GASB Update

North Carolina Office of the State Controller
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GASB

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

Standards' Effective Dates

- **Beginning after June 15, 2009 (FYE 6/30/10, 12/31/10)**
  - **Statement 51, *Intangible Assets***
  - **Statement 53, *Derivative Instruments***
  - **Statement 58, *Chapter 9 Bankruptcy***
- **Beginning after June 15, 2010 (FYE 6/30/11, 12/31/11)**
  - **Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions***
  - **Statement 59, *Financial Instruments Omnibus***

Standards' Effective Dates

- **Part Immediately and Part Beginning after June 15, 2011 (FYE 6/30/12, 12/31/12)**
  - **Statement 57, *OBEB Measurements by Agent Employers and Agent Multiple-Employer Plans***
- **Issued July 2010**
  - **Suggested Guidelines for Voluntary Reporting, *SEA Performance Information***

Standards' Effective Dates

- **Beginning after Dec 15, 2011 (FYE 12/31/12, 6/30/13)**
  - **Statement 60, *Service Concession Arrangements***
  - **Statement 62, *Pre-89 Guidance Codification***
- **Beginning after June 15, 2012 (FYE 6/30/13, 12/31/13)**
  - **Statement 61, *Financial Reporting Entity: Omnibus***

Forthcoming Standards (June 2011)

- **Beginning after Dec 15, 2011 (FYE 12/31/12, 6/30/13)**
  - **Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position***
- **Beginning after June 15, 2011 (FYE 6/30/12, 12/31/12)**
  - **Statement 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions***

Other Current Projects

- **Pension Accounting and Financial Reporting (Preliminary View in June 2010)**
  - **ED in June 2011**
- **Conceptual Framework: Recognition and Measurement Attributes**
  - **PV in June 2011**
- **Economic Condition Reporting: Fiscal Sustainability**
  - **PV in Oct. 2011**

Other Current Projects (continued)

- **Financial Guarantees**
  - **ED in June 2011**
- **Deferred in/outflows**
  - **ED in fall 2011**
- **Government Combinations**
  - **ED in spring 2012**

Statement 54

Fund Balance Reporting and Governmental Fund Type Definitions

What you need to know:

- **New fund balance classifications**
  - **Based primarily on spending constraints**
- **Use of Special Revenue Funds more restrictive**
- **Definitions of Capital Projects and Debt Service funds tweaked**
- **New restrictions on reporting rainy-day amounts**

New Fund Balance Classifications

Essentially what is now *reserved*

- **Nonspendable**
- **Restricted**
- **Committed**

Essentially what is now *unreserved*

- **Assigned** → Essentially what is now *designated*
- **Unassigned**

New Fund Balance Classifications

- Non-spendable—Inventory, long-term receivables, minority interest
- Restricted—Statement 34/46 definition
- Committed—Formal action of governing body
- Assigned—Similar to designations expressing intent
- Unassigned—Available for any purpose

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Statement No. 59

Investment Instruments Omnibus

What Do You Need to Know About Statement 59?

- Statement 31, is clarified to indicate that a 2a7-like pool is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
  - Local Government Investment Pool and Diversified Bond Fund do not appear to be 2a7-like.
- Statement 40 is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.
- Statement 53 is amended to clarify certain provisions.

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Statement No. 57

OPEB Measurements by Employers and Agent Multiple-Employer Plans

Changes for Agent Multi-Employer Plans

- **Agent employer w/ <100 total plan members may use the alternative measurement method regardless of the size of the agent multiple-employer plan as a whole**
- **The plan may aggregate results of individual-employer actuarial valuations and measures resulting from use of the alternative measurement method**
- **Agent employers should use same actuarial valuation dates and frequency as the plan**

Effective dates

- Provisions related to the use and reporting of the alternative measurement method
  - **Effective immediately**
- Provisions related to the frequency and timing of measurements
  - **Effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011**
- **Earlier application encouraged**

Statement No. 47

Accounting for Termination Benefits

Overview

- **Issued June 2005**
- **Establishes accounting and reporting requirements for all forms of termination benefits**
- **Supersedes guidance in NCGAI 8 for special termination benefits**

