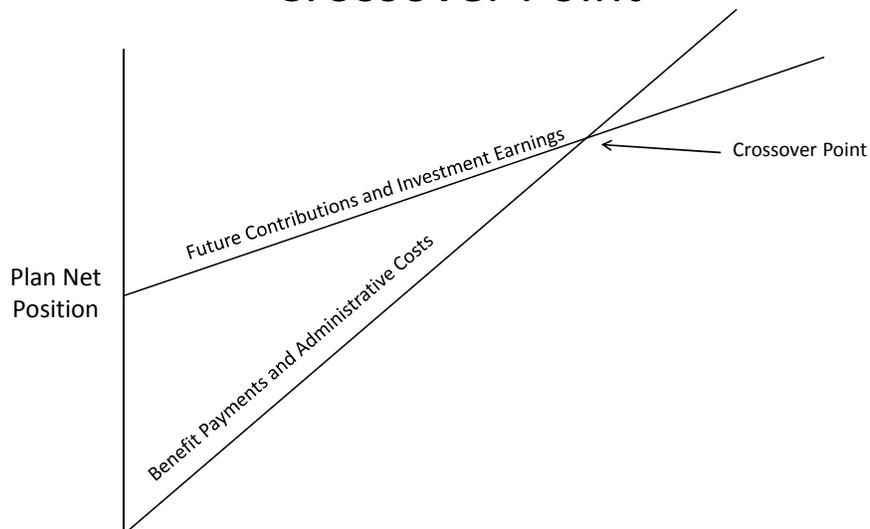
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NPL: Measurement—Discounting

- Single discount rate
 - Reflects:
 - Long-term expected rate of return (LTeRoR) on pension plan investments, to extent that plan net position:
 - Projected to be sufficient to pay benefits
 - Plan assets expected to be invested using a strategy to achieve that return
 - Yield or index rate for 20-year, tax-exempt general obligation municipal bond rate to extent that conditions for LTeRoR not met

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Crossover Point



Discount Rate—Sufficiency of Projected Plan Net Position

- Includes:
 - Employer contributions for current and former employees
 - Contributions from current employees
 - Projected investment earnings on projected plan net position
 - Projected benefit payments and administrative expenses
- Does not include:
 - Employer contributions for service costs of future employees
 - Contributions of future employees, unless expected to exceed their own service cost

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Discount rate—Projections of Employer Contributions

- Apply professional judgment if amounts established by statute, contract, or formal written policy
 - Consider most recent five-year contribution history
 - Reflect all known events and conditions
- In other circumstances, projected contributions limited to average over most recent five years
 - May be modified by consideration of subsequent events
 - Basis for average determined through professional judgment

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Discount Rate—Determining the Single Rate

- Compare projected benefit payments to plan's projected fiduciary net position in each period
- Apply relevant rate to each period's projected benefit payments
- Total the present values of all projected benefit payments
- Calculate single discount rate that results in same present value (if applied to all projected benefit payments) as use of the two rates

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NPL: Measurement—Attribution

- Single method
 - Entry age actuarial cost method
 - Level percentage of pay
- Individually applied
- Beginning = First period of benefit accrual
- Ending = Expected retirement
 - DROPs—entry date into DROP = retirement date
- Same benefit terms to determine service cost as to determine actuarial present value of projected benefit payments

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Changes in Net Pension Liability

NPL recognized in current reporting period
(NPL recognized in prior reporting period)
Change in NPL for current reporting period

- Recognize most changes as expense in full in reporting period of change
 - Examples: service cost, interest on TPL, benefit changes, projected earnings on pension plan investments
- Exceptions:
 - Differences between expected and actual experience (TPL)
 - Changes of assumptions (TPL)
 - Difference between projected and actual earnings on pension plan investments
 - Employer contributions

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Changes in NPL—TPL Exceptions

- Expense recognized in current and future periods
 - Systematic and rational method
 - Closed period
 - Average of expected remaining service lives of all employees (active and inactive, including retirees)
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions

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Changes in NPL—Investment Earnings Exception

