

NASACT Middle Management Conference Oklahoma City, OK

GASB Update

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Where Are They Now?



Effective Dates—June 30

- June 30, 2010
 - Statement 45—Employer's OPEB—Phase III
 - Statement 51—Intangible Assets
 - Statement 53—Derivative Instruments
 - Statement 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans—provisions related to the use and reporting of the alternative measurement method (paragraphs 6 and 7)
 - Statement 58—Chapter 9 Bankruptcies



Effective Dates—June 30

- June 30, 2011
 - Statement 54—Fund Balance and Governmental Fund Type Definitions
- June 30, 2012
 - Statement 57—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans—provisions related to the frequency and timing of measurements (paragraph 8)



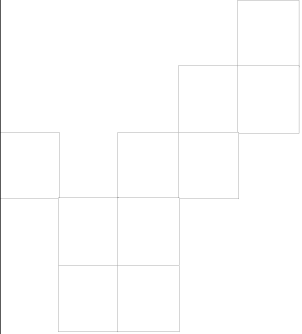
Recent GASB Pronouncements

- **Statement 54**—Fund Balance Reporting and Governmental Fund Type Definitions
- **Statement 55**—The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments
- **Statement 56**—Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards




Recent GASB Pronouncements (Continued)

- **Statement 57**—OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans
- **Statement 58**—Chapter 9 Bankruptcies
- **Comprehensive Implementation Guide**—Annual Update issued in September



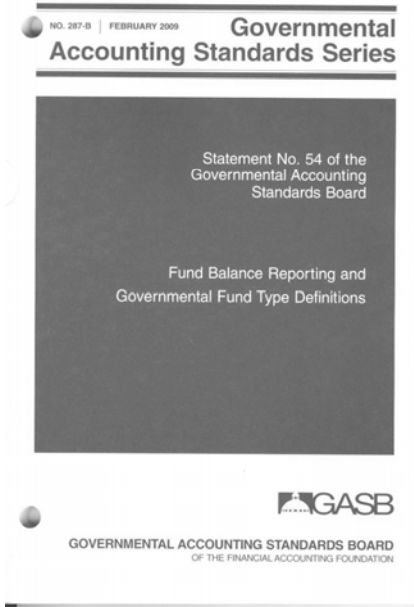
Statement 54

Fund Balance and Governmental Fund Type Definitions



Statement No. 54

Issued February 2009



NO. 287-D | FEBRUARY 2009

Governmental Accounting Standards Series

Statement No. 54 of the Governmental Accounting Standards Board

Fund Balance Reporting and Governmental Fund Type Definitions

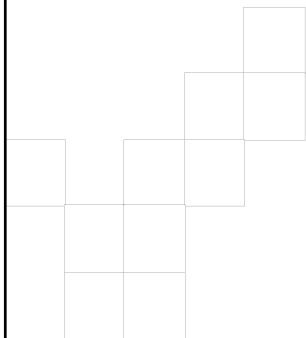
GASB

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION



Origins of the Project

- Significant variation in how standards are applied, leading to significant divergence in practice
- Widespread confusion about terminology
- Mismatch between what governments are reporting about fund balance and what users of financial statements actually need
- Invitation to Comment issued October 2006
- Exposure Draft issued February 2008



Fund Balance

Reporting and Disclosures

What Do you Need to Know About Statement 54?

- New fund balance presentation hierarchy is based primarily on the degree of **spending constraints placed upon use of resources for specific purposes** versus availability for appropriation
- 5 new presentation classifications go from non-spendable down through three levels of less binding spending constraints to an unassigned level, which is available for any spending of the government

New Fund Balance Classifications

Fund Balance Reporting

- | | | | |
|---------------------------------------|---|---|---|
| <input type="checkbox"/> Nonspendable | } | | Essentially what is now reserved |
| <input type="checkbox"/> Restricted | | | |
| <input type="checkbox"/> Committed * | | | |
| <input type="checkbox"/> Assigned | } | → | Essentially what is now designated |
| <input type="checkbox"/> Unassigned | | | |

