



GASB Updates

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**Guam
Professional
Development
Conference**

**“Trends, Tools,
and Techniques
in Today’s
Financial
Environment”**

**September 17 to
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**Hotel Nikko
Guam**

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GASB Update



Lealan Miller, CPA
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September 2014



CPAs & BUSINESS ADVISORS



Today's Agenda

- GASB Update – Just the Facts
 - GASB-65, 69, 70, Concepts 6
 - Fair Value
 - Fiduciary Activities
 - Leases
 - OPEB
 - Financial Reporting 3.0

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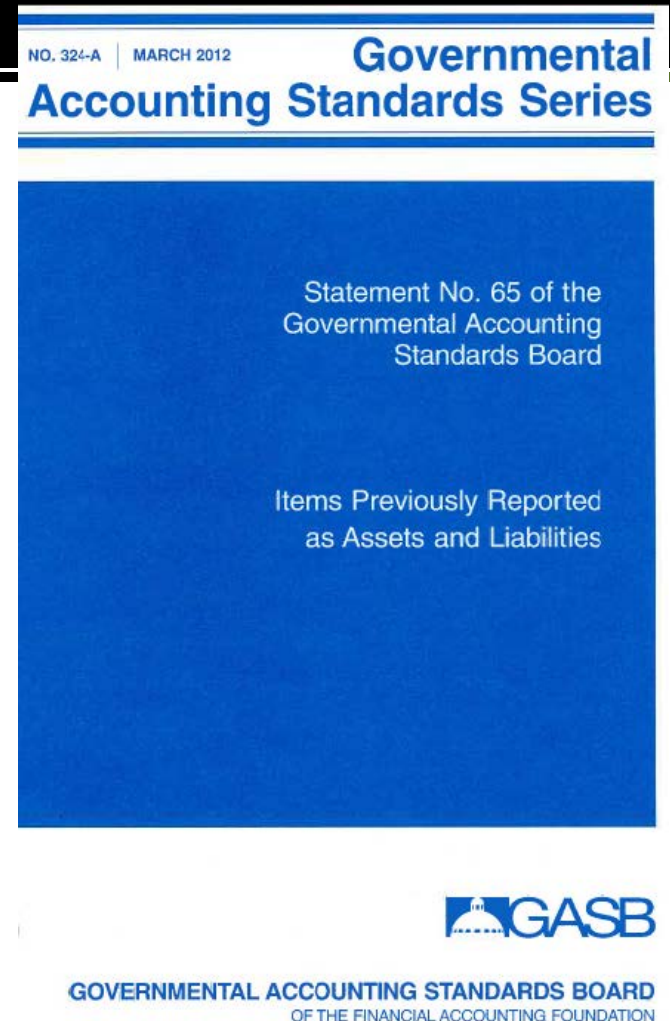
Effective Dates – June 30th

- 2014
 - GASB-65 – Assets and Liabilities
 - GASB-66 - Technical Corrections
 - GASB-67 – Pension Plans
 - GASB-70 – Nonexchange financial guarantees
- 2015
 - GASB-68 – Pension Accounting for Employer and Nonemployer Contributing Entities
 - GASB-71 - Pension Transition for Contributions Made Subsequent to the Measurement Date
 - GASB-69 Government Combinations and Disposals of Government Operations (unless a combination is in process then early implement)



Statement No. 65 – the last word

**ITEMS PREVIOUSLY
REPORTED AS
ASSETS AND
LIABILITIES**





Objective

- Examine the classification of certain items previously reported as assets or liabilities to determine whether any of these items should be reported as
 - A deferred outflow of resources or an outflow of resources (expense/expenditure), or
 - A deferred inflow of resources or an inflow of resources (revenue).
 - Paragraph 38 of Concepts Statement 4 **limits recognition of deferred outflows of resources and deferred inflows of resources to those instances identified by the GASB.**



Approach to Development of the Statement

- Hierarchy for applying the definitions of the elements in Concepts Statement 4.
 - Do items meet the definition of an asset or a liability?
 - If not, do they meet the definition of a deferred outflow of resources or a deferred inflow of resources?
 - If not, then the item should be recognized as an outflow of resources or an inflow of resources.

