

# Items Previously Reported as Assets and Liabilities

## GASB Statement No. 65

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### **OBJECTIVE:**

The objective of GASB 65 is to either properly classify certain items that were previously reported as assets and liabilities as deferred outflows of resources or deferred inflow of resources or recognize certain items that were previously reported as assets and liabilities as outflows of resources (expenses or expenditures) or inflow of resources (revenue).

### **IMPLEMENTATION:**

GASB 65 must be implemented in the CAFR for the *fiscal year ending June 30, 2014*. Accounting changes should be applied retroactively by reclassifying the statement of net position and balance sheet information. If restatement is not practical, the cumulative effect should be reported as restatements of beginning net position or fund balance.

### **DEFINITIONS based on GASB Concepts Statement 4:**

1. **Assets** - Resources with present service capacity that the government presently controls.
2. **Liabilities** - Present obligations to sacrifice resources that the government has little or no discretion to avoid.
3. **Deferred outflow of resources** - A consumption of net assets by the government that is applicable to a future reporting period. For example, prepaid items and deferred charges.
4. **Deferred inflow of resources** - An acquisition of net assets by the government that is applicable to a future reporting period. For example, deferred revenue and advance collections.
5. **Net position** - The residual of all other elements presented in a statement of financial position.

### **IMPACT ON CAFR:**

1. **Deferred outflows of resources** should be reported as a separate section following assets in the statement of financial position.
2. **Deferred inflows of resources** should be reported as a separate section following liabilities in the statement of financial position.
3. **Statement of Net Position** – the residual amount should be reported as net position, rather than net assets. The three components remain the same – net investment in capital assets, restricted (distinguishing between major categories of restrictions), and unrestricted.
4. **Net Investment in Capital Assets Component** – Deferred outflows and inflows of resources attributable to the acquisition, construction, or improvement of these assets or related debt should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at the end of the reporting period, that portion should be included in the same net position component (restricted or unrestricted) as the unspent amount.

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5. **Restricted Component of Net Position** – Consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.
6. **Unrestricted Component of 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 the restricted component of net position.
7. **Governmental Funds** – Balance sheets should be presented in a format that displays assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance.
8. **Disclosures** – Disclosure in the notes to the financial statements is required only if the information is not displayed on the face of the financial statements. If the difference between a deferred outflow of resources or deferred inflow of resources and the balance of the related asset or liability is significant, the government should provide an explanation of that effect on its net position in the notes to the financial statements.

Examples	Current Presentation	GASB 63 and 65 (New)
Current refunding and advance refunding in defeasance of debt	Assets / Liabilities	Difference between the reacquisition price and the net carrying amount of the old debt should be reported as Deferred Outflows/Deferred Inflows of Resources. (GASB 65 Paragraph 64 & 65)
State aid to Local Government (Loan Receivable)	Assets	Deferred Outflows of Resources. (GASB 65 Paragraph 68 7 69)
Transactions subject to time requirements: fines, penalties, property forfeitures (resources to be spent only subsequent to a specified date or only during specified period)	Liabilities	If payment is received prior to the exchange – Deferred Inflows of Resources must be recognized. ( GASB 65 Appendix C .114)
State aid to Local Government (Government mandated costs) ex. State mandating school district to provide bilingual education, pre-kindergarten education	Liabilities	Any payments received after eligibility requirements but before time requirements have been met should be reported as Deferred Inflows of Resources. (GASB 65 Paragraph 10)
Intra-entity sale of future revenues	Assets – Inflows Liabilities- Outflows	Until the recognition criteria is met, transferee governments should report amounts paid/received as Deferred Outflows/Deferred Inflows of Resources respectively and recognize revenue/expense over the duration of the sale agreement. ( GASB 65 Paragraph 13)
Debt Issuance costs – Prepaid Insurance	Assets	Should be recognized as an Asset. (GASB 65 Paragraph 15)

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Fees associate with issuance of long-term bonds such as Underwriter fees	Assets	Current-period Outflows of Resources (expenses) (GASB 65 Paragraph 15)
Sale- Lease back transactions	Gains - Assets Loss – Liabilities	Gain or loss on the sale accompanied by a leaseback of all or any part of the property for remaining economic life should be recorded as Deferred Inflows of resources or Deferred Outflows of Resources. (GASB 65 Paragraph 18)
Loan Origination fees – Points	Liabilities	Points received by the lender should be reported as Deferred Inflows of Resources. ( GASB 65 Paragraph 86)
Fees paid to investors to ensure sale of the loan prior to the sale -	Assets	Fees paid to investors prior to the sale lender should be reported as Deferred Outflows of Resources until the sale of loan occurs. (GASB 65 Paragraph 100)
Current increased regulated fee for future use	Liabilities	Amounts that are not expended for the intended purpose should be reported as Deferred Inflows of Resources. (GASB 65 Paragraph 101 and 102)
Gain or other reduction in net allowable costs of regulated services imposed on customers to be allocated over future periods	Liabilities	Deferred Inflows of Resources for future reductions of charges. (GASB 65 Paragraph 105 and 106)
Advance receipt of income tax revenue	Assets	Deferred Inflows of Resources. (GASB 65 Appendix C section .114)
Assets recorded in Governmental funds but the revenue is not available for spending	Assets	Government should report Deferred Inflows of Resources. ( GASB 65 Paragraph 108)
Changes in fair value of hedging instrument	Liabilities/ Assets	Deferred Outflows of resources / Deferred Inflows of Resources. (GASB 65 Appendix A Paragraph 35)
Service Concession Arrangements – <ul style="list-style-type: none"> <li>- Difference between the fair value when placed in operation and contractual obligation</li> <li>- Difference between upfront payment or present value of installment payments and contractual obligation</li> </ul>	Assets / Liabilities	Deferred Inflows of Resources/ Deferred Outflows of Resources. (GASB 65 Appendix A Paragraph 35)