*Proposal called this classification "limited"



Nonspendable Fund Balance

- Represents amounts that cannot be spent because they are either:
 - Not in spendable form
 - Inventory and prepaids
 - Long-term receivables and loans or property acquired for sale (unless proceeds are restricted, committed, or assigned, then the receivables should be reported in those categories)
 - Legally or contractually required to be maintained intact (Ex. Corpus of a Permanent fund)



Restricted Fund Balance

- Same definition as for net assets in Statement 34 (as amended by Statement 46)
- Constraints placed on the use of amounts for a specific purpose by either:
 - Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments
 - Imposed by law through constitutional provisions or enabling legislation



Committed Fund Balance

- Constraint on use imposed by the government itself, using its highest level of decision-making authority
- Amounts classified as “committed” are not subject to legal enforceability like restricted resources; however, the constraint can be removed or changed only by taking the same highest level action
- Action to constrain resources should occur prior to the end of the fiscal year, though the exact amount may be determined subsequently
 - EX. 50% of surplus to be devoted to pay debt service



Assigned Fund Balance

- Amounts that are **intended** by the government to be used for a particular purpose, but are **neither restricted nor committed**, should be reported as *assigned fund balance*.
- Intent should be expressed by:
 - the governing body itself or
 - a subordinate high-level body or official possessing the authority to assign resources to be used for specific purposes in accordance with policy established by the governing body.



Assigned Fund Balance

- Amounts in governmental funds other than the general fund that are not restricted or committed are reported as assigned
 - The act of transferring resources to another governmental fund is considered an assignment of those resources to the purpose of that fund
 - Appropriation of existing fund balance to eliminate a projected budgetary deficit in the next year's budget is an assignment of fund balance



Unassigned Fund Balance


- Available for any purpose
- Reported only in the general fund, except in cases of negative fund balance
 - Negative balances in other governmental funds are reported as unassigned (if spent more for the purpose intended than had available then the resources must have come from the unassigned resources of the general fund)

Where are amounts going in your government?

Reserves for		→	Nonspendable
Inventories		→	
Notes Receivable		→	Restricted
Permanent Funds		→	
Encumbrances		→	Committed
Designated for PF		→	
Unreserved in GF		→	Assigned
Unreserved in Others		→	
		→	Unassigned


Stabilization (or Rainy Day) Arrangements: Before 54

- Under existing standards, rainy-day or “stabilization” amounts generally should be reported as unreserved-undesigned, not as reserved
 - Many stabilization amounts are not constrained in a manner that qualifies as reserved
 - More importantly, stabilization was not previously considered a specific purpose—it is a circumstance



Stabilization (or Rainy Day) Arrangements: Before 54

- Under almost no circumstances should stabilization amounts be reported in special revenue funds under the existing standards
 - Stabilization amounts generally are not restricted
 - Stabilization amounts generally do not derive from a specific revenue source



Stabilization (or Rainy Day) Arrangements: Under 54

- Stabilization can be considered a specific purpose if:
 - Constraints on stabilization amounts meet the criteria to be reported as restricted or committed
 - The formal action imposing the constraint on spending identifies and describes in sufficient detail the specific circumstances under which a need for stabilization arises
 - The circumstances are not expected to occur routinely—needs to be uncommon



Stabilization Note Disclosures

- It is possible that many amounts previously reported as reserved for stabilization or in a separate rainy-day fund will now be reported as unassigned fund balance in the general fund. But Statement 54 requires these disclosures;
 - Minimum fund balance policies
 - Stabilization arrangements
 - Authority for establishing
 - Requirements for additions
 - Conditions under which amounts may be used



Encumbrances

- Right now encumbrances are reported as reservations of fund balance—Statement 54 does nothing to encumbrance accounting, for financial reporting purposes only
- Encumbrances **should not** be displayed **separately** within the restricted, committed, and assigned categories
- Significant encumbrances—disclosed in the notes by major funds and nonmajor funds in the aggregate in conjunction with required disclosures about other significant commitments