Continue to Report as an Asset

- Prepayments /Inventory (paragraph 73 of NCGA Statement 1)
- Resources transmitted **before the eligibility requirements are met (excluding time requirements)**
- The purchase of future revenues from a government outside the financial reporting entity (paragraphs 13–16 of Statement 48)

Continue to Report as an Asset

- Initial subscriber installation costs in relation to cable television systems (paragraph 398 of Statement 62)
- Capitalized incurred costs related to regulated activities (paragraph 480 of Statement 62)
 - Refunds of utility charges are liabilities (par. 482)
- Circumstances in which a pension plan's net position exceeds the total pension liability

Report as a Deferred Outflow

- Resources transmitted **before time requirements are met, but after all other eligibility requirements have been met**
- Deferred debit amounts resulting from the refunding of debt (paragraph 5 of Statement 23)
- The purchase of future revenues within the same financial reporting entity (paragraphs 13–16 of Statement 48)

Report as an Outflow of Resources

- Acquisition costs for insurance entities and public entity risk pools (paragraphs 28–30 of Statement 10 and paragraphs 412–414 of Statement 62)
- Initial direct costs incurred by the leaser for operating leases (paragraph 227 of Statement 62)
- Debt issuance costs (paragraph 12 of Statement 7 and paragraph 187 of Statement 62)
- Net balance (debit) of direct loan origination costs, including any portion related to points, related to lending activities (paragraph 45 of Statement 10 and paragraph 434 of Statement 62) (Housing Finance Agencies/Lending)

»»» Report as a Liability

- Resources received in advance in relation to a derived tax revenue non-exchange transaction (paragraph 16 of Statement 33) (prepaid income, sales taxes, assessments)
- Resources received **before the eligibility requirements are met (excluding time requirements)**
- Resources received in advance of an exchange transaction (paragraph 23 of Statement 62) (deposits)

Report as a Deferred Inflow

- Resources received in advance in relation to an imposed non-exchange transaction (paragraph 18 of Statement 33) (property taxes)
- Resources received before time requirements are met, **but after all other eligibility requirements have been met**
- Deferred credit amounts resulting from the refunding of debt (paragraph 5 of Statement 23, and paragraph 221 of Statement 62) (reacquisition price is > carrying amount of old bonds)

Report as a Deferred Inflow

- Proceeds from the sale of future revenues (paragraphs 13–16 of Statement 48).
- Unavailable revenue related to the application of modified accrual accounting (Statement 6 and Statement 33)
- Net balance (credit) of loan origination fees, excluding any portion related to points, for mortgage loans held for resale prior to the point of sale (paragraph 467 of Statement 62)



Revenue Recognition in Governmental Funds

- Revenues and other governmental fund financial resources should be recognized in the accounting period in which they become both measurable and available (NCGA Statement 1, paragraph 62).
- When an asset is recorded in governmental fund financial statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.

Use of the Term *Deferred*

- Use of the term *deferred* should be limited to deferred outflows of resources and deferred inflows of resources
- Use of the term *unearned* was never allowable in Government GAAP except for certain insurance and risk pool revenues

~~UNEARNED~~

~~DEFERRED~~



Some Q&A's – the audience participation portion of the program!

- Which component(s) of net position do prepaid bond insurance costs, premiums and discounts, and deferred outflows of resources or deferred inflows of resources from refundings affect—net investment in capital assets, restricted, or unrestricted?



Some Q&A's – the audience participation portion of the program!

- For major fund determination, should total assets plus deferred outflows of resources, liabilities plus deferred inflows of resources, revenues, or expenditures/expenses include the effects of the items in the reconciliation of the fund statements to the government-wide statements?
- For governmental funds, how should long-term receivables and related deferred inflows of resources be recognized?



Audit Issues with GASB-65 you'll be asked about

- Have all deferred outflows and inflows of resources been identified and disclosed?
- Are the amounts comparable to prior periods(if applicable) or at reasonably expected amounts?
- Have receivables, revenue been recognized or deferred inflow of resources been recognized properly for grants and various taxes?
- Have payables, expenditures or deferred outflows of resources been recognized properly for pass-through grants and taxes?
- Has a prior period adjustment been made for items expensed in the year of implementation formerly recognized as deferred charges?



