

2011 IASBO School District Workshop

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ILLINOIS CPA SOCIETY'S GOVERNMENT REPORT REVIEW TASK FORCE

2010 Report Review Update For School Districts

INTRODUCTION

About the Task Force:

- Volunteers from around the state;
- Review 50 school districts each year;
- Four step review process:
 - First and second review;
 - Third review; and
 - Committee review.

INTRODUCTION (CONTINUED)

- Levels of feedback:
 - No response required; and
 - Response required.
- Next steps:
 - Close the file;
 - Select again the following year;
 - Ethics, and
 - Department of Professional Regulation.

REPORTS REVIEWED

- GASB 34 Model – Cash and GAAP Basis;
- Regulatory Report – ISBE’s Annual Financial Report;
- Single Audit Reports:
 - Schedule of Expenditures of Federal Awards;
 - GAS Report: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with *Government Auditing Standards*; and
 - A-133 Report: Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

TOP MISSED QUESTIONS FROM 2010

General Presentation -

- 1.3 In the case of governments other than states, does the report cover include the name of the state within which the government is located? 9
- 1.50 Does the table of contents identify each statement and schedule by its full title? 8
- 1.52 Do all of the basic financial statements include a reference to the notes? (i.e. a footer stating "The notes are an integral part of these statements.") 17

TOP MISSED QUESTIONS FROM 2010

General Note Disclosure:

- 2.181 Do the notes to the statements (or RSI) disclose excesses of expenditures over appropriations in the general fund and annually budgeted major special revenue funds?
[GASBS34: 131; GASBS 37: 19] 7

TOP MISSED QUESTIONS FROM 2010

Capital Assets:

- 2.291: Does the SSAP disclose the policy for capitalizing assets? [GASB Cod. 2300.106(a) (7)] **15**
- 2.292: Does the SSAP disclose the method(s) used to calculate depreciation expense? [ABB 22: 12-13] **10**
- 2.293: Does the SSAP disclose the policy for estimating the useful lives of capital assets? **10**
- 2.374: Do the notes present accumulated depreciation as a separate item? [APB12: 5; GAAFR 226] **14**

(SSAP = Summary of Significant Accounting Policies)

TOP MISSED QUESTIONS FROM 2010

GASB 40 – Deposit Risk:

- If the government has deposits at the end of the period that are exposed to custodial credit risk (bank balances not covered by depository insurance), does the government disclose the amount of those bank balances that are both uninsured and that fall into one of the following categories: [GASB 40, 8; GASB Cod. C20.107] **15**
- 2.345.1 Uncollateralized?
- 2.345.2 Collateralized by securities held by the pledging financial institution?
- 2.345.3 Collateralized by securities held by the pledging financial institutions' trust department or agent but not in the depositor-government's name?

TOP MISSED QUESTIONS FROM 2010

(CONTINUED)

Capital Leases:

- 2.392 Do the notes disclose the gross amount of assets acquired under capital leases by major asset class? [NCGAS5: 27; FASBS13: 16ai] 8

Long Term Liabilities:

- 2.429 Do the notes disclose which governmental funds typically have been used in prior years to liquidate long-term liabilities other than the debt service fund? [GASBS34: 119d] 7

Risk Management:

- 2.486 Do the notes indicate *whether* the amount of settlements exceeded insurance coverage in each of the past three years? [GASBS10: 77b] 9

TOP MISSED QUESTIONS FROM 2010

(CONTINUED)

Interfund Loans & Transfers:

- 2.615 Do the notes provide information on interfund balances and transfers? [GASBS38:14-5] 7
- 2.617 Do the notes disclose the purpose of material interfund balances? [Disclosure should indicate specific, not generic purposes as applicable] [GASBS38: 14b] 8
- 2.620 Do the notes provide a general description of the principal purposes of material interfund transfers? [Disclosure should indicate specific, not generic purposes as applicable] [GASBS38:15b] 10