Scope

- **Voluntary termination benefits**
  - **Inducements to hasten the termination of services (example: early-retirement incentives)**
- **Involuntary termination benefits**
  - **Benefits provided as a consequence of the early termination of services (example: severance pay)**
- **Includes COBRA**
- **Excludes unemployment compensation**

Termination Benefits vs. OPEB

- **Determine nature of benefit arrangement:**
  - **In exchange for the early termination of services (termination benefit)**
  - **As compensation for services (OPEB)**
- **Consider all relevant factors, including:**
  - **Employer's intent**
  - **Employees' view of the benefits**
  - **Whether conditioned on termination of employment prior to normal retirement age**
  - **Length of time benefits have been made available**

Measurement Requirements

- **Include:**
  - **Fringe benefits related to the termination benefits**
  - **Directly resulting changes in estimated costs of other employee benefits (such as compensated absences), if reliably measurable**

Measurement Requirements (cont.)

- **Exclude:**
  - **Effects of termination benefit on defined benefit pension or OPEB obligations**
    - **Account for these effects using Statement 27 (pensions) or Statement 45 (OPEB), as appropriate**
    - **Disclosure requirements of Statement 47 also applicable**

Measurement Requirements (cont.)

- **Healthcare-related benefits**
  - **Separate costs for terminated employees from active employees**
  - **Measured as discounted present value of future benefit payments for terminated employees:**
    - **If part of large-scale, age-related termination event**
      - **Expected future benefit payments based on projected total *claims costs,* or age-adjusted premiums approximating claims costs**
    - **If not part of a large-scale, age-related termination event**
      - **May use *unadjusted premiums* as basis for projection of expected future benefit payments**

Measurement Requirements (cont.)

- **Healthcare-related benefits (cont.)**
  - **Projection should include assumptions about:**
    - **Healthcare cost trend rate**
    - **Discount rate**
      - **Estimated yield, over period of time benefits are to be provided, on investments expected to be used to finance the payment of benefits**
        - **Dedicated investments (if those exist)**
        - **Otherwise, investments that are not committed to other uses**

Measurement Requirements (cont.)

- **Non-healthcare-related benefits**
  - **If terms establish obligation to pay specific amounts on fixed or determinable dates:**
    - **Discounted present value of expected future benefit payments, including assumption about changes in future cost levels**
  - **Other obligations:**
    - **Discounted present value of expected future benefit payments, including an assumption about changes in future cost levels OR**
    - **Undiscounted total of estimated future benefit payments at current cost levels**

Measurement Requirements (cont.)

- **Non-healthcare-related benefits (cont.)**
  - **If discounted, discount rate determined as estimated yield, over period of time benefits are to be provided, on investments expected to be used to finance the payment of benefits**
    - **Dedicated investments (if those exist)**
    - **Otherwise, investments that are not committed to other uses**

Recognition Requirements—Accrual Basis

- Voluntary termination benefits
  - Liability and expense recognized when:
    - Employees accept the offer
    - Amounts can be estimated
  - Measurement updated at end of each subsequent reporting period

Recognition Requirements—Accrual Basis (cont.)

- Involuntary termination benefits
  - Generally, liability and expense recognized when:
    - Plan of termination approved and communicated
    - Amounts can be estimated
    - Measurement updated at end of each subsequent reporting period

Recognition Requirements—Accrual Basis (cont.)

- **Involuntary termination benefits (cont.)**
  - **Plan of involuntary termination**
    - **Identifies, at a minimum:**
      - **Number of employees to be terminated**
      - **Job classification or functions and locations affected**
      - **When terminations are likely to occur**
    - **Provides sufficient detail for employees to determine the type and amount of benefits they will receive if they are terminated**

Recognition Requirements—Accrual Basis (cont.)