To Wrap On GASB-65

- Gain or Loss on Debt Refunding Resulting in Existing Debt Defeasance = Deferral
- Unmet Eligibility Requirements for Non-exchange Transactions (Grants, etc.)
 - Timing = Deferral
 - Otherwise = Asset or Liability
- Debt Issue Costs
 - Insurance = Asset
 - Other = Current Expense
- Loan Costs = Current Expense
- Loan Fees = Current Revenue

NO. 334-A | JANUARY 2013

Governmental Accounting Standards Series

Statement No. 69 of the
Governmental Accounting
Standards Board

Government Combinations and
Disposals of Government Operations



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION



Statement 69 Government Combinations and Disposals of Operations

Effective for Periods Beginning
After December 15, 2013



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Background

- Applicable guidance after issuance of Statement 62:
- APB 16 and 17 (Pre-89)
- FASB 141 (and revisions)
- FASB 164
- APB 30 (Pre-89)



Scope

- Combinations in which insignificant or no consideration is provided
 - Government mergers
 - Transfers of operations
- Combinations in which significant consideration is provided
 - Government acquisitions
- Disposal of government operations

Terminology

- Government combinations are identified by the continuance of the provision of services involved
- **Government merger**—two or more separate legal entities combine to form a new entity, and one or more of the prior entities cease to exist
 - Insignificant or no consideration exchanged

Terminology

- **Government acquisition**—one government acquires another entity (or its operations) in exchange for significant consideration
- Operations are integrated set of activities conducted and managed for the purpose of providing identifiable services with associated assets or liabilities
- Disposals of operations involve less than a legally separate entity and insignificant or no consideration



Mergers—New Government

$$A + B = C$$

- Merger date is the date the combination becomes effective and the beginning of the reporting period when a new government is created
- Assets, liabilities and deferrals at carrying values
 - Presumption of GAAP
- Adjustments
 - Accounting principles, policies, and estimates
 - Capital asset impairment
 - Transaction eliminations



Mergers—Continuing Government

$A+B = A$

- Merger date is the beginning of the reporting period of the continuing government in which the combination occurs, regardless of the date the merger takes place
- Assets, liabilities and deferrals at carrying values
 - Presumption of GAAP
- Adjustments
 - Accounting principles, policies, and estimates
 - Capital asset impairment
 - Transaction eliminations



Acquisitions

- Acquisition date is the date on which the acquiring government gains control of the assets and becomes obligated for the liabilities of the acquired government
- Assets, liabilities and deferrals measured at *acquisition value*—a market-based entry price
- Exceptions to acquisition value—employment benefit arrangements



Acquisitions

- Measure consideration as the value of assets conveyed or liabilities incurred to the former owner
- Accounting for the difference between acquisition value and consideration:
 - $\text{Consideration} > \text{AV} \rightarrow$ deferred outflow of resources
 - $\text{AV} > \text{consideration} \rightarrow$ reduction of noncurrent assets or contribution received
- Recognize acquisition costs as expenses

Intra-Entity Acquisitions

- Recognize assets, liabilities, and deferrals at carrying value
- Difference between acquisition price and carrying value:
 - Special items in acquirer's own statements
 - Transfer or subsidy, as appropriate, in statements of the reporting entity



Disposals of Operations – sales / spinoffs – new governments

- Transferee should measure assets, liabilities and deferrals at carrying value
- Transferor reports a gain or loss as a special item—should consider all costs directly associated with disposals of operations
- Disclosure
 - Description of the circumstances leading to the discontinuation
 - Operations revenues, expense, and non-operating items



Disclosures

- *All combinations*
 - Brief description of the combination and identification of the entities involved
 - Date of the combination
 - Primary reasons for the combination
- Mergers and transfers of operations
 - Carrying values recognized as of the merger date
 - Description of significant adjustments
 - Amounts recognized



Disclosures

- Acquisitions
 - Brief description of consideration provided
 - Total amount of net position acquired
 - Brief description of contingent consideration arrangements



Practical Ways to Implement GASB-69

- Implementation is prospective not retroactive so if one has occurred, no need to restate
- GASB-69 is one of those statements that it's not needed unless you have it occur but it occurs more often than you may think!
- If one is in process, figure out what type it is and see if you can make sure legislation / agreement aligns to GAAP
 - Auditing of a merger at wrong time could be ugly!