TOP MISSED QUESTIONS FROM 2010

(CONTINUED)

Joint Ventures/Agreements:

- 2.653 Do the notes provide information designed to allow the reader to evaluate whether the joint venture is accumulating significant financial resources or is experiencing fiscal stress that may cause an additional financial benefit to or burden on the participating government in the future? [GASBS14: 75a(1)] 11
- 2.654 If the government participates in a jointly governed organization, do the notes provide relevant information on related party transactions? [GASBS14: 77] 8

TOP MISSED QUESTIONS FROM 2010

(CONTINUED)

Auditors' Report:

- 3.49 Is it clear that each page in the financial report **is** covered by the full scope opinion, by the "in relation to" supplementary data responsibility, **or** is clearly unaudited? 6
- 3.50 Is it clear that each page in the financial report **is not** covered by **more than one** of the following: full scope opinion, "in relation to" supplementary data responsibility, or is clearly unaudited? 6

TOP MISSED QUESTIONS FROM 2010

(CONTINUED)

Auditors' GAS Report:

- 940 Is there a statement that "A significant deficiency is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance."? **13**

GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) UPDATE

GASB PRONOUNCEMENTS UPDATE

- GASB 54 *Fund Balance Reporting and Governmental Fund Type Definitions*
- GASB 55 *Hierarchy of GAAP*
- GASB 56 *Financial Reporting Guidance*
- GASB 57 *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans;*
- GASB 58 *Accounting and Financial Reporting for Chapter 9 Bankruptcies.*

GASB PRONOUNCEMENTS UPDATE (CONTINUED)

- GASB 59 *Financial Instruments Omnibus*
- GASB 60 *Accounting and Financial Reporting for Service Concession Arrangements*
- GASB 61 *The Financial Reporting Entity: Omnibus*
- GASB 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

FUND BALANCE – CURRENT STANDARD

- How do we allocate fund balance?

RESERVED	
	UNRESERVED
	•Designated
	•Undesignated
What is the primary objective of allocating fund balance?	

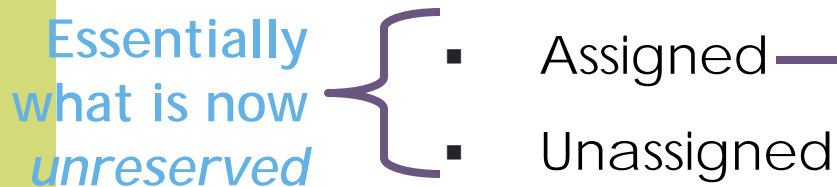
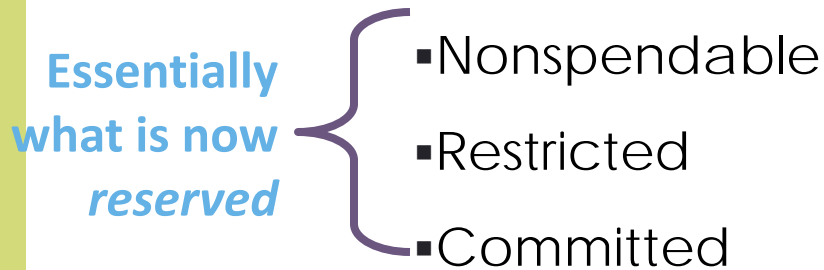
FUND BALANCE – ALLOCATION OBJECTIVE

- Reserved fund balance:
 - Resources not available for spending in the current year's budget
 - Inventories
 - Long-term receivables
 - Prepaid expenses
 - Legal restrictions on spending that is narrower than the purpose of the fund itself
 - Encumbrances
 - Categorical grants (maybe)

NEW FUND BALANCE CLASSIFICATIONS

- Under GASB 54 fund balance should be reported in classifications that:
 - “comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent”

NEW FUND BALANCE CLASSIFICATIONS



Essentially what
is now
designated

NONSPENDABLE FUND BALANCE

- Not in spendable form, such as:
 - Inventory
 - Long-term receivables not expected to be converted to cash in the near term
- Legally or contractually required to be maintained intact:
 - Corpus of a permanent fund