Displaying Fund Balance Categories and Classifications

- Restricted fund balance may be displayed in a manner that distinguishes between the major restricted purposes, or it may be displayed in the aggregate
- Committed and assigned fund balances may be displayed in sufficient detail so that the purposes of the major limitations and assignments are evident, or each classification may be displayed in the aggregate
- Reader needs to be able to understand the major purposes

Specific purpose details displayed

	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Fund balances:							
Nonspendable:							
Inventory	\$ 125,000	\$ 108,000	\$ 16,000	—	—	—	\$ 249,000
Permanent fund principal	—	—	—	—	—	\$ 164,000	164,000
Restricted for:							
Social services	240,000	—	—	—	—	—	240,000
Parks and recreation	80,000	—	—	—	—	—	80,000
Education	55,000	—	—	—	—	—	55,000
Highways	—	—	—	—	\$ 444,000	—	444,000
Road surface repairs	—	24,000	—	—	—	—	24,000
Debt service reserve	—	—	—	\$ 206,000	—	—	206,000
School construction	—	—	—	—	301,000	—	301,000
Law enforcement	—	—	—	—	—	214,000	214,000
Other capital projects	—	—	—	—	51,000	—	51,000
Other purposes	30,000	—	—	—	—	—	30,000
Committed to:							
Zoning board	16,000	—	—	—	—	—	16,000
Economic stabilization	210,000	—	—	—	—	—	210,000
Homeland security	110,000	—	—	—	—	—	110,000
Education	50,000	—	103,000	—	—	—	153,000
Health and welfare	75,000	—	—	—	—	—	75,000
Assigned to:							
Parks and recreation	50,000	—	—	—	—	—	50,000
Library acquisitions	50,000	—	—	—	—	—	50,000
Highway resurfacing	—	258,000	—	—	—	—	258,000
Debt service	—	—	—	306,000	—	—	306,000
Public pool	—	—	—	—	121,000	—	121,000
City Hall renovation	—	—	—	—	60,000	—	60,000
Other capital projects	50,000	—	—	—	471,000	—	521,000
Other purposes	80,000	—	73,000	—	—	176,000	329,000
Unassigned:							
Unassigned	525,000	—	—	—	—	—	525,000
Total fund balances	\$1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$1,448,000	\$ 554,000	\$ 4,842,000

This level of detail is not required for display on the face of the balance sheet. Fund balance categories and classifications may be presented in detail or in the aggregate if sufficient detail is provided in the notes to the financial statements.

Classification totals displayed—details disclosed in the notes

	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Fund balances:							
Nonspendable	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 164,000	\$ 413,000
Restricted	405,000	24,000	—	\$ 206,000	\$ 796,000	214,000	1,645,000
Committed	461,000	—	103,000	—	—	—	564,000
Assigned	230,000	258,000	73,000	306,000	652,000	176,000	1,695,000
Unassigned	525,000	—	—	—	—	—	525,000
Total fund balances	\$ 1,746,000	\$ 390,000	\$ 192,000	\$ 512,000	\$ 1,448,000	\$ 554,000	\$ 4,842,000

What Do You Need to Know About Statement 54—Fund Type Definitions

- Governmental Fund Type Definitions
 - Special revenue
 - Capital projects
 - Debt service



Special Revenue Funds

- Special revenue funds are used to account for and report the proceeds of specific revenue sources that are **restricted or committed** to expenditure for specified purposes other than debt service or capital projects. The term “proceeds of specific revenues sources” establishes that one or more specific restricted or committed revenues should be the foundation for a special revenue fund.
 - Used to say just legally restricted
 - Now need a real revenue as the funds base—not a transfer
 - Agrees with new Fund Balance categories



Proceeds of Specific Revenue Sources

- Establishes that one or more specific restricted or committed revenues should be the **foundation** for a special revenue fund
- Restricted or committed proceeds of specific revenue sources should comprise a **substantial portion** of the inflows reported in the fund—can put other resources there
 - But the fund may also include other restricted, committed, and assigned resources