Some Q&As – the audience participation portion of the program!

- A government dissolves and ceases to exist because all of its operations form the basis of a new government. No significant consideration is exchanged. Would this meet the definition of a transfer of operations?
- A City and County enter into an agreement through which the City government will cease to exist and will become part of the County's legal entity. Some of the City's capital assets will not be used by the County after the merger and should be evaluated for impairment. How should the impairment adjustment be presented?



Audit Issues related to GASB-69

- Auditors will evaluate whether transfers of capital assets between funds, component units, and other entities and, if applicable, related debt have been properly reported.
- Auditors will evaluate whether additions to capital assets resulting from a government combination have been properly recorded.
- Auditors will inquire about impairment and consideration (if any) as well as eliminations and adjustments

Governmental Accounting Standards Series

Statement No. 70 of the
Governmental Accounting
Standards Board

Accounting and Financial
Reporting for Nonexchange
Financial Guarantees



GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION



Statement 70 Nonexchange Financial Guarantees

**Effective for periods
beginning after June 15,
2013**



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Financial Guarantees

- Financial Guarantees are Numerous (especially for a state)
 - Lower levels of government (Cities, districts etc)
 - Not for profits
 - Private corporations
 - Individuals
 - **What could be some that you know about?**



Financial Guarantees

- Non-exchange transaction – no direct consideration equal to value provided
- Government commits to paying an obligation if the holder does not pay



Financial Guarantees

- Other Items
 - Does not apply to Special Assessments (GASB-6) but calls into question whether or not it should – potential future project
 - Amends portions of GASB-10 (Risk – Insurance), GASB-33 and GASB-62



Financial Guarantees

- Key Elements
 - The government that extends a non- exchange financial guarantee will recognize a liability when qualitative factors *or* historical data indicate that it is *more likely than not* that the government will make a payment on the guarantee
 - Amount of liability = best estimate of future cash flows to be incurred
 - If no best estimate, then use minimum amount in range
 - Similar to GASB-49

Qualitative Indicators of Liability

- Initiation of the process of entering into bankruptcy or a financial reorganization
- Breach of a debt contract in relation to the guaranteed obligation, such as
 - Failure to meet rate covenants,
 - Failure to meet coverage ratios,
 - Default or delinquency in interest or principal payments

Qualitative Indicators of Liability

- Indicators of significant financial difficulty, such as
 - Failure to transfer deposits from debt service funds to paying agents or trustees;
 - Out of Ordinary draw on a debt service reserve fund;
 - Initiation of the process by a creditor to intercept receipts to make a debt service payment;
 - Debt holder concessions;
 - Significant investment losses;
 - Loss of a major revenue source;
 - Significant increase in noncapital disbursements in relation to operating or current revenues;
 - Commencement of financial supervision by another government
- Also consider default ratios, **history – history is very important in pools of loans / guarantees**



Recognition

- *More Likely Than Not* threshold is 50%
- Recognition in Full Accrual statements
 - Amount recognized = best estimate of discounted PV of cash flows expected to incur due to guarantee
 - If no best estimate in a range, pick the minimum
- In Governmental Funds
 - Amount = funds to be expended with current financial resources



Government Issuing a Guaranteed Obligation

- Entity wide and Governmental Funds:
 - If a government is required to repay a guarantor for non-exchange financial guarantee payments made on the government's obligations, the government should reclassify that portion of its previously recognized liability for the guaranteed obligation as a liability to the guarantor.
 - The government that issued the guaranteed obligation should continue to report its liability until that portion of the liability is legally released, such as when a Plan of Adjustment is confirmed by the court in the case of bankruptcy.
 - Upon release of liability - REVENUE



Wrinkle for Blended Component Units – NOT Discrete

- When a government that extends a non-exchange financial guarantee recognizes a liability for the guarantee:
 - The government that issued the guaranteed obligation should recognize a receivable equal to the amount of the liability recognized by the government that extended the guarantee, if the government that issued the guaranteed obligation is:
 - A blended component unit of that government
 - A primary government that includes the government that extended the guarantee as a blended component unit within its reporting entity
 - Within the same reporting entity and both parties are blended component units of the same primary government.



