

Attachment HE-10 – TAB 7 Part 19: GASBS No. 63 & GASBS No. 65, Items Previously Reported as Assets and Liabilities

GASBS No. 63 Overview

Purpose

GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, provides guidance for the reporting of deferred outflows of resources, deferred inflows of resources, net position in a statement of financial position, and related disclosures. A summary of some of the requirements follow; however, this is not authoritative. Refer to GASBS No. 63 for authoritative and detailed guidance.

Deferred outflows/ inflows of resources

Concepts Statement No. 4 defines deferred outflows of resources as a consumption of net assets* that is applicable to a future reporting period. Deferred inflows of resources is an acquisition of net assets* that is applicable to a future reporting period. Concepts Statement No. 4 also states that the recognition of deferred outflows/inflows of resources should be limited to those instances identified by the GASB in authoritative pronouncements. For FY 2017, the following GASB statements require the reporting of deferred outflows of resources and/or deferred inflows of resources:

- GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*,
- GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*,
- GASBS No. 65, *Items Previously Reported as Assets and Liabilities*,
- GASBS No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, as amended by GASBS No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and
- GASBS No. 69, *Government Combinations and Disposals of Government Operations*.

Note*: Concepts Statement No. 4 states a consumption of net assets results in a decrease in assets in excess of any related decrease in liabilities or an increase in liabilities in excess of any related increase in assets. In addition, it states an acquisition of net assets results in an increase in assets in excess of any related increase in liabilities or a decrease in liabilities in excess of any related decrease in assets.

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GASBS No. 63 Overview, Continued

Deferred outflows/inflows of resources: categories

GASBS No. 53, GASBS No. 60, GASBS No. 68 as amended by GASBS No. 73, and GASBS No. 69 require the reporting of deferred outflows of resources and/or deferred inflows of resources as follows:

Deferred Outflows of Resources:

- Hedging Derivative Instruments - Accumulated decrease in fair value of hedging derivative instruments (GASBS No. 53 paragraph 20)
- Pension-Related (GASBS No. 68, as amended by GASBS No. 73)
- Government Acquisition - Excess consideration provided by acquiring government in government acquisition (GASBS No. 69 paragraph 39)

Deferred Inflows of Resources:

- Hedging Derivative Instruments - Accumulated increase in fair value of hedging derivative instruments (GASBS No. 53 paragraph 20)
- Service Concession Arrangements (SCA) - Amount the higher education institution (HEI) as transferor reports for the difference between the acquisition value of a new facility purchased or constructed by the operator or the improvement of an existing facility by the operator and any contractual liabilities that the HEI as transferor reports under the SCA. (GASBS No. 60 paragraph 9, as amended by GASBS No. 72 paragraphs 79 and 85)
- Service Concession Arrangements - Amount the HEI as transferor reports for the difference between up-front payment and present value of installment payments from the operator and any contractual liabilities that the transferor reports under the SCA. (GASBS No. 60 paragraph 12)
- Pension-Related (GASBS No. 68)

GASBS No. 65, Items Previously Reported as Assets and Liabilities, requires items to be reported on the Deferred Outflows of Resources and Deferred Inflows of Resources line items. These items are discussed in the [GASBS No. 65 Overview](#) section of this document.

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GASBS No. 63 Overview, Continued

**Foundations-
not applicable**

The Deferred Outflows of Resources and the Deferred Inflows of Resources line items are not included on the Combining FST in the Attachment HE-10 for the foundations because foundations follow FASB rather than GASB standards. Institutions are not required to, and should not, report any amounts as Deferred Outflows of Resources or Deferred Inflows of Resources for foundations reported on the Combining FST in the Attachment HE-10.

Net position

Net position is the difference between a) assets and deferred outflows of resources and b) liabilities and deferred inflows of resources. The following are net position categories:

Net investment in capital assets is capital assets, net of accumulated depreciation, reduced by outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. In addition, deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in the calculation.

Restricted net position should distinguish between major categories of restrictions. This category consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets.

Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the calculation of the net investment in capital assets or restricted net position categories.

For additional information regarding these categories, refer to GASBS No. 34, GASBS No. 63, and applicable Implementation Guides.

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GASBS No. 63 Overview, Continued

Reporting

The Statement of Net Position should report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position. The format should display assets, plus deferred outflows of resources, less liabilities, less deferred inflows of resources, equals net position. As noted previously, net position represents the difference between all other elements in a Statement of Net Position.

Deferred outflows of resources should be reported on the Statement of Net Position following the asset section and may be added to the total for assets to provide subtotals. Deferred inflows of resources should be reported on the Statement of Net Position following the liabilities section and may be added to the total for liabilities to provide a subtotal.

Disclosures

GASBS No. 63 requires disclosures in the notes to the financial statements for the different types of deferred amounts if amounts are aggregated in the statements and significant components of the total deferred amounts are obscured by aggregation on the face of the statements.

In addition, a disclosure to explain the effect on net position for a significant difference between the deferred outflow of resources or the deferred inflow of resources and the related asset or liability is required.