RESTRICTED FUND BALANCE

- Essentially the same definition as for net assets in Statement 34 (amended by 46):
 - Amounts constrained to being used for a specific purpose by:
 - External parties
 - Constitutional provisions
 - Enabling legislation (such as an ordinance establishing a fee for a specific purpose)

RESTRICTED FUND BALANCE

- Essentially the same definition as for net assets in Statement 34 (amended by 46):
 - The only exception is that amounts “required to be retained in perpetuity” are classified as non spendable within the restricted net asset category

COMMITTED FUND BALANCE

- Constraint on use for a specific purpose imposed by the district itself, using its highest level of decision making authority
- Constraint can be removed or changed only by taking the same action
- Action to constrain resources should occur prior to end of fiscal year, though the exact amount may be determined subsequently

ASSIGNED FUND BALANCE

- Amounts intended to be used for specific purposes intent is expressed by:
 - The school board
 - A body (budget or finance committee) or official (Business manager or CFO for example) authorized by the school board
- Residual amounts in funds other than the Educational (general) fund are assigned
- Appropriation of existing fund balance

UNASSIGNED FUND BALANCE

- Available for any purpose
- Reported only in the Educational (general) fund, except in cases of negative fund balance:
 - Negative balances in other funds are reported as unassigned

STABILIZATION (RAINY-DAY) AMOUNTS

- Stabilization was not previously considered a specific purpose
- If constraints on stabilization amounts meet criteria to be reported as restricted or committed, then stabilization can be considered a specific purpose
- Stabilization amounts should not be reported as assigned
- Impact on IL schools – Working Cash funds will be a part of the General Fund for external financial reporting and the fund balance is not restricted or committed, unless set up as a stabilization agreement

LEVEL OF DETAIL

- Level of detail requirements may be met by display or a combination of display and disclosure
 - Nonspendable by type
 - Restrictions by purpose
 - Commitments and assignments in sufficient detail that major purposes are evident to reader

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:	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

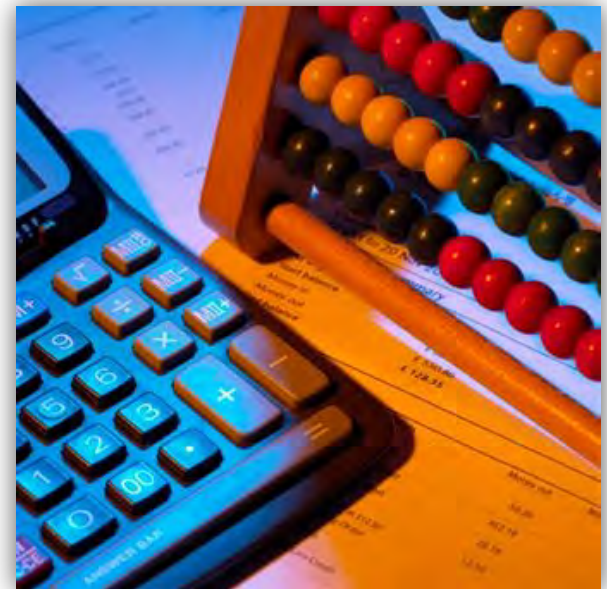
	General Fund	Major Special Revenue Funds		Major Debt Service Fund	Major Capital Projects Fund	Other Funds	Total
		Highway Fund	School Aid Fund				
Fund balances:							
Nonspendable	\$ 125,000	\$ 108,000	\$ 16,000	—	—	\$ 164,000	\$ 413,000
Restricted	405,000	24,000	—	\$ 206,000	\$ 796,000	214,000	1,645,000
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	<u>\$ 1,746,000</u>	<u>\$ 390,000</u>	<u>\$ 192,000</u>	<u>\$ 512,000</u>	<u>\$ 1,448,000</u>	<u>\$ 554,000</u>	<u>\$ 4,842,000</u>