Capital Projects Funds

- Capital projects funds are used to account for and report financial resources that are **restricted, committed, or assigned** to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets—agrees with new Fund Balance categories
- Now can be used to report the acquisition or construction of capital assets that clearly comprise **facilities** (for example, buildings, infrastructure assets) **AND** those that clearly do not (for example, buses, computer workstation equipment)—**OLD DEFINITION INCLUDED ONLY FACILITIES**



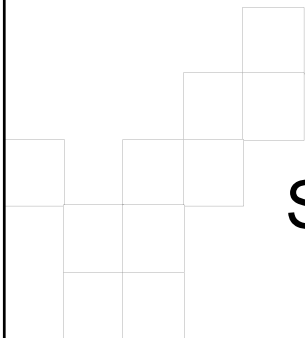
Debt Service Funds

- Debt service funds are used to account for and report financial resources that are **restricted, committed, or assigned** to expenditure for principal and interest—agrees with new Fund Balance categories
- Should be used to report resources if legally mandated—in old definition
- Financial resources that are being accumulated for principal and interest payments maturing in future years also should be reported in debt service funds—in old definition



Proposed Effective Date and Transition

- Effective for financial statements for periods beginning after June 15, 2010
- Changes to the fund balance information presented in a statistical section may be made prospectively, although retroactive application is encouraged
 - If the information for previous years is not restated, governments should explain the nature of the differences from the prior information



Statements 55 and 56

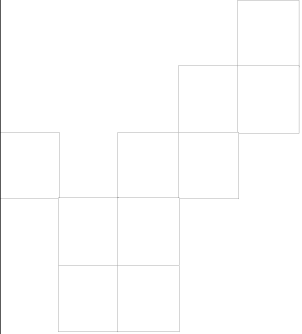
GAAP Hierarchy and AICPA
Omnibus

Statements 55 and 56




What Do You Need to Know about Statements 55 and 56?

- Accounting and financial reporting guidance currently found in the AICPA's Statements on Auditing Standards brought into the GASB literature "as is", but set in a governmental context
- Statement 55—GAAP Hierarchy
 - First step in the potential reexamination of current multi-level hierarchy
- Statement 56—AICPA Omnibus
 - Related party transactions, subsequent events, and going concern considerations



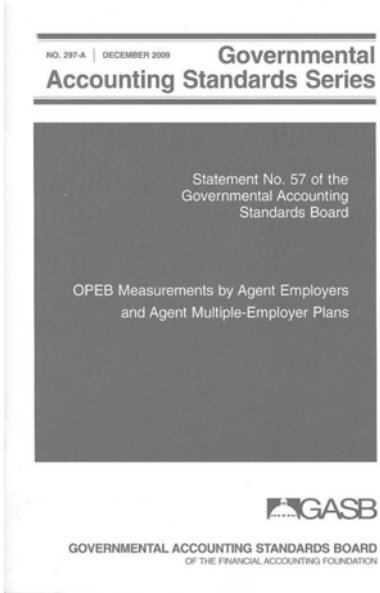
Statement 57

OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans



Statement 57


Issued
December 2009




NO. 297-A | DECEMBER 2009 **Governmental Accounting Standards Series**

Statement No. 57 of the Governmental Accounting Standards Board

OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans

 **GASB**

GOVERNMENTAL ACCOUNTING STANDARDS BOARD
OF THE FINANCIAL ACCOUNTING FOUNDATION



OPEB Measurements by Agent Employers and agent Multiple-Employer Plans

- Objectives—to address issues related to:
 - The use of the alternative measurement method
 - The frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit (OPEB)



Statement 57

- Expands option for qualified agent employers to use the **alternative measurement method**
 - permits an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method
- Amends agent multiple plan reporting requirements
 - permits the requirement that a defined benefit OPEB plan obtain an actuarial valuation - be satisfied for an agent multiple-employer OPEB plan by reporting an aggregation of results of actuarial valuations of the individual-employer OPEB plans or measurements resulting from use of the alternative measurement method for individual-employer OPEB plans that are eligible