- Expense recognized in current and future periods
 - Systematic and rational method
 - Closed, five-year period
- Portion not recognized in expense = deferred outflow of resources/deferred inflow of resources related to pensions
- Report net deferred outflow of resources/deferred inflow of resources from this source

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NPL: Cost-sharing Employers

- Recognize proportionate shares of collective NPL, pension expense, deferred outflows of resources/deferred inflows of resources
- Proportion (%)
 - Basis required to be consistent with contributions
 - Consider separate rates related to separate portions of collective NPL
 - Use of relative long-term projected contribution effort encouraged
- Collective measure x proportion = proportionate share of collective measure

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NPL: Cost-sharing Employers— Additional Considerations

- Potentially three items
 1. Change in proportion
 2. Difference between:
 - The employer's proportionate share of all employer contributions included in collective plan net position
 - Contributions recognized by the employer in the measurement period
 3. Employer's contributions subsequent to measurement date
- Items 1 and 2—expense in current and future periods (systematic/rational method, closed period equal to average of expected remaining service lives)
- Item 3—deferred outflow of resources, expense in next period

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NPL: Involvement of Nonemployer Contributing Entities

- Statement addresses those with legal requirement to contribute *directly to* the pension plan
 - Special funding situations
 - Contribution amount not dependent upon events unrelated to pensions OR nonemployer is only entity with legal obligation to contribute
 - Employer(s) and nonemployer contributing entity apply cost-sharing measurement to collective NPL, expense, and deferred outflows/deferred inflows of resources
 - Nonemployer expense classified in same manner as similar grants to other entities
 - Employer recognizes additional expense and revenue equal to nonemployer contributing entity's proportionate share of collective expense (portion related to the employer)

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No Special Funding

- Employer recognizes revenue for change in NPL from contributions from nonemployer contributing entities (rather than expense)
- Nonemployer entity classifies expense for contributions in same manner as similar grants to other entities

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Note disclosures (NPL)—Cost-sharing

- Employer's proportion, basis for proportion, change in proportion
- Employer's proportionate share (amount) of collective NPL
 - If special funding situation:
 - Nonemployer contributing entity's proportionate share
 - Total of employer's and nonemployer entity's proportionate shares

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NPL: RSI—Cost-sharing Employers

- 10-year schedules
 - Employer's proportion (%), proportionate share (amount) of collective NPL, covered-employee payroll, proportionate share as % of covered-employee payroll, pension plan's net position as % of TPL
 - If special funding situation, also (1) nonemployer contributing entity's proportionate share and (2) total of employer's and nonemployer entity's proportionate shares
 - If statutory or contractual contribution requirements
 - Required contribution, contributions in relation to required, difference, covered-employee payroll, contributions as % of covered-employee payroll
- Notes to RSI with significant changes

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Defined Contribution Pensions

- Pension expense for amounts defined by benefit terms as attributable to the reporting period
 - Net of forfeited amounts removed from employee accounts
- Liability for difference between pension expense and contributions
- Note disclosures
 - Descriptive information about plan, benefit terms, contribution rates, amount of expense, amount of forfeitures, amount of liability
- Nonemployer contributing entities with legal requirements to contribute directly to pension plan also addressed

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Effective Date and Transition

- Fiscal years beginning after June 15, 2014
- Beginning deferred outflows/deferred inflows of resources balances all or nothing at initial implementation
- RSI schedules prospective if information not initially available

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Other Projects in Process

- Conceptual Framework—Recognition and Measurement (PV)
- Economic Condition Reporting—Financial Projections (PV)
- Financial Guarantees (ED)
- Government Combinations (ED)
- Fair Value—Definition and Application
- GAAP Hierarchy
- Other Postemployment Benefits
- Pension Implementation Guides

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Recognition and Measurement Concepts

- Concepts Statements guide the GASB's standards setting
 - Objectives of financial reporting
 - Definitions of financial statement elements
 - Criteria for how to report information (statements, notes, supporting information)
- This project deals with *when* to report information and *how* to determine the amount that should be reported