CLASSIFYING RESIDUAL BALANCES

- Spending prioritization policies (the flow assumption)
 - Restricted vs. unrestricted
 - Committed, assigned, unassigned
 - Multiple policies
 - The “default” policy
 - Negative balances

- General fund

- Other funds



CLASSIFYING RESIDUAL BALANCES

- The flow assumption for this special revenue fund is to use restricted amounts before unrestricted amounts and to use the default policy for its unrestricted fund balance. If expenditures incurred exceed the amounts that have been restricted, committed, and assigned to a specific purpose and results in a negative residual amount for that specific purpose, amounts assigned to other purposes in that fund are reduced to eliminate the deficit.

GASB 54 SUMMARY – WHAT TO DO?

- GASB 54 is here!
 - Be sure that client appropriate governing body action is taken to ensure funds can be shown as committed
 - Ensure that engagement steps are taken to review client control processes used to track changes in committed and assigned funds

GASB 54 – FUND BALANCE

- Required disclosures
 - What is the District's highest level of decision making authority?
 - This should be the Board of Education
 - Committees of the Board of Education cannot serve as the highest level of decision making authority



GASB 54 – FUND BALANCE

- Required disclosures
 - What is the formal action that is required to be taken to establish a fund balance commitment?
 - May be discussed by committees of the Board but action must be taken by the Board of Education as a whole
 - Audit Committee
 - Finance Committee
 - Typical forms of formal action
 - Resolution
 - Ordinance
 - Whichever is higher in rank of enforceability

GASB 54 – FUND BALANCE

- Required disclosures
 - What is the body or official authorized to assign amounts to a specific purpose?
 - Committee of the Board of Education
 - Audit Committee
 - Finance Committee
 - Chief Financial Officer
 - Chief Procurement Officer



GASB 54 – FUND BALANCE

- Required disclosures
 - What is the policy that authorized the assignment?
 - Whenever an assignment is to occur, the purpose of the assignment must be reviewed and approved prior to enactment
 - Reviewed for proper purpose
 - Reviewed for compliance with fund balance policy
 - Similar to Board review and approval of significant transactions as part of oversight function.

GASB 54 – FUND BALANCE

- Required disclosures
 - Are restricted or unrestricted amounts considered spent when both are available?

 - What is the order that the District will expend the funds?
 - Restricted then unassigned?
 - Unassigned then restricted?

GASB 54 – FUND BALANCE

- Required disclosures
 - Are assigned or unassigned amounts considered spent with both are available?

 - What is the order that the District will expend the funds?
 - Assigned then unassigned?
 - Unassigned then assigned?

GASB 54 – FUND BALANCE

- Required disclosures
 - In conjunction with other significant commitments, significant encumbrances by major fund and non major fund in aggregate
 - Typically disclosed as a separate footnote

GASB 54 – FUND BALANCE

- Stabilization (Rainy Day) Arrangements
 - Should be reported as restricted or committed
 - Should not be reported as assigned
 - Disclose the authority (statute or ordinance) for establishing stabilization arrangements

 - Example of Rainy Day Fund
 - Working Cash Fund

GASB 54 – FUND BALANCE

- Stabilization (Rainy Day) Arrangements
 - Disclose the requirements for additions to the stabilization amount
 - Property tax levy
 - Working cash bonds
 - Contributions from the Education Fund
 - Disclose the conditions under which stabilization amounts may be spent
 - Disclose the stabilization balance

GASB 54 – FUND BALANCE

- Minimum Fund Balance Policy
 - Disclose policy
 - Example: District must maintain 3 months of expenditures in Education Fund
 - Example: Fund Balance must be computed quarterly to determine District compliance

GOVERNMENTAL FUND TYPE DEFINITIONS

- General Fund – Used to account for and report all financial resources not accounted for and reported in another fund.
- Special Revenue Funds – 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.