- **Involuntary termination benefits (cont.)**
  - **If plan of termination requires future service**
    - **Liability/expense for the portion of involuntary termination benefits that will be provided only after completion of future service should be recognized ratably over the future service period**
      - **Future service period begins when plan of termination has been approved and communicated and the amounts can be estimated**
      - **Measurement of liability updated at end of future service period and incremental liability/expense recognized ratably over remaining future service period**

Recognition Requirements—Modified Accrual Basis

- Liabilities and expenditures recognized to extent the liabilities are normally expected to be liquidated with expendable available financial resources
- See paragraph 14 of Interpretation 6

Note Disclosures

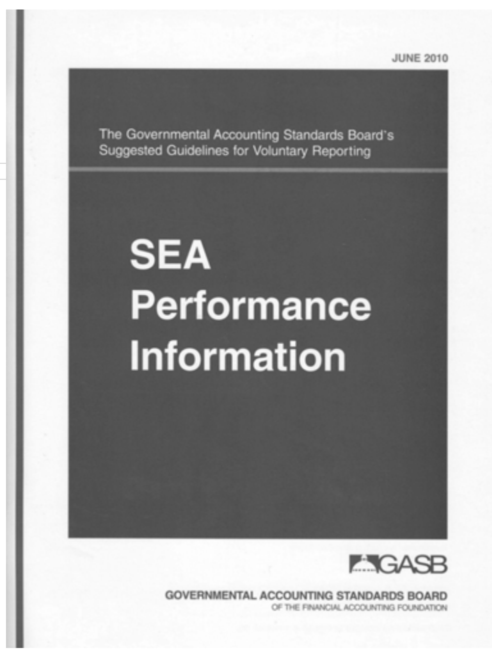
- In period employer becomes obligated:
  - Description of termination benefit arrangement
    - Ex.: type(s) of benefits, # of employees affected, period of time benefit are expected to be provided
  - Cost of termination benefits, if not otherwise identifiable
    - If benefits affect a defined benefit pension or OPEB plan, employer should disclosure the change in the actuarial accrued liability attributable to the termination benefits

Note Disclosures (cont.)

- **In all periods termination benefit liabilities are reported:**
  - **Significant methods and assumptions**
- **If a benefit is not recognized because expected benefits are not estimable, disclose that fact**

Suggested Guidelines for Voluntary Reporting

Issued in June 2010



Suggested Guidelines for Voluntary Reporting—SEA Performance Information

- **Conceptually based suggested guidelines for voluntary reporting of Service Efforts and Accomplishments (SEA) Performance Information**
- **What the project is:**
  - **Focus on voluntary reporting**
  - **Focus on suggested guidelines**
  - **Focus on clarifying GASB's role**
- **What the project is NOT:**
  - **Establishing performance measures**
  - **Establishing performance benchmarks**
  - **Establishing reporting standards**
  - **Requiring SEA reporting**

Suggested Guidelines for Voluntary Reporting—SEA Performance Information

- **4 essential components of an effective SEA report**
  - **Purpose & scope**
  - **Major goals and objectives**
  - **Key measures of performance**
  - **Discussion and analysis of results and challenges**
- **6 qualitative characteristics of performance information**
  - **Relevance**
  - **Understandability**
  - **Comparability**
  - **Timeliness**
  - **Consistency**
  - **reliability**
- **How to effectively communicate SEA performance information**
  - **Intended Audiences**
  - **Forms of Communication**
  - **Multiple Levels of Reporting**

Statement No. 60

Accounting and Financial Reporting
for Service Concession Arrangements

Service Concession Arrangements

- **SCAs are a *type* of public-private or public-public partnership, which include:**
  - **Service arrangements**
  - **Management arrangements**
  - **SCAs.**
- **SCAs also are a *type* of lease.**

Scope: What is an SCA?

An arrangement in which *all* of the following criteria are met:

- Transferor conveys to an operator the right and related obligation to provide services to the public through the use and operation of a capital asset (“facility”) in exchange for *significant consideration*
- Operator collects and is compensated by fees from third parties
- Transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement
- Transferor determines or has the ability to modify or approve:
  - What services the operator is required to provide
  - To whom the services will be provided
  - The prices or rates that will be charged

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Examples of SCAs

- Operator will design and build a facility and will obtain the right to collect fees from third parties (for example, construction of a municipal complex for the right to lease a portion of the facility to third parties).
- Operator will provide significant consideration in exchange for the right to access an existing facility (for example, a parking garage) and collect fees from third parties for its usage.
- Operator will design and build a facility (for example, a new tollway), finance the construction costs, provide the associated services, collect the associated fees, and convey the facility to the government at the end of the arrangement.

