

GASB Update – The Next New Accounting Standards

PUBLIC FUNDS MANAGEMENT SEMINAR

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Topics We'll Address Today:

- GASB 51 – Intangibles
- GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions
- GASB 60 – Service Concession Arrangements
- GASB 61 – The Financial Reporting Entity
- GASB 62 – Codification of Pre '89 FASB/AICPA



GASB Training Video



GASB Training Video.wmv

GASB 51 Refresher

- Intangible Assets:
 - Lack Physical Substance
 - Non-Financial (i.e. – not cash or investments)
 - Useful life **GREATER** than one year



GASB 51 Refresher

- GASB 51 was issued due to inconsistencies, rather than lack of recording these types of assets
- **EXAMPLES OF INTANGIBLE ASSETS**
 - Easements
 - Water Rights
 - Sewer Processing Capacity Agreements
 - Timber Rights
 - Patents
 - Trademarks
 - Computer Software



GASB 51 Refresher

- Classify as Part of Capital Assets
- Amortize over Estimated Useful Life (EUL)
- If no EUL, leave on books at cost
- If no cost, obviously no cost on books & no amortization, BUT “Gain on Sale”, if sold
- If internally generated, specific conditions (tests) apply (specific objective, feasibility, intention/ability-see GASB 51, para. 8)



GASB 51 Refresher

- Retroactive to June 30, 1980 if Phase I or II
 - EXCEPT, **Optional** if indefinite EUL
- Prospective only approach is allowed if Phase III Govt (Retro is encouraged, but not req'd)
- Effective for years beginning after June 30, 2009 (i.e. 12/31/10 for all calendar year end governments)



GASB 54 - Change in Fund Balance Reporting

- Pre-GASB #54 – focus on when available to be spent
- GASB #54 – focus on who sets the spending priorities
- Effective date: fiscal years beginning after June 15, 2010
- Fund balance reclassifications require a “restatement”
- Only applies to external financial reporting



GASB 54 - Five Categories of Fund Balance

Non-spendable	Prepays, inventories, long-term receivables, and corpus on any permanent fund
Restricted	Resource constraints are from <i>outside</i> parties (statute, grantors, bond agreements, etc.) Same definition as GASB #34 definition
Committed	Required use <i>formally</i> established by council or board
Assigned	<i>Intended</i> use established <i>internally</i> by sub-committee or other delegatee (city administrator, finance director, etc)
Unassigned	Everything else in the <i>General Fund (usually)</i>



GASB 54 - Key Fund Balance Items

- Committed: Board/council action **MUST** be taken by close of the reporting period (amount can be determined later)
- Assigned: Action may be taken before issuance of financial statements
- Assigned: Cannot create a negative unassigned
- Unassigned: Only category that can be **NEGATIVE**
- Unassigned: General Fund is only fund that can report **POSITIVE** unassigned; other funds can report **NEGATIVE** unassigned



GASB 54 - Balance Sheet Presentation

Must summarize/report the five categories on the face of the financial statements (Minimum).

- Can report ALL the detail on the face of the Balance Sheet
- Can report SOME detail on the face of the Balance Sheet
- Disclose the details of fund balances in NOTES to the financial statements.



GASB 54 Note Disclosures

- ***Committed*** fund balance
 - The highest level of decision-making authority
 - Formal action needed to establish, modify, or rescind the commitment
- ***Assigned*** fund balance
 - The body or official authorized to make assignments
 - Policy pursuant to which authorization is given
- Spending priority – which is used first
- Default spending priority per GASB 54
 - *Committed* goes first, then *assigned*, then *unassigned*



GASB 54 - Converting Fund Balances

- Step 1: Is it spendable?
- Step 2: If no (i.e. inventory, prepaids), then = “Non-spendable”.
- Step 3: If yes, are there constraints imposed by outside parties, if yes, then = “Restricted”.
- Step 4: If not restricted by outside parties, did the board/council set aside before year-end, if yes, then = “Committed”.
- Step 5: If no board/council action, but intentionally set aside by finance director, then = “Assigned”.
- Step 6: If none of the above are “Yes”, then = “Unassigned”



GASB #54

Clarification of Fund Types



GASB 54 - The New General Fund

- Records and reports all financial resources not recorded and reported in another fund (i.e. capital project, special revenue, and debt service). Basically same definition as pre-GASB #54 but very possible some old special revenue funds will now be reported in the General Fund.