Financial Guarantees

- Other Key Elements of GASB-70
 - Typical disclosures (who, what, when, how much etc.)
 - Liability is reported until either paid or released by the obligor (entity holding the liability)
 - If released – revenue recognized upon release
 - Note disclosure on guarantees will be required similar to commitments
 - **Implementation is periods beginning after June 15, 2013 (July 1)**
 - Retroactive restatement required



Audit Issues related to GASB-70

- Have guarantees been disclosed in the commitments and contingencies footnote(s)?
- If it is *more likely than not* that a guarantee will be exercised, has a liability been recognized for the proper amount?
- For governments issuing the guaranteed debt and it is more likely than not that a guarantee will be paid by another government, if the government issuing the debt is a blended component unit of the other government, has a receivable been declared?
- Does a payable still exist unless released by a judge?
- Has going concern been considered by management and disclosed properly?

NO. 346 | MARCH 2014

Governmental Accounting Standards Series

Concepts Statement No. 6 of the
Governmental Accounting
Standards Board

on concepts related to
Measurement of Elements
of Financial Statements

GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION

GASB Concepts 6



Measurement of Elements



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GASB Concepts 6 – The Basics

- **Not** authoritative – but are the basic “guidelines” for GASB for future standards”
- But – gives definitions of historical cost and fair value
 - Defines 2 measurement approaches
 - Initial Amount – e.g. Historical Cost
 - Remeasured Amount – e.g. Current Value
 - Defines 4 measurement attributes
 - Historical Cost – (never defined before in GAAP)
 - Fair Value (see following section)
 - Replacement Cost
 - Settlement Amount



Concepts 6 – Measurement *Attributes*

- ☐ **Historical cost** is the price paid to acquire an asset or the amount received pursuant to the incurrence of a liability in an actual exchange transaction.
- ☐ **Fair value** is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
- ☐ **Replacement cost** is the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the measurement date.
- ☐ **Settlement amount** is the amount at which an asset could be realized or a liability could be liquidated with the counterparty, other than in an active market.

»»» What is Hot?

- 2a7-like pools
 - Accessing the impact of the new Securities and Exchange Commission Regulations
 - Board will decide whether this topic should be added to the pre-agenda research activities on August 22
 - A decision to add a topic to conduct pre-agenda research is not intended to signal a change to the current standards
- Direct lending (bank loans versus bonds)
 - Primarily a local government issue
 - Determining whether current note disclosure and management discussion and analysis requirements are adequate

GASB Update



There are other things going on!





What lies ahead...

- Financial reporting model reexamination
- Current technical agenda
 - Fair Value – Measurement and Application
 - Fiduciary Activities
 - GAAP Hierarchy
 - Leases
 - Tax Abatements
 - Postemployment Benefits (OPEB alignment to GASB-67 / 68 and non-irrevocable trust pension / OPEB arrangements) (3 Exposure Drafts)



Updated!



Financial Reporting Model Reexamination

- Added to the agenda in August 2013
- Staff research roundtables held in October 2013
- Preparer, auditor, and user surveys are now being developed
- Research scheduled to be completed by June 2015
- What will the outcome be?
 - Stay tuned ...



Financial Reporting Model Reexamination

- Survey Said!
 - What financial reporting model requirements related to management's discussion and analysis, government-wide financial statements, fund financial statements, and budgetary comparison information are effective or ineffective in providing information that is essential for decision-making and that enhances the ability to assess a government's accountability?
 - What concerns exist regarding the application of the standards?
 - How do the costs of applying the standards compare with the perceptions of the benefits of the resulting information?



»»» Fair Value—Three Things

- Fair Value Definition
 - The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
 - Definition of an Exit Price
 - Based on the principal or the government's most advantageous market
- Investment Definition
 - A security or other asset that a government holds primarily for the purpose of income or profit and its present service capacity is based solely on its ability to generate cash or to be sold to generate cash
- Disclosures—amendments based on current FASB standards (ASCTM 820)(including fair value hierarchy—levels 1-3)