GOVERNMENTAL FUND TYPE DEFINITIONS

- Capital Projects Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition of capital facilities and other capital assets.
- Debt Service Funds – Used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- Permanent Funds – Used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting the government's programs-that is, for the benefit of the government or its citizenry.

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- How do these definitions apply to Illinois school districts?
 - Fire Prevention and Safety – Financial resources are restricted, committed, or assigned to expenditures for capital outlays. Therefore this is a Capital Projects Fund Type.
 - Tort – Specific revenue sources are restricted or committed to expenditures for specified purposes other than debt service or capital projects and District is not self-insured for Tort. Normally, this is a Special Revenue Fund Type. However, per GASB 10, this must be presented in the General Fund or an Internal Service Fund

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- Capital Projects - Financial resources are restricted, committed, or assigned to expenditures for capital outlays. Therefore this is a Capital Projects Fund Type.
- Municipal Retirement/Social Security - Specific revenue sources are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Therefore this is a Special Revenue Fund Type.

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- **Transportation** - Specific revenue sources are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Therefore this is a Special Revenue Fund Type.
- **Debt Services** - Financial resources are restricted, committed, or assigned to expenditure for principal and interest. Therefore this is a Debt Service Fund Type.

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- Operations and Maintenance - Specific revenue sources are restricted or committed to expenditures for specified purposes other than debt service or capital projects. Therefore this is a Special Revenue Fund Type.
 - May also be accounted for within the General Fund.

- Working Cash – Has no expenditures, therefore cannot be a Special Revenue, Debt Service, or Capital Projects Fund Type. Principal may be used to support district programs. Therefore cannot be a Permanent Fund. This leaves only the General Fund Type.

GOVERNMENTAL FUND TYPES DEFINITIONS (CONTINUED)

- Educational – Financial resources are not accounted for and reported in other funds. Therefore this is the General Fund Type. May include O&M, Tort, and Working Cash.
 - Working Cash if a stabilization arrangement is not set up

GASB 55 - THE HIERARCHY OF GAAP FOR STATE AND LOCAL GOVERNMENTS

- The requirements in this Statement are effective upon its issuance (**the provisions of this Statement need not be applied to immaterial items**);
- The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's (GASB) authoritative literature;
- Current GAAP hierarchy is set forth in the American Institute of Certified Public Accountants' (AICPA) Statement on Auditing Standards No. 69 rather than in the authoritative literature of the GASB.

GASB 55 - THE HIERARCHY OF GAAP FOR STATE AND LOCAL GOVERNMENTS (CONTINUED)

- GASB 55 will improve financial reporting by contributing to GASB's efforts to codify all GAAP for state and local governments;
- Easier for preparers of financial statements to identify and apply all relevant guidance;
- The Board does not expect that this Statement will result in a change in current practice.

GASB 56 - FINANCIAL REPORTING GUIDANCE

- Related party transactions
- Subsequent events
- Going concern considerations

GASB 56 - FINANCIAL REPORTING GUIDANCE (CONTINUED)

- Going concerns considerations:
 - Determined at the legal entity level – each component unit will have its own determination;
 - Indicators: Negative trends, default on loans, denial of credit, restructure debt, work stoppages, dependence on one project, legal proceedings, legislation or loss of a principal taxpayer.

GASB 57 - OPEB MEASUREMENTS BY AGENT EMPLOYERS AND AGENT MULTIPLE-EMPLOYER PLANS

- Effective immediately:
- Amends Statement No. 45 to permit an agent employer that has an individual-employer OPEB plan with fewer than 100 total plan members to use the alternative measurement method, at its option, regardless of the number of total plan members in the agent multiple-employer OPEB plan in which it participates;
- Amends Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, requirement that a defined benefit OPEB plan obtain an actuarial valuation.

GASB 57 - OPEB MEASUREMENTS BY AGENT EMPLOYERS AND AGENT MULTIPLE-EMPLOYER PLANS (CONTINUED)

- Permits the requirement to 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;
- Clarifies that 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.

