ILLINOIS COMMUNITY COLLEGE
CHIEF FINANCIAL OFFICERS
SPRING 2011 CONFERENCE
GASB UPDATE

Presented by:
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GASB STATEMENT NO 59,
FINANCIAL INSTRUMENTS OMNIBUS

• Issued in June 2010
  – Effective for fiscal years ending June 30, 2011 and thereafter
  – Early implementation is encouraged

• Amends GASB S-25 and GASB S-43
  – Eliminates fair value exemption for unallocated insurance contracts
  – Report as interest earning investment contracts
    • Participating investment contracts should be reported at fair value
    • Non-participating investment contracts are reported at contract value
GASB STATEMENT NO 59, 
FINANCIAL INSTRUMENTS OMNIBUS

• Amends GASB S-31
  – 2a7-like pools operate in accordance SEC Rule 2a7
    • Report investment at share price or net asset value (NAV)
  – Rule 2a7 allows SEC-registered mutual funds to use amortized cost rather than market value to report net assets to compute share prices
    • Restrictions on the types of investments held
    • Restrictions on the term-to-maturity of individual investments and the dollar-weighted average of the portfolio
    • Requirements for portfolio diversification, requirements for divestiture considerations in the event of security downgrades and defaults, and required actions if the market value of the portfolio deviates from amortized cost by a specified amount
GASB STATEMENT NO 59,  
FINANCIAL INSTRUMENTS OMNIBUS

• Amends GASB S-40
  – Disclosure of interest rate risk should include
    • Investments in debt mutual funds
    • Investments in debt investment pools
    • Other pooled debt investments
  – Disclosures of interest rate risk should exclude
    • Investments in SEC Rule 2a7 mutual funds
    • Investments in 2a7 like funds
    • NAV does not fluctuate with changing interest rates
    • No interest rate risk to disclose
GASB STATEMENT NO 60, ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

• Issued November 2010
• Effective for fiscal years ending December 31, 2012 and thereafter
  – June 30, 2013
• A type of public-private or public-public partnership
• Parties: transferor, operator, customer/user
• Benefits:
  – Leverage existing infrastructure for cash
  – Get facilities built, but transfer the risks
  – Provide services in a more efficient manner
GASB STATEMENT NO 60, ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

• Applicability
  – Conveyance of public capital asset in exchange for significant consideration
  – Operator collects fees from third parties
  – Transferor controls the terms of service delivery
  – Transferor is entitled to significant residual interest
GASB STATEMENT NO 60,
ACCOUNTING AND FINANCIAL REPORTING FOR
SERVICE CONCESSION ARRANGEMENTS

• Transferor Accounting
• If existing facility, continue to report as capital asset
• If facility purchased or constructed, record:
  Capital Asset XX
  Contract Obligations Payable XX
  Deferred Revenue XX
• Capital asset is subject to existing requirements for
depreciation, impairment, and disclosures
GASB STATEMENT NO 60, ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

• Transferor Accounting
• Should recognize a liability for certain obligations to sacrifice financial resources if:
  – Obligation relates directly to the facility, or
  – Obligation relates to a commitment to maintain a minimum or specified level of service in the facility
• Deferred inflow should be reduced and revenue recognized in a systematic and rational manner over the term of the SCA
GASB STATEMENT NO 60,
ACCOUNTING AND FINANCIAL REPORTING FOR
SERVICE CONCESSION ARRANGEMENTS

• If SCA requires upfront or installment payments from the operator, record:
  Cash/Installment Payments Receivable XX
  Contract Obligations Payable XX
  Deferred Revenue XX
GASB STATEMENT NO 60, ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

• Accounting for Revenue Sharing Agreements
  – Applicable when transferor and operator share the facility’s revenues
    • Bookstore, cafeteria
  – Operator recognizes 100% of revenue earned and expenses incurred
  – Transferor recognizes only its share of the revenue
    • If risk of operations is transferred
  – If payments are periodic, recognize the present value
GASB STATEMENT NO 60,
ACCOUNTING AND FINANCIAL REPORTING FOR
SERVICE CONCESSION ARRANGEMENTS

• Include in the notes to the financial statements
  – General description of the SCA
  – Nature of the assets, liabilities, and deferred inflows that are recognized in the financial statements
  – Nature and extent of rights retained by the transferor or granted to the governmental operator
GASB STATEMENT NO 61,
DEFINING THE FINANCIAL REPORTING ENTITY

• Issued in December 2010

• Effective for fiscal years ending June 30, 2013 and thereafter
  – Revised definition of financial accountability
    • Appoint voting majority of separate board
      – Impose will or financial benefit or burden
    • Do not appoint a voting majority
      – Fiscal dependency and financial benefit or burden
GASB STATEMENT NO 61,
DEFINING THE FINANCIAL REPORTING ENTITY

• Revised reporting component units
  – Discrete presentation is default
  – Blending required if
    • Board substantively the same and
      – Financial benefit or burden and
      – Same management as primary government (PG)
    • Provide services almost entirely to PG or constituents
    • CU debt paid by PG
GASB STATEMENT NO 61, 
DEFINING THE FINANCIAL REPORTING ENTITY

- Component unit even if not financially accountable
  - Retained GASB S-39
    - Fundraising organizations
      - Legally separate, tax exempt
      - Resources held almost entirely for GP or constituents
      - Entitled to or can access resources
    - Report as a discretely presented component unit
OTHER FINANCIAL REPORTING ISSUES

• GASB S-45
  – Community College Health Insurance Security Fund (CIP)
    • Cost sharing multiple employer OPEB plan
    • Required employer disclosures

• GASB S-54, Fund Balance Reporting and Governmental Fund Type Definitions
  – Not applicable to BTA model reporting

• Build America Bond Rebates
  – Must report rebate gross, cannot net with interest expense
  – Accrual basis asset and revenue recognition