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GASBS No. 65 Overview

Purpose

GASBS No. 65, Items Previously Reported as Assets and Liabilities, provides guidance to report certain items as either:

- Deferred outflows of resources,
- Deferred inflows of resources,
- Outflows of resources (expenses or expenditures), or
- Inflows of resources (revenues).

A summary of some of the requirements for GASBS No. 65 follow; however, this is not a complete listing and is not authoritative. Refer to GASBS No. 65 for authoritative and detailed guidance.

Applicability

GASBS No. 65 applies to accounting and financial reporting for financial statements for governmental activities, business-type activities, proprietary funds, and fiduciary funds which report on an economic resources measurement focus and accrual basis of accounting.

Paragraphs 32 and 33 regarding major fund criteria only apply to governmental funds and proprietary funds. Paragraphs 28 and 29 regarding regulated operations apply only to certain business-type activities and enterprise funds that meet and apply criteria in paragraph 476 of GASBS No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.

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GASBS No. 65 Overview, Continued

Foundations – not applicable

Since foundations follow FASB rather than GASB standards, GASBS No. 65 does not apply to the foundations reported on the Combining FST in the Attachment HE-10.

Unavailable revenues in governmental funds

GASBS No. 65 paragraph 30 requires unavailable revenues in governmental funds to be reported as deferred inflows of resources. Governmental funds report on a current resources measurement focus and modified accrual basis of accounting. Since HEIs report on an economic resources measurement focus and full accrual basis of accounting, this is **not** applicable to the HEIs.

Term “Deferred”

GASBS No. 65 paragraph 31 requires the term “deferred” to be limited to items reported as deferred outflows of resources or deferred inflows of resources. Therefore, the term “deferred revenue” should not be used in financial statements.

Classifications

The following sections outline the deferred outflows of resources and deferred inflows of resources required by GASBS No. 65.

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GASBS No. 65 Overview, Continued

**Deferred
Outflows of
Resources**

GASBS No. 65 requires the following items (overall category and description) to be reported as deferred outflows of resources:

- **Refundings of Debt** - Deferral on debt defeasance – loss: For current refundings and advance refundings resulting in debt defeasance and the reacquisition price exceeds the net carrying amount of the old debt
- **Refundings of Debt:** A change in provisions of a capital lease resulting from a refunding, including an advance refunding, of tax-exempt debt by the lessor who then passes through the effect to the lessee and the lease continues to be classified as a capital lease by the lessee which increases the lessee's lease obligation
- **Government-Mandated and Voluntary Nonexchange Transactions:** Resources providers transmit to recipients before time requirements are met, but after the other eligibility requirements have been met
- **Intra-Entity Transfers of Future Revenues:** Amount the transferee government paid to the transferor government in an intra-entity sale of future revenues
- **Sale-Leaseback Transaction:** Loss on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life
- **Mortgage Banking Activities:** Direct loan origination costs of loans held for sale until loan is sold
- **Mortgage Banking Activities:** Fees paid to permanent investors prior to the sale of the loans

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GASBS No. 65 Overview, Continued

**Deferred
Inflows of
Resources**

GASBS No. 65 requires the following items (overall category and description) to be reported as deferred inflows of resources:

- **Refundings of Debt** - Deferral on debt defeasance – gain: For current refundings and advance refundings resulting in debt defeasance and the reacquisition price is less than the net carrying amount of the old debt
- **Refundings of Debt** - A change in provisions of a capital lease resulting from a refunding, including an advance refunding, of tax-exempt debt by the lessor who then passes through the effect to the lessee and the lease continues to be classified as a capital lease by the lessee which decreases the lessee's lease obligation
- **Government-Mandated and Voluntary Nonexchange Transactions:** Resources received by recipients before time requirements are met, but after the other eligibility requirements have been met
- **Imposed Nonexchange Revenue Transactions:** Amounts received or reported as a receivable before a) the period for which property taxes are levied or b) the period when resources are required to be used or when use is first permitted for all other imposed nonexchange revenues in which the enabling legislation includes time requirements
- **Sale of Future Revenue & Intra-Entity Transfers of Future Revenues:** Amount that a transferor government receives as proceeds in the sale of future revenue transactions, including intra-entity sale of future revenue transactions, except for instances requiring revenue recognition in the period of sale as discussed in GASBS No. 48 paragraph 14
- **Sale-Leaseback Transactions:** Gain on the sale of property that is accompanied by a leaseback of all or any part of the property for all or part of its remaining economic life
- **Lending activities:** Points received by lender in relation to a loan origination
- **Mortgage Banking Activities:** Points received by lender for loans held for investment
- **Mortgage Banking Activities:** Origination fees, including any portion related to points, received by lender for loans held for sale
- **Regulated Operations:** Regulator's rate actions that result in an acquisition of net assets from the regulated business-type activity's customers that is applicable to a future reporting period

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GASBS No. 65 Overview, Continued

Expenses or expenditures

GASBS No. 65 requires the following items (overall category and description) to be reported as expenses or expenditures:

- **Debt Issuance Costs:** Debt issuance costs, excluding prepaid insurance costs
- **Operating Leases:** Lessor's initial direct costs of an operating lease
- **Insurance Activities*:** Acquisition costs related to insurance activities
- **Lending Activities:** Direct loan origination costs
- **Lending Activities:** Fees paid related to the purchase of a loan or group of loans
- **Mortgage Banking Activities:** Direct loan origination costs for loans held for investment

Note*: GASBS No. 62 paragraphs 400 - 430 establish accounting and financial reporting standards for short-duration insurance contracts underwritten by insurance entities other than public entity risk pools and GASBS No. 10 paragraphs 17-51 and 81 establish accounting and financial reporting standards for public entity risk pools. In addition, GASBS No. 62 paragraph 412 and GASBS No. 10 paragraph 28 define acquisition costs as costs that vary with and are primarily related to the acquisition of new and renewal insurance contracts. Commissions and other costs (i.e., salaries of certain employees involved in the underwriting and policy issue functions, and medical and inspection fees) that primarily relate to insurance contracts issued or renewed during the period in which the costs are incurred should be considered acquisition costs.

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GASBS No. 65 Overview, Continued

Revenue

GASBS No. 65 requires the following items (overall category and description) to be reported as revenue:

- **Lending Activities:** Loan origination fees (excluding points) received by lender
 - **Lending Activities:** Commitment fees received for a commitment to originate or purchase a loan or group of loans should be recorded as a liability, and if the commitment is exercised, recognize as revenue in the period of exercise. If government's experience with similar arrangements indicate the likelihood that the commitment will be exercised is remote, recognize as revenue in period received.
 - **Lending Activities:** Fees received related to the purchase of a loan or group of loans
 - **Mortgage Banking Activities:** Loan origination fees, excluding portion for points, received by lender for loans held for investment
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Additional information: imposed nonexchange revenue transactions

Per GASBS No. 33 paragraph 7b, **imposed nonexchange revenues** result from assessments by governments on nongovernmental entities, including individuals, other than assessments on exchange transactions. Examples include fines and penalties, and property forfeitures, such as seizures and escheats. Per GASBS No. 33 paragraph 12, time requirements specify the period or periods when resources are required to be used or when use may begin. As previously noted, GASBS No. 65 requires these type of **imposed nonexchange revenue transaction** amounts be reported as deferred inflows of resources if received or reported as a receivable before:

- The period when resources are required to be used or
 - When use is first permitted in which the enabling legislation includes time requirements.
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GASBS No. 65 Overview, Continued

Additional information: government-mandated nonexchange & voluntary nonexchange transactions

GASBS No. 33 defines government-mandated and voluntary nonexchange transactions. Refer to GASBS No. 33 for definitions and information regarding these transactions including eligibility requirements. Per GASBS No. 65 paragraph 10, resources for government-mandated and voluntary nonexchange transactions transmitted before the eligibility requirements are met (excluding time requirements) should be reported as assets by the provider and as liabilities by the recipient. Resources received before time requirements are met, but after all other eligibility requirements have been met, should be reported as deferred outflow of resources by the provider and deferred inflow of resources by the recipient. In general, the classifications would be as follows for government-mandated and voluntary nonexchange transactions that are transmitted:

Timing:	Provider reports:	Recipient reports
Before eligibility requirements, excluding time requirements, are met	Advances	Unearned revenue
Before time requirements are met, but after all other eligibility requirements have been met	Deferred outflows of resources	Deferred inflows of resources

Attachment HE-10

TAB 7 Part 19 overview

TAB 7 Part 19, GASBS No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, has items required to be reported as deferred outflows of resources and deferred inflows of resources.

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Attachment HE-10, Continued

TAB 7 Part 19a **TAB 7 Part 19a, Deferred Outflows of Resources for FY 2017**, is to indicate if the institution, excluding foundations, has items that have to be reported as deferred outflows of resources and to provide amounts by category.

TAB 7 Part 19b **TAB 7 Part 19b, Deferred Inflows of Resources for FY 2017**, is to indicate if the institution, excluding foundations, has items that have to be reported as deferred inflows of resources and to provide amounts by category.

TAB 7 Part 19c **TAB 7 Part 19c, Significant Effect on Net Position for FY 2017**, is to provide an explanation if there is a significant effect on net position regarding the deferred outflows of resources and/or deferred inflows of resources and the related asset and/or liability.

Combining FST tab Combining FST (for foundations): There is no “Unamortized Bond Issuance Expense” line item on the Attachment HE-10’s FST or Combining FST tab. However, GASBS No. 65 is not applicable to the foundations that follow FASB standards. Therefore, if a foundation reports an asset in their individually published financial statements for unamortized bond issuance expense, this amount should be reported on the Attachment HE-10’s Combining FST tab on the “Other Assets” line item and a description should be provided on the TAB F7 Part 7a.

TAB 5 Part 1b-informational TAB 5 Part 1b (for HEI) is for informational purposes and is to provide deferral on debt defeasance amounts for the different categories of notes and bonds payable. DOA will compare certain deferral on debt defeasance amounts to information provided by Treasury. Amounts in TAB 5 Part 1b should be keyed in as positive amounts for both deferred outflows of resources and/or deferred inflows of resources.