GASB 58 - ACCOUNTING AND FINANCIAL REPORTING FOR CHAPTER 9 BANKRUPTCIES

- Chapter 9 of the United States Bankruptcy Code:
 - Requires districts to re-measure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan.
- For districts that are not expected to emerge from bankruptcy as going concerns:
 - Requires re-measurement of assets to a value that represents the amount expected to be received; and
 - Gains or losses resulting from re-measurement of liabilities and assets should be an extraordinary item.

GASB 58 - ACCOUNTING AND FINANCIAL REPORTING FOR CHAPTER 9 BANKRUPTCIES (CONTINUED)

- Districts that have filed for bankruptcy are required to disclose information regarding, among other things, the pertinent conditions and events giving rise to the petition for bankruptcy, the expected gain, and the effects upon services:
- Effective for periods ending June 30, 2011:
 - State of Illinois has to approve the bankruptcy. Only 1 in history, 1 currently pending.

GASB 59 – FINANCIAL INSTRUMENTS OMNIBUS

- Updates and improves existing standards regarding financial reporting of certain financial instruments and external investment pools.
- Effective for fiscal year ending June 30, 2011, with earlier application encouraged.

GASB 59 – FINANCIAL INSTRUMENTS OMNIBUS

- Updates for
 - National Council on Governmental Accounting Statement 4, *Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences*
 - Consistent with the amendments to GASB Statement No. 53 regarding certain financial guarantees.
 - New language regarding claims District is subject to:
 - “Those claims include contractual actions, such as claims for delays or inadequate specifications on contracts, or for guarantees of the indebtedness of others that are not investment derivative instruments entered into primarily for the purpose of obtaining income or profit, property tax appeals, and unemployment compensation claims.”

GASB 59 – FINANCIAL INSTRUMENTS OMNIBUS

- Updates for
 - *Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans and Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
 - Amended to remove the fair value exemption for unallocated insurance contracts.
 - Investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of *Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

GASB 59 – FINANCIAL INSTRUMENTS OMNIBUS

- Updates for
 - Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*
 - Clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended.
 - Illinois Funds is a 2a7-like pool
 - Statement No. 40, *Deposit and Investment Risk Disclosures*
 - Interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool.

GASB 59 – FINANCIAL INSTRUMENTS OMNIBUS

- Updates for
 - Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*
 - Net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance
 - Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be *investment* derivative instruments entered into primarily for the purpose of obtaining income or profit
 - Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53
 - Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield.

GASB 60 - ACCOUNTING AND FINANCIAL REPORTING FOR SERVICE CONCESSION ARRANGEMENTS

- Effective for fiscal year ending June 30, 2013 with provisions to be presented retroactively
- Improve financial reporting by addressing issues related to service concession arrangements (SCAs)
 - Public-private or public-public partnership.
 - Arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity)
 - Transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and
 - Operator collects and is compensated by fees from third parties.
- Applies only to those arrangements in which specific criteria determining whether a transferor has control over the facility are met.

GASB 61 – THE FINANCIAL REPORTING ENTITY OMNIBUS

- Effective for fiscal year ending June 30, 2013
- Modifies certain requirements for inclusion of component units in the financial reporting entity.
 - For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion:
 - A financial benefit or burden relationship also would need to be present between the District and that organization for it to be included in the reporting entity as a component unit.
 - For organizations that do not meet the financial accountability criteria for inclusion as component units but that, nevertheless, should be included because the District's management determines that it would be misleading to exclude them
 - Clarifies the manner in which that determination should be made and the types of relationships that generally should be considered in making the determination.