Fair Value

- Valuation technique used to measure fair value should be appropriate to the circumstances and should maximize the use of relevant observable inputs (assumptions that market participants would use in pricing an asset or liability)
- ☐ Three basic approaches
- **Market approach** – Uses prices and other relevant information generated by market transactions involving identical or similar assets, liabilities, or group of assets and liabilities
 - **Cost approach** – Amount that would be required currently to replace the service capacity of an asset
 - **Income approach** – Converts expected future amounts (for example, cash flows) to a single current amount (that is, discounted)



Hierarchy of Inputs

☐ **Level 1:**

- Quoted prices (unadjusted) in active markets for identical assets or liabilities that the government access at the measurement date

☐ **Level 2:**

- Inputs, other than quoted prices included in Level1, that are observable (either directly or indirectly)
- Market quotes for similar assets
- Yield curves that are observable at commonly quoted intervals

☐ **Level 3:**

- Unobservable inputs
- Midmarket consensus price for a swap that uses data that are not directly observable and cannot be corroborated by the observable market data.



Limitations on What is an Investment

- What is service capacity?
 - Refers to a government's mission to provide services
- What does it mean - held primarily for income or profit?
 - Acquired first and foremost for future income and profit
- Therefore, *most* (not all) general purpose government investments likely stay at cost or carrying value (investment pools)
- Applies then to pensions, OPEB, endowments, foundations etc.

Fair Value – Key Points

- What about multiple investments held in an account?
 - Will need to value individual securities rather than the account as a whole.
- External Investment Pools that is NOT a 2a-7 like pool
 - Value of share would be pool's share price x number of shares – DO NOT LOOK THROUGH
- Mutual funds
 - Fair value would be stated price of fund x number of shares- AGAIN – DO NOT LOOK THROUGH

»»» Fair Value – Key Points

- Examples of Level 2 Inputs
 - Bonds valued by a pricing service that uses matrix pricing
 - Pay-Fixed, receive variable interest rate swaps based on LIBOR
 - Options on exchange traded stocks
- Examples of Level 3 Inputs
 - Long dated currency swaps
 - Interest rate swaps based on midmarket consensus
 - Commercial real estate (huge in pensions and endowments)

Fair Value

- Comments were due on the Exposure Draft August 15th
- No public hearings are scheduled
- Final Standard by March 2015
- Implementation periods beginning after June 15, 2015
 - Beginning balance restatement may be necessary



Fiduciary Responsibilities—Three Things

- **Fiduciary definition**

- A government that controls assets either:
 - As a trustee for the sole benefit of its own employees or recipients other than the financial reporting entity, **Or –**
 - For which it does not have administrative or direct financial involvement over the assets used to provide benefits to individuals that are not part of its citizenry, or organizations or other governments that are not part of the financial reporting entity.

- **Fiduciary activities continue to be reported as basic financial statements**

- **Custodial funds**

- An expanded fund type be established that includes any fiduciary arrangement that is not governed by a formal trust agreement or equivalent arrangement
 - Funds previously classified as agency funds

Fiduciary Funds in use today

- Can be either expendable or nonexpendable
- Used to account for resources held in a trustee capacity
- Mainly for outside parties - like employees and their survivors, individual citizens, other governments etc.
- Focus on all economic resources concept
- Follow the full accrual basis.
- 4 major types:
 - Pension / OPEB trust funds
 - Investment trust funds
 - Private-purpose trust funds
 - Agency funds
- Required Financial Statements
 - Statement of Fiduciary Net Position
 - Statement of Changes in Fiduciary Net Position



NOTE: Since these funds benefit outside parties instead of the government itself, they are not included in the government-wide statements.



Fiduciary Activities Usually Found in a Government

- General Employees' Defined Benefits Pension Fund
To account for the operations of the defined benefits pension plan covering general officers and employees.
- General Employees' Defined Contribution Pension Fund
To account for the operations of the defined contribution pension plan covering general officers and employees.
- Firefighter's Pension Fund
To account for the operations of the defined benefit pension plan covering fire fighting employees.
- Police Officer's Pension Fund
To account for the operations of the defined benefit pension plan covering sworn police employees.