Facilities

- Existing facility:
  - Transferor continues to report existing facility as capital asset.
- New facility purchased or constructed by the operator, or existing facility that has been improved by the operator:
  - Transferor reports a new facility or improvements as capital asset at fair value when placed into operation,
  - Any contractual obligations as liabilities,
  - And a corresponding deferred inflow of resources equal to the difference between (1) and (2).

Up-front or Installment Payments

- Transferor reports:
  - An up-front payment or the present value of installment payments as an asset,
  - Any contractual obligations as liabilities,
  - And a corresponding deferred inflow of resources equal to the difference between (1) and (2).

Up-front or Installment Payments

- **Revenue is recognized in a systematic and rational manner over the term of arrangement as the deferred inflow is reduced.**
- **Liability is reduced as transferor's obligations are satisfied.**
  - **When obligation is satisfied, a deferred inflow is reported and related revenue is recognized in systematic and rational manner over the term of the arrangement.**

Liability Measurement

- **A liability is recorded at present value if a contractual obligation is significant AND if it meets either of the following criteria:**
  - **The contractual obligation directly relates to the facility (for example, capital improvements, insurance, or maintenance)**
  - **The contractual obligation relates to a commitment by the transferor to maintain a minimum or specific level of service in connection with the operation of facility (for example, police or emergency services, maintenance around facility)**

Going forward . . .

- After initial measurement, the capital asset is subject to existing requirements for depreciation, impairment, and disclosures.
- Improvements made to the facility during the arrangement would increase the transferor's asset.
- Does NOT depreciate if arrangement requires operator to return facility to transferor in its original or enhanced condition.

Governmental "Operators"

- Report an intangible asset for the right to access and use the property
  - Measured by the amount of up-front payment or contributed asset
  - Amortized over the life of the arrangement
- Improvements made to the facility by the government operator increases the government operators intangible asset if the improvements increase the capacity of efficiency of the facility.
- Report a liability to restore facility to a specified condition if required by agreement and the facility is not in the expected condition.

Revenue Sharing Arrangements

- **Transferor reports only its portion of revenues and expenses**
  - **Recognized when earned in accordance with the terms of the arrangement**
  - **Unconditional payments to transferor treated like installment payments discussed earlier**
- **Governmental operator reports all revenues earned and expenses incurred**

Note Disclosures

- **Both transferors and government operators:**
  - **A general description of the arrangement**
    - **Including management's objectives for entering into the arrangement**
    - **If applicable, the status of the project during the construction period**
  - **Nature and amounts of assets, liabilities, and deferred inflows of resources related to the SCA that are recognized in the financial statements**
  - **Nature and extent of rights retained by the transferor or granted to the government operator**

Note Disclosures

- **Both transferors and government operators (continued):**
  - **If applicable, disclosures should be made about guarantees and commitments, including identification, duration, and significant contract terms of the guarantees or commitments.**
- **Disclosures for multiple SCAs may be provided individually or in the aggregate for those that involve similar facilities and risk.**

Statement No. 61

The Financial Reporting Entity: Omnibus

Reporting Entity Framework

- Retains current reporting entity framework.
- This framework includes:
  - The criteria for inclusion of component units
    - Fiscal dependence
    - Appointment, plus
      - Imposition of will
      - Financial benefit or burden
  - The methods of presenting component units
    - Discrete presentation
    - Blending

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Significant Changes

- The most significant effects of the new standard 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 in
    - Component units
    - Joint ventures
    - Investments

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Inclusion Criteria

- Statement 14 requires inclusion if, among other things, a potential CU is fiscally dependent. That is, PG has authority over:
  - Budget, or
  - Setting taxes and charges, or
  - Issuing debt
- This standard adds a requirement for a financial benefit or burden before inclusion is required.