Tentative Decisions on Measurement

- Assets and liabilities are generally measured using two approaches:
 - Initial amounts (for example, historical cost)
 - Remeasured amounts (for example, fair value)
- Initial amounts are most appropriate for assets used to provide services and liabilities with specified payment dates and amounts
- Remeasured amounts are most appropriate for assets that are not used to provide services and liabilities with unknown payment dates and amounts

Tentative Decisions on Recognition

- Two measurement focuses—economic resources and near-term financial resources
- Economic resources is the focus of all present financial statements except the governmental funds
 - Recognize all items that meet the definition of an element (for example, asset, liability) and meet the qualitative characteristics of reporting (including being reliably measured)

Tentative Decisions on Recognition

- Near-term financial resources
 - Would replace current financial resources
 - Near term is the period subsequent to the end of the reporting period during which financial resources at period-end can be converted to cash to satisfy obligations for spending for the reporting period
- This issue is currently being redeliberated

Tentative Decisions on Recognition

- Near-term financial resources
 - Assets recognized when normally receivable at period end and due to convert to cash within the near term
 - Liabilities recognized when normally payable at period-end and due within the near term
 - Revenues and expenditures recognized when financial resources flow into and out of the government during the reporting period

Recognition and Measurement

- Implications: future standards setting under these concepts could change the nature of the information reported in governmental funds
- Despite repeated outreach to users, a consensus view has not been identified regarding what information other than that provided by economic resources and cash measurement focuses is needed
 - There is a view that other information is needed
 - The issue is what should information convey to financial statement users
- Next proposal expected second quarter of 2013

Fiscal Sustainability

- The ability of governments to continue to provide the current level of services into the future is a growing concern
- Fiscal sustainability tentatively defined as “a government’s ability and willingness to generate inflows of resources necessary to honor current service commitments and to meet financial obligations as they come due, without transferring financial obligations to future periods that do not result in commensurate benefits”

Fiscal Sustainability

- Proposed in 2011 that governments should present the following information as required supplementary information for at least the next five years:
 - Projected major cash inflows and outflows, with explanations of known fluctuations
 - Projected financial obligations, including unfunded pension and OPEB obligations
 - Projected debt service payments
 - Narrative discussion of major intergovernmental service interdependencies

Fiscal Sustainability

- Significant government opposition to proposal
- Users have not been as vocal in their need for this information
- Board is currently redeliberating preliminary views proposals based on constituent feedback
- If the GASB issues another proposal, it would be in 2013

Financial Guarantees

- Issue: governments extend and receive a variety of financial guarantees, many related to outstanding debt
 - In practice there generally is no financial statement impact until a government has had to make good on the guarantee
- GASB has proposed that, for financial guarantees related to nonexchange transactions, a government should recognize a liability if it is more likely than not (>50%) that it will have to make good on the guarantee

Financial Guarantees

- Implications: governments will recognize liabilities that they did not recognize previously, potentially sooner than they do at present
- Final Statement expected first quarter of 2013, with a proposed implementation date of fiscal years ending June 30, 2014 and later

Government Combinations

- Proposed standards earlier this year for when governments merge, acquire another government, or dispose of operations
- Government mergers would not require the revaluation of assets and liabilities (the result would be similar to the pooling approach currently used in practice)
- A final standard is scheduled to be issued in the first quarter of 2013

Fair Value

- Board is considering how governments measure fair value and what financial statement elements they report at fair value
- The Board has tentatively decided that how fair value will be measured should be based primarily on the current FASB standards
- The Board currently is debating if the application of fair value reporting should be extended to other types of assets and liabilities
- A proposal is schedule to be issued in the first quarter of 2013

GAAP Hierarchy

- Currently four levels of GAAP guidance
- Issue—should some or all of these levels be combined?
- If so, what are the ramifications
 - Technical bulletins
 - AICPA literature
 - Implementation guides
- Proposed standard expected in the first quarter of 2014

OPEB

- Other postemployment benefits—mostly retiree health insurance
- Will consider whether extending the changes in the pension standards to OPEB is appropriate.
- Proposed standards expected in second quarter of 2014

Research Agenda

- Electronic Financial Reporting
- Fiduciary Responsibilities
- Leases
- Tax Abatement Disclosures

Questions?



Web site—www.gasb.org