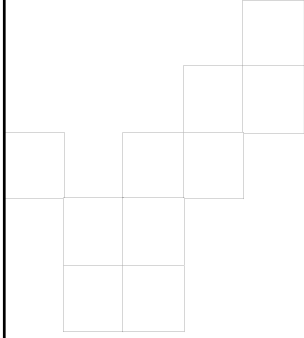
Statement 57

- Clarifies **measurement frequency and timing** requirements for agent employers
 - when actuarially determined OPEB measures are reported by an agent multiple-employer OPEB plan and its participating employers, those measures should be determined as of a common date and at a minimum frequency to satisfy the agent multiple-employer OPEB plan's financial reporting requirements




Statement 57

- Other Postemployment Benefits – Certain Implementation Issues
 - Effective Date:
 - Provisions related to the use and reporting of the alternative measurement method are effective immediately
 - Provisions related to the frequency and timing of measurements are 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 is encouraged.



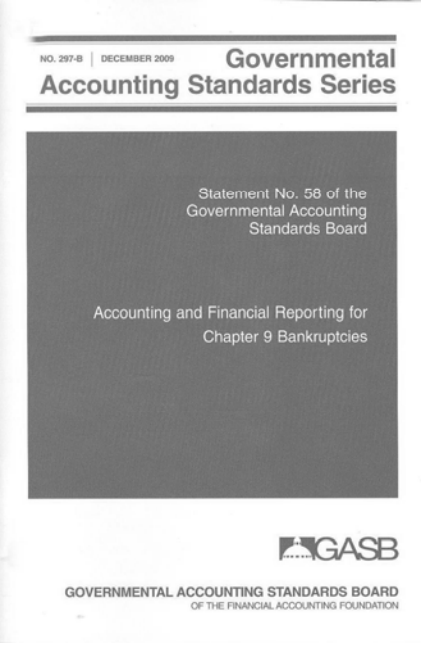
Statement 58

Accounting and Financial Reporting
for Chapter 9 Bankruptcies



Statement 58

Issued
December 2009



The image shows the cover of the document. At the top, it reads "NO. 297-B | DECEMBER 2009" followed by "Governmental Accounting Standards Series". The main title is "Statement No. 58 of the Governmental Accounting Standards Board" and the subtitle is "Accounting and Financial Reporting for Chapter 9 Bankruptcies". At the bottom, the logo for GASB (Governmental Accounting Standards Board) is displayed, along with the text "GOVERNMENTAL ACCOUNTING STANDARDS BOARD OF THE FINANCIAL ACCOUNTING FOUNDATION".



Statement 58

- Chapter 9 (“municipal”) bankruptcies excludes state and tribal governments
- As of 2009 only 24 states authorized Chapter 9 filings by their municipal governments
 - Oklahoma governments– State statute (tit. 62, § 283) applies to “debtor municipal corporation or political subdivision” of the state



Accounting and Financial Reporting for Chapter 9 Bankruptcies

- Objective—to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code



Chapter 9 Bankruptcies

- Accounting and Financial Reporting for Chapter 9 Bankruptcies
 - Requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (approves) a new payment plan
 - Governments not expected to emerge from bankruptcy as going concerns—requires remeasurement of assets to a value that represents the amount expected to be received
 - Classifies gains or losses resulting from remeasurement of liabilities and assets as extraordinary items



Chapter 9 Bankruptcies

- Accounting and Financial Reporting for Chapter 9 Bankruptcies
 - Disclosure requirements include:
 - Pertinent conditions and events giving rise to the petition for bankruptcy
 - Expected gain
 - Effects upon services
 - Proposed Statement would be effective for reporting period beginning after June 15, 2009 (6/30/10 or 12/31/10)