NOTE: Only the general fund reports positive
unassigned fund balance



GASB 54 - Special Revenue Fund Evaluation

- Must have one or more *revenue* sources (if levied for but the levy collections initially go to General Fund, must show levy funds in ultimate/destination fund (SRF instead of GF).
- Determine that a *restriction* or *commitment* exists
- Revenue sources must be *substantial* in relation to the fund
- Additional resources may be transferred into the fund
- Rainy day funds potentially qualify



GASB 54 - Special Revenue Funds: Fund Balances

- Generally only 2 categories of fund balance will be reported for specified purposes other than capital related or debt service:
 - Restricted
 - Committed

Note: Could have negative Unassigned.



GASB 54 - Debt Service Fund: Fund Balances

- Generally only 3 categories of fund balance will be reported for payment of principal and interest:
 - Restricted
 - Committed
 - Assigned



GASB 54 - Capital Project Fund: Fund Balances

- Generally only 3 categories of fund balance will be reported for payment of capital outlays (including streets, roads, equipment, bridges, buildings, etc....):
 - Restricted
 - Committed
 - Assigned



GASB #54

Rain Day (Stabilization) Funds



GASB 54 Says.....

- Economic stabilization is a specific purpose and “.....amounts constrained to stabilization would usually meet that criterion for inclusion in the committed or restricted fund balance classifications of the *general fund*.”



GASB 54 - Requirements for Reporting Rainy Day Funds

- Must be *specific*
- Could satisfy *restricted* or *committed*
- Must have a *restricted* or *committed revenue stream* to be reported as special revenue fund
- *Assigned* classification is *not* permitted



GASB 60 – Service Concession Arrangements

- EFFECTIVE for years beginning AFTER December 15, 2011 (i.e. – Calendar 2012)
- DEFINITION
 - Transferor (govt) conveys to an Operator (Govt or Private) RIGHTS AND OBLIGATIONS to provide services using the Transferor Govt's capital asset. (e.g. Privatization w/o transferring/selling the related asset(s))
 - Hockey arena, swimming pool, parking ramp, etc.



GASB 60 – Service Concession Arrangements

- IT'S ONLY A SCA if:
 - Transferor conveys the “right and obligation” in exchange for SIGNIFICANT CONSIDERATION (upfront payment, installment payments, a new facility, or facility improvements)
 - Operator receives fees from 3rd parties
 - Transferor Govt has ability to approve/modify services offered and rates to be charged
 - Transferor Govt has significant residual interest at end



GASB 60 – Service Concession Arrangements

- Transferor Govt reports
 - the capital asset as normal, including related disclosures, EXCEPT no depreciation if contract requires asset to be returned in its original or enhances condition at end of contract term.
 - liability (at Present Value) for obligations under the contact.
 - deferred revenue for future inflows under the contract
 - revenue systematically over the term of the arrangement, whether cash now or future cash inflows



GASB 60 – Service Concession Arrangements

- Transferee – If Gov't reports
- Intangible Asset (GASB 51) at cost for its “right to access the facility”, amortizing the cost over the term of the contract



GASB 61 – REPORTING ENTITY, Amending GASB 14 & 34

- EFFECTIVE periods beginning after June 15, 2012 (i.e. 2013 for Calendar year end Govt's)
- Some “redefinition” of:
 - Which organizations should be INCLUDED as component units
 - Which component units should be BLENDED



GASB 61 – REPORTING ENTITY, Amending GASB 14 & 34

- Fiscal Dependence is NOT ENOUGH to include as Component Unit – must also have FINANCIAL BURDEN/BENEFIT relationship
- Blending of component units “tightened up”
 - Same governing body AND [“benefit/burden” or management of PG also manages component]
 - OR, Services provided entirely to PG
 - OR, Component Unit’s debt to be paid ENTIRELY by Primary Govt



GASB 62 – Codification of Pre '89 FASB/AICPA Guidance

- Effective for periods BEGINNING after December 15, 2011 (i.e. 2012 for calendar year Govts)
- GASB 62 = 603 paragraphs (per table of contents) of detail information, by subject matter, listing which FASB/AICPA guidance existed prior to NOV 30, 1989.



Questions or Comments?

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