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Blending Criteria

a) PG & CU boards substantively the same, AND there is
  - Financial benefit/burden relationship, OR
  - PG has "Operational Responsibility" for CU

b) CU serves/benefits exclusively or almost exclusively the PG (excludes lotteries)

c) CU's total debt/leases expected to be paid by PG pledged resources

Blending Requirements

- This standard clarifies how to blend component units in a BTA reporting model:
  - For a multiple column BTA
    - Additional column(s), as if funds of the PG
  - For a single column BTA
    - Consolidate CU data into the single column
      - Present combining info in the notes
    - Additional column(s), with PG total column

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Major Component Units

- Clarifies the types of relationships that should generally affect the major CU determination:
  - Significant transactions with the PG
  - Significant financial benefit/burden relationship
  - Services provided by CU to citizenry considered essential info to PG F/S users
- Eliminates consideration of each CU's significance relative to other CUs

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Reporting Equity Interests

- **An asset should be recognized for equity interest in:**
  - **A joint venture, a partnership, or 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"**

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Notes

- **No new disclosures**
- **Clarifies that current disclosures require discussion of:**
  - **Rationale for including each component unit**
  - **Whether it is discretely presented, blended, or included as a fiduciary fund**
  - **(Practical consideration: Can list similar component units under same description)**

Statement No. 62

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

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Approach of the Statement

- **Adoption of the accounting and reporting requirements as is, modifying the language as appropriate without affecting the substance of the provisions**
  - **Will not significantly affect practice as accounting and financial reporting would not change; Only the source of the guidance would be different**

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- FASB & AICPA pronouncements divided into categories to facilitate deliberations:
  - Conflict with or contradict GASB standards
    - FASB Statement 4 –Gain or loss on debt extinguishments
    - FASB Statement 43—Compensated absences
  - Are not applicable to governments
    - FASB Statement 84—Convertible debt
    - FASB Statement 89—Changing prices
  - Rarely applicable (excluded)
    - FASB Statement 19--Oil and gas
  - Are applicable to governments
    - FASB Statement 5—Contingencies
    - FASB Statements 34 and 62–Capitalization of interest
  - Will be addressed in GASB projects (applicable, but excluded)
    - APB Opinion 16—Business combinations

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Scope and Applicability

- Statement 20 is superseded
  - All applicable pre-November 30, 1989 FASB and AICPA pronouncements are contained in the GASB's codification
  - All potentially applicable post-November 30, 1989 non-GASB standards would be "other accounting literature"
    - Can be adopted as long as not considered conflicting with GASB Statements

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Scope and Applicability

- **Statement 29 is superseded**
  - **No longer needed**
  - **However, BTAs still cannot apply guidance whose provisions are limited to not-for-profit organiztions or address issues concerning primarily such organizations**
    - **New item for Comprehensive Implementation Guide**

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29 Topics Codified

- **Capitalization of interest costs (FASB Statements 34 and 62)**
- **Statement of net assets classification (ARB 43, APB Opinion 12, and FASB Statement 6)**
- **Special and extraordinary items (APB Opinion 30)**
- **Comparative financial statements (ARB 43)**
- **Related parties (FASB Statement 57)**
- **Prior-period adjustments (FASB Statement 16 and APB Opinion 9)**
- **Accounting changes and error corrections (APB Opinion20 and FASB Interpretation 20)**

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29 Topics Codified (continued)

- Contingencies (FASB Statement 5 and FASB Interpretation 14)
- Extinguishments of debt (APB Opinion 26 and FASB Statement 76)
- Troubled debt restructuring (FASB Statement 15)
- Inventory (ARB 43)
- Leases (FASB Statements 13, 22, and 98 and FASB Interpretation 23, 26, and 27)
- Sales of real estate (FASB Statement 66)
- Real estate projects (FASB Statement 67)

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29 Topics Codified (continued)

- 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 Statement 71, 90, and 101)

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Clarifying Guidance

- Capitalization of interest—scope clarified to address assets granted to other governments
- Current assets and liabilities—operating cycle (something other than 12 months) not allowed
- Related parties—definition clarified to recognize related organizations, joint ventures, and jointly governed organizations
- Change in accounting principle—omits change in depreciation method
- Interest rate costs—imputation—scope excludes low interest loans that make the market
- Specific references in NCGA Statement 1 to business account classifications, terminology, and formats eliminated

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Effective Date

- Periods beginning after December 15, 2011
  - Board wanted to give governments the opportunity to review the provisions of the Statement and make an assessment of their current practices to determine if any accounting changes should be retroactively applied.
  - Change in accounting principle versus correction of an error
- Earlier application is encouraged
- Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements for all periods presented

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Derivative Instruments: Application of Hedge Accounting Termination Provisions

