



GASB 63 & GASB 65


Presented by
Amy Willard, WVDE Office of
School Finance







GASB Statement No. 63

“Financial Reporting of Deferred Outflows of
Resources, Deferred Inflows of Resources,
and Net Position”





- Objective - To provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures.
- Applicability - Applies to all state and local governments.
- Effective - For all periods beginning after December 15, 2011.




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- What is a deferred outflow of resources?

A consumption of net assets by the government that is applicable to a future reporting period.

Has a positive effect on net position, similar to assets.




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- What is a deferred inflow of resources?

An acquisition of net assets by the government that is applicable to a future reporting period.


Has a negative impact on net position, similar to liabilities.




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Statement of Net Position


- GASB 63 changes the entity-wide “Statement of Net Assets” to the “Statement of Net Position.”
- Governments are encouraged to have a format that shows:
Assets + Deferred Outflows of Resources – Liabilities
- Deferred Inflows of Resources = Net Position




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Statement of Net Position


- A balance sheet format may be used instead
Assets + Deferred Outflows of Resources =
Liabilities + Deferred Inflows of Resources + Net Position
- The net position represents the difference between all of the other categories and should be displayed in 3 components:
 - Net Investment in Capital Assets, Restricted, and Unrestricted




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Net Investment in Capital Assets


- Consists of Capital Assets, net of accumulated depreciation, reduced by the outstanding balances of bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Deferred outflows or inflows that are attributable to the acquisition, construction, or improvement of those assets or related debt should also be included in this component of net position.



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Restricted Net Position


- Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.



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Unrestricted Net Position


- The net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or restricted net position.
- Essentially the leftover balance



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- Governmental Funds Balance Sheet


Assets + Deferred Outflows of Resources = Liabilities + Deferred Inflows of Resources + Fund Balance



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Disclosures

- Balances of deferred inflows and outflows may be presented as aggregations of different types of deferred amounts.
- Governments should provide details of the different types of deferred amounts in the footnotes if significant components are obscured by aggregation.
- Disclosure of the details in the notes is only required if the information is not displayed on the face of the financial statements.



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- What types of transactions are considered deferred inflows and outflows of resources under GASB 63?
 - Changes in fair value of hedging derivatives
 - Service concession arrangement receipts

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GASB Statement No. 65


“Items Previously Reported as Assets and Liabilities”

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- Objective – To properly classify/recognize certain items that were previously reported as assets and liabilities as deferred outflows or deferred inflows of resources.
- Applicability – Applies to all state and local governments
- Effective – For all periods beginning after December 15, 2012.


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Refundings of Debt


- The difference between the reacquisition price and the net carrying amount of the old debt should be reported as a deferred outflow (loss) or deferred inflow (gain) and recognized as a component of interest expenses over the remaining life of the old or new debt, whichever is shorter.




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Imposed Non-exchange Revenue Transactions


- Imposed non-exchange revenue transactions that are reported as receivable prior to their formal levy (such as property taxes recorded in June but not fully levied until July) or transactions recorded as receivable prior to the period when resources are required to be used (such as license fees billed in June for licenses valid the following year beginning in July) should be reported as deferred inflows.




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Government-Mandated Non-Exchange Transactions and Voluntary Non-Exchange Transactions


- Providers of resources in such transactions frequently establish eligibility requirements. Resources transmitted before the eligibility requirements are met (excluding time requirements) should be reported as assets by the provided and liabilities by the recipient .




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Government-Mandated Non-Exchange Transactions and Voluntary Non-Exchange Transactions


- Resources received before time requirements are met, but after all other eligibility requirements have been met should be reported as a deferred outflow of resources by the provider and a deferred inflow of resources by the recipient.




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Sales and Intra-Entity Transfers of Future Revenues


- These are now generally reported as Deferred Inflows of Resources.
- Not common to county boards of education.




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Debt Issuance Costs


- Debt Issuance Costs, except any portion related to prepaid insurance costs, should be recognized as an expense in the period incurred.
- Prepaid insurance costs should be reported as an asset and recognized as an expense over the duration of the related debt.




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Leases


- Initial direct costs of an operating lease should be treated as an expenditure in the period incurred.
- Gains or losses arising from sale and leaseback transactions result in a deferred inflow or deferred outflow of resources that are recognized systematically over the life of the lease. Not common to county boards of education.




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Other Items Not Common to LEAs


- Acquisition Costs Related to Insurance Activities
- Lending Activities
- Loan Origination Fees and Costs
- Commitment Fees
- Purchase of a Loan or Group of Loans
- Mortgage Banking Activities
- Loan Origination Fees and Costs
- Fees Relating to Loans Held for Sale
- Regulated Operations



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Revenue Recognition in Governmental Funds


- 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 the revenue becomes available.
- Examples: Property Taxes and other receivables not available to finance expenditures of the current period that are currently reflected as Deferred Revenue in the Liability section of the balance sheet will now be called Deferred Inflows of Resources instead.



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Use of the Term Deferred


- Paragraph 31 states that the use of the term “deferred” should be limited to items reported as deferred outflows of resources or deferred inflows of resources.
- Paragraph 111 indicates that the GASB Board concluded the statement should not prescribe new terminology for liabilities that were previously called “deferred revenue” and that the terminology used should be left to professional judgment.
- Paragraph 109 provides an example of a liability that was formerly known as “deferred revenue” – receipt of an expenditure driven grant in advance of the incurrence of eligible costs. This will remain a liability but will need a new name.



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Items that are still Assets

- Per paragraph 48, the following items are still considered assets:
 - Prepayments
 - Resources advanced to another government when eligibility requirements, other than time requirements, have not been met.
 - The purchase or future revenues from a government outside the financial reporting entity.
 - Initial Subscriber Installation Costs in relation to cable TV systems
 - Capitalized incurred costs related to regulated activities.



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Items that are still Liabilities

- Per paragraph 53, the following items are still considered assets:
 - Resources received in advance when eligibility requirements other than time requirements have not been met
 - Resources received in advance of an exchange transaction
 - Others not common to LEAs