GASB 61 – THE FINANCIAL REPORTING ENTITY OMNIBUS

- Amends the criteria for reporting component units as if they were part of the District (that is, blending) in certain circumstances.
 - For component units that currently are blended based on the “substantively the same governing body” criterion, it additionally requires that
 - District and the component unit have a financial benefit or burden relationship or
 - District management (below the level of the elected officials) of the primary government have operational responsibility for the activities of the component unit.
 - New criteria also are added to require blending of component units whose total debt outstanding is expected to be repaid entirely or almost entirely with resources of the District

GASB 61 – THE FINANCIAL REPORTING ENTITY OMNIBUS

- The blending provisions are amended to clarify that funds of a blended component unit have the same financial reporting requirements as a fund of the District.
- Clarifies the reporting of equity interests in legally separate organizations.
 - It requires a District to report its equity interest in a component unit as an asset.

GASB 62 – CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS

- Incorporate into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in the following pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements:
 - Financial Accounting Standards Board (FASB) Statements and Interpretations
 - Accounting Principles Board Opinions
 - Accounting Research Bulletins of the American Institute of Certified Public Accountants' (AICPA) Committee on Accounting Procedure.

GASB 62 – CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS

- Hereinafter, these pronouncements collectively are referred to as the “FASB and AICPA pronouncements.”
- Effective for financial statements for periods ending June 30, 2013
 - Earlier application is encouraged.
 - The provisions of this Statement generally are required to be applied retroactively for all periods presented.

GASB 62 – CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS

- Improve financial reporting by contributing to the GASB's efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source.
- Brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users.
- Eliminate the need for financial statement preparers and auditors to determine which FASB and AICPA pronouncement provisions apply to state and local governments, thereby resulting in a more consistent application of applicable guidance in financial statements of state and local governments.

GASB 62 – CODIFICATION OF ACCOUNTING AND FINANCIAL REPORTING GUIDANCE CONTAINED IN PRE-NOVEMBER 30, 1989 FASB AND AICPA PRONOUNCEMENTS

- All FASB and AICPA pronouncements became nonauthoritative literature for the private sector on July 1, 2009, the effective date of the *FASB Accounting Standards Codification*TM

SCHOOL DISTRICT FINANCIAL STATEMENT TECHNICAL RESOURCES

- **GASB** – Codification of Governmental Accounting and Financial Reporting Standards;
- **GASB** – Comprehensive Implementation Guide;
- **GASB** – Web-site – executive summaries;
- **AICPA** – Checklists and Illustrative Financial Statements for State and Local Governments;
- **GAQC** – Checklists, particularly related to Single Audits;
- **ASBOI** – Certificate of Excellence in Financial Reporting Self Evaluation Checklist; and
- **GFOA** – Governmental Accounting, Auditing, and Financial Reporting.

STATEMENT ON AUDITING STANDARDS (SAS) UPDATE

SAS 118 - OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS

- **Supersedes the requirements and guidance in AU section 550. Along with SAS No. 119, *Supplementary Information in Relation to the Financial Statements as a Whole*, this SAS also supersedes the requirements and guidance in AU section 551;**
- **Effective for audits of financial statements for periods beginning on or after December 15, 2010.**

SAS 118 - OTHER INFORMATION IN DOCUMENTS CONTAINING AUDITED FINANCIAL STATEMENTS (CONTINUED)

- Eliminates the distinction between other information that is included in an auditor-submitted document that contains the client's basic financial statements and the auditor's report thereon and other information that is in a client-prepared document; and
- Establishes performance and reporting requirements in order to identify material inconsistencies and misstatements.

SAS 119 - SUPPLEMENTARY INFORMATION IN RELATION TO THE FINANCIAL STATEMENTS AS A WHOLE

- Effective for audits of financial statements for periods beginning on or after December 15, 2010;
- Establishes reporting requirements meant to lead auditors to opine on whether supplementary information is fairly stated in relation to the financial statements.

SAS 120 - REQUIRED SUPPLEMENT INFORMATION

- This SAS is effective for audits of financial statements for periods beginning on or after December 15, 2010;
- Defines *Required Supplementary Information*;
- Establishes performance and reporting requirements for required supplementary information.

QUESTIONS ?