(an amendment of GASB Statement No. 53)

Exposure Draft and Recent Tentative Decisions

Background

- **ED arose because of questions regarding application of termination of hedge accounting provisions in Statement No. 53**
- **Objective would be to improve financial reporting for state and local governments by clarifying what constitutes a termination event for hedge accounting purposes**
- **Would amends Statement 53, subparagraph 22d and paragraph 82**

Termination of Hedge Accounting

- **A hedging relationship is maintained and hedge accounting should continue to be applied when all of the following criteria are met:**
  - **Interest rate swap or commodity swap represents a liability of the government (What if it is an asset?)**
  - **Counterparty of interest rate swap or commodity swap, or counterparty's credit support provider, is replaced with assignment or in-substance assignment**
  - **Government enters into assignment or in-substance assignment in response to swap counterparty, or swap counterparty's credit support provider, either committing or experiencing an act of default or termination event as described in swap agreement**

Assignment

- **Occurs when swap agreement is amended to replace original counterparty, or counterparty's credit support provider, but all other terms of swap agreement remain unchanged**

In-substance Assignment

- **Occurs when:**
  - **Original counterparty, or counterparty's credit support provider, is replaced;**
  - **Original swap agreement ended and replacement swap agreement entered into on same date;**
  - **Terms that affect changes in fair values and cash flows in original and replacement swap agreements are identical**

In-substance Assignment (continued)

- **Occurs when (continued):**
  - **If there is a difference between the original swap's exit price and the replacement swap's price, that difference is attributable to the original swap's exit price that is based on the average of multiple quotations. The exit price represents the payment that terminates the original swap liability.**

Effective Date and Transition

- **Effective for periods beginning after June 15, 2011, earlier application encouraged**
- **Restatement of the financial statements for prior periods**
- **Disclosure of nature of the financial statement restatement**

Deferred Outflows, Deferred Inflows, and Net Position

Exposure Draft and Recent Tentative Decisions

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
- Not clear how to report deferrals under Statement 34, which requires presentation of assets, liabilities, and net assets

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Statement of Net Position

- Deferred outflows of resources should be reported in a statement of financial position in a separate section following assets
  - Optional subtotal for assets and deferrals
- Deferred inflows of resources should be reported following liabilities
  - Optional subtotal for liabilities and deferrals

Statement of Net Position

- **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**

Statement of Net Position

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
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	146,513,065	288,100,800	36,993,547
Total capital assets	170,022,760	152,921,215	322,943,975	37,744,786
Total assets	226,758,185	166,925,131	393,683,316	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	—
NET POSITION				
Net investment in capital assets	103,711,386	79,088,574	182,799,960	15,906,392
Amounts 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 Amounts (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

Governmental Funds—Balance Sheet

- **Deferred outflows of resources and deferred inflows of resources that are required to be recognized in governmental fund balance sheets should be presented in a format that displays *assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources plus fund balance*.**

Disclosures

- **Provide details of the different types of deferred amounts if significant components of the total deferred amounts are obscured by aggregation.**
  - **Disclosure is required only if the information is not displayed on the face of the financial statements.**
- **If the amount reported for a component of net position is significantly affected by deferred inflows of resources or deferred outflows of resources, governments should disclose an explanation of the effect of those deferred amounts on the net position balances.**

Effective Date and Transition

- Effective for periods beginning after December 31, 2012, earlier application encouraged
- Restatement of the financial statements for prior periods
- Disclosure of nature of the financial statement restatement

Deferred Inflows and Deferred Outflows—Omnibus

A Look at Current Standards

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Issues Under Consideration

- Bond issue costs
- Deferred revenue related to special assessments
- Deferred revenues related to nonexchange transactions
- Sales of future revenues
- Balances resulting from sale-leaseback transactions – Gain or loss on sales
- Initial direct costs of operating leases
- Acquisition costs for insurance entities
- Direct loan origination costs
- Fees received for guaranteeing funding of mortgage loans

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Deferred Inflows (tentative)

- Resources received in advance in relation to an imposed nonexchange transaction
- 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
- Deferred credit 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*)

Deferred Inflows (tentative)