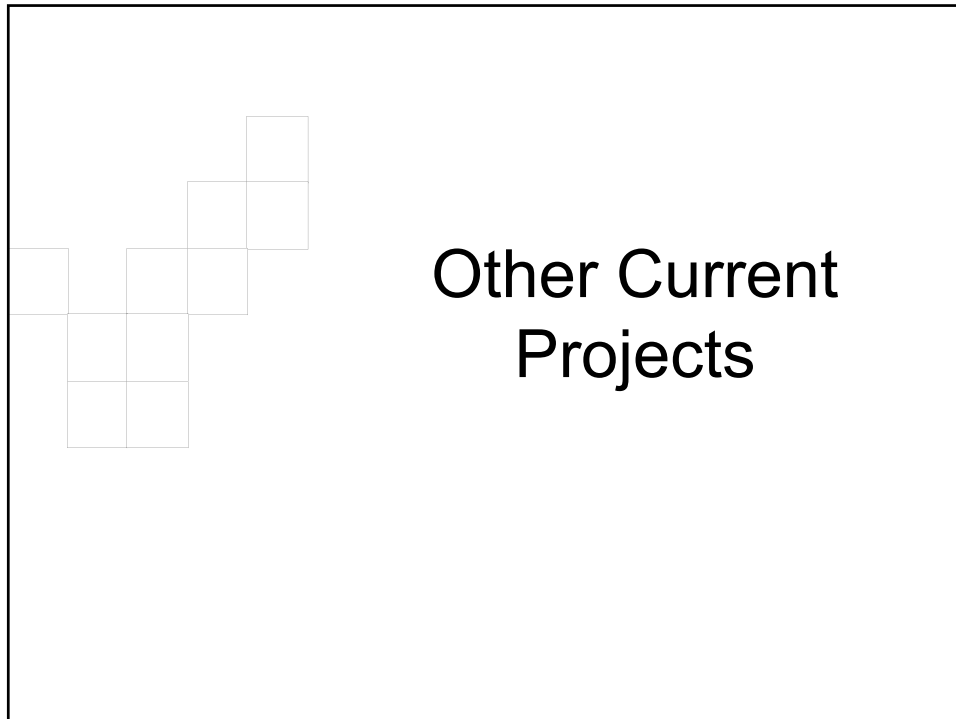



Comprehensive Implementation Guide 2009-2010 Edition

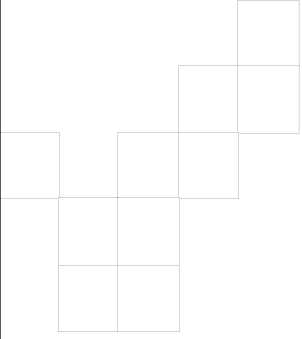


Comprehensive Implementation Guide

- Includes updates, and supplements all prior guides issued through June 30, 2009
 - More than 1,800 questions and answers
- Adds more than 100 new questions and answers including the material from the Implementation Guide to Statement 53 on Derivative Instruments
 - Also includes appendices to provide Q&As without the effects of Statement 53 for those governments for which the Statement is not yet effective



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- ## Other Current Projects
- Concepts Statement
 - Recognition and Measurement Attributes
 - Service Efforts and Accomplishments (SEA) Reporting
 - Voluntary Guidelines
 - Pension Accounting and Reporting
 - Pre-November 30, 1989 FASB Pronouncements
 - Service Concession Arrangements (SCA)
 - Financial Instruments Omnibus
 - Statement 14 Reexamination
 - Economic Condition Reporting: Fiscal Sustainability



Research Agenda



Research Agenda

- Electronic Financial Reporting—GASB to monitor and encourage use
- Government Combinations—consider the financial reporting requirements for government combinations that are accomplished through annexation, consolidation, acquisition, or other means
- Fair Value Measurement—alternatives for the further development of the definition of fair value, the methods used to measure fair value, and potential disclosures about fair value measurements
- Demand Bonds—Interpretation 1 Reexamination—Does Interpretation No. 1, *Demand Bonds Issued by State and Local Governmental Entities* continue to address the relevant accounting and reporting issues and meet financial statement user needs?