Fiduciary Activity Reporting

☐ Fiduciary activities continue to be reported as basic financial statements in GPEFRs

- Pension (and other employee benefit) trust funds, investment trust funds, and private-purpose trust funds of governments meeting the proposed definition of a fiduciary continue to be reported in GPEFRs
- The classification of fiduciary activities be determined by the presence or the lack of presence of a trust agreement or equivalent arrangement
- No trust or equivalent arrangement – custodial funds



Custodial Funds

- ☐ An expanded fund type be established that includes any fiduciary arrangement that is not governed by a formal trust agreement or equivalent arrangement
- ☐ Custodial funds of governments meeting the proposed tentative definition of a fiduciary be reported in GPEFRs
 - A commitment be recognized and reported as a liability only when the event giving rise to the liability has occurred Otherwise..... The commitment should be recognized and reported as net position restricted for beneficiaries for ALL FIDUCIARY FUNDS
 - Meaning – “P&L” for Custodial Funds



Next Steps in Project

- Deliberations through summer – when is there a liability in custodial funds?
- December 2014 –Preliminary Views
- Winter – Summer 2015 – Redeliberation
- October 2015 – Exposure draft
- Final in Fall of 2016?
- Periods beginning after June 15, 2017 likely implementation.

GAAP Hierarchy—Three Things

- Reduce GAAP Hierarchy from four levels to two levels
 - Level 1—GASB Statements (interpretations no longer issued)
 - Level 2—GASB Technical Bulletins and Implementation Guides and AICPA pronouncements cleared by the GASB
- Nonauthoritative—further clarifies role of concepts statements
- Requires broader public exposure of comprehensive implementation guide



Leases—Three Things

- Single approach—right of use
 - No classification of leases into operating/capital or other categories
 - Potentially develop some exceptions
 - Underlying assumption that leases are financings
- Practicality exception—short-term lease
 - Lease that, at the beginning of the lease, has maximum possible term under the contract, including any options to extend, of 12 months or less
- Lessor—working with FASAB

Leases

- Scope *may* include
 - Contracts not identified as leases but that meet the definition
 - Certificates of participation
 - “Leases” or “notes” signed as part of state revolving funds
- Scope will not include biological assets including timber rights
- Bottom line
 - No capital vs. operating leases
 - Other exceptions may occur
 - Underlying assumption that nearly all leases are financing driven

➤➤➤ So What is the Right of Use Model?



A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration

What's Ahead in the Project

- Issues to be deliberated
 - Lessor accounting and financial reporting
 - Right to use asset segregated from other capital assets?
 - Note disclosures for lessees and lessors
- Preliminary views document due in November 2014
 - 90-120 day comment period likely
 - Deliberation throughout 2015
 - Exposure draft likely not until 2016
 - Implementation 2017?



Postemployment Be

2 Things

- Three Exposure Drafts **released**
 - Other Postemployment Benefits (OPEB)—Plans
 - OPEB—Employers
 - Pensions—Plans that are not qualifying trusts
- OPEB proposals based on new pension standards
- Certain modifications made, including provision for healthcare trend rates
- Pensions – Plans that are not qualifying trusts will have to implement GASB-67 / 68 “like” disclosures
 - modification to GASB 67 / 68 proposed

- Proposal(s) will include
 - Projection of benefits the same as GASB-68 + healthcare inflation factor
 - Discounting – same as GASB-68
 - Attribution of costs – ditto
 - Implicit rate subsidy
 - Community rated plans (now in implementation guide)
 - Disclosures



Timeline

- Comment periods through August **29**, 2014
- Public hearings September 2014
- Redeliberation into 2015
- Final standards – June 2015
- Implementation – likely by July 1, 2016 for plans, July 1, 2017 for employers?

Tax Abatement Disclosures

- GASB just getting started, but limited in scope
- Tax abatements run the gamut from senior citizens to veterans to corporations (but senior citizens and veterans are already excluded)
- Tentative definition:
 - Tax abatements are a reduction of or exemption from taxes, offered by a government to a specific taxpayer, typically for the purpose of spurring economic development.
- Recognition of an abatement is currently out of scope

Tax Abatement Disclosures

- Issues Researched
 - What information about tax abatements, if any, should be disclosed in the notes?
 - What tax abatement information do governments currently have available?
 - What costs, if any, might a government incur to collect information about tax abatements?
- Exposure draft potentially by September 2014
- Comments to January 2015
- Final standard by August 2015
- Implementation by June 15, 2016?

QUESTIONS



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