- **Proceeds from the sale of future revenues (paragraphs 13–16 of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*).**
- **Initial hookup revenue in excess of direct selling costs in relation to cable television systems (paragraph 397 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*).**
- **Deferred gain on sale-leaseback**

Deferred Outflows (tentative)

- **Resources advanced to another government 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 other government (paragraph 19 of Statement 33)**
- **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*)**
- **The purchase of future revenues within the same financial reporting entity (paragraphs 13–16 of Statement 48)**

Remaining as Assets

- **Resources advanced to another government 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)**
- **The purchase of future revenues from a government outside the financial reporting entity (paragraphs 13–16 of Statement 48)**
- **Initial subscriber installation costs in relation to cable television systems (paragraph 398 of Statement 62)**

Remaining as Liabilities

- **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)**
- **Premium revenues for insurance entities and public entity risk pools (paragraphs 19–21 of Statement 10, and paragraphs 405-406 of Statement 62)**

GASB's project on Postemployment Benefits

Rethinking accounting for pensions

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Why now?

- Procedural requirements
- What has changed since the issuance of current standards?
  - Concepts Statements No. 3 and No. 4
- What is the status of the Board's activities and how has it gotten there?
  - Research project
  - Current technical agenda project
    - Invitation to Comment
    - Deliberations
    - Preliminary Views

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Overview of the Preliminary Views

- **Underlying principles**
- **Sole and agent employers**
  - **Liability recognition and measurement**
  - **Expense recognition**
- **Cost-sharing employers**
- **Timing and frequency of measurement**

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Underlying principles

- **Pension benefits are part of total compensation for employees' services**
- **Employment-exchange transactions create an obligation of employer to employees to provide pension benefits in retirement**
  - **Annual exchanges**
  - **Viewed by Board within context of an ongoing, career-long employment relationship**
- **An employer retains this obligation to its employees until benefits are paid**

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Underlying principles (cont.)

- **Primary and secondary responsibilities for the obligation**
  - **Employer primarily responsible for unfunded portion**
  - **Pension plan primarily responsible to the extent plan net assets have been accumulated**
  - **Employer remains secondarily responsible for the funded portion of the pension obligation**

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Sole and agent employers—liability recognition

- **Unfunded obligation meets definition of a liability of the employer (Con. 4)**
  - **Present obligation**
  - **Requires sacrifice of employer's resources**
  - **Little or no discretion to avoid sacrifice of resources**
- **Unfunded obligation = net pension liability**
- **Liability meets criteria for recognition (Con. 3)**
  - **Measurable with sufficient reliability**
  - **Disclosure is not a substitute for recognition**

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Sole and agent employers—liability measurement

- **Projection of benefits**
  - **What is same?**
    - **Automatic COLAs**
    - **Projected future salary increases**
    - **Projected future service credits**
  - **What is different?**
    - **Ad hoc COLAs when substantively automatic**
      - **Open question: Criteria**

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Sole and agent employers—liability measurement (cont.)

- **Attribution of the present value of projected benefit payments to periods**
  - **Single method**
  - **Entry age actuarial cost method**
  - **Level percentage of payroll**
  - **Attribution period: expected service life of each employee**
- **Total liability = service costs attributed to past periods**
- **Net pension liability = Total liability less amount equal to plan net assets (including investments at fair value)**

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Cost-sharing employers

- **Each employer is implicitly primarily responsible for a proportionate share of the collective unfunded pension obligation**
  - **Recognition of proportionate shares by employers**
    - **Meets definition of liability**
    - **Is measurable with sufficient reliability to support recognition**
  - ***Open question:* Allocation basis**
- **Proportionate recognition of collectively calculated pension expense and deferred outflows (inflows)**
  - ***Open question:* Treatment of changes in proportionate share**

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Cost-sharing employers (cont.)

- **Measurement approach**
  - **Single measurement at the collective level**
  - **Allocation of the results to individual employers for financial reporting purposes**

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All employers—frequency and timing of measurements

- **Net pension liability as of fiscal year-end**
  - **Total liability**
    - **Actuarial valuations at least every 2 years**
      - **Must be within 24 months of fiscal year-end**
      - **Update to financial report date**
        - **Must consider all significant events and transactions**
  - **Plan net assets measured at employer's fiscal year-end**

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