



State of Louisiana
Division of Administration
Office of Statewide Reporting and Accounting Policy

February 25, 2014

OSRAP MEMORANDUM 14-19

TO: Fiscal Officers
All State Entities

FROM: Afranie Adomako, CPA
Director

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB)
Statement No. 65, *Items Previously Reported as Assets and Liabilities*

In June 2007, the GASB issued its Concepts Statement 4, *Elements of Financial Statements*. This Concepts Statement introduced and defined the terms deferred inflows of resources and deferred outflows of resources as elements of the statement of financial position along with assets, liabilities, and net position. Prior to the issuance of GASB Statement 65, reporting of deferred outflows of resources and deferred inflows of resources were limited to those instances explicitly identified by the GASB in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, and Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*. GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, requires that amounts to be reported as deferred outflows of resources get reported in a statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources should be reported in a separate section following liabilities.

GASB Statement No. 65, issued in March 2012, amends the financial statement element classification of these and certain items previously reported as assets and liabilities to be consistent with the definitions in Concepts Statement 4. The items now required to be reported as deferred inflows of resources and deferred outflows of resources include, but are not limited to, the following:

- The difference between the reacquisition price and the net carrying value of the old debt under current or advanced refunding resulting in the defeasance of debt;
- Certain situations involving non-exchange transactions;
- Certain situations involving sales and intra-entity transfers of future revenues;
- Gains and losses in sale-leaseback transactions; and
- Points received by a lender in relation to loan originations.

In addition, GASB Statement No. 65 provides that certain items previously recognized as assets and amortized into expense should now be expensed in the period incurred. These items include bond issuance costs and acquisition costs related to insurance activities.

GASB Statement No. 65 also prohibits the use of the term “deferred” for any financial statement item other than deferred inflows of resources and deferred outflows of resources. As a result, terms such as “deferred revenue” should not be used in the financial statements.

Lastly, GASB Statement No. 65 states that assets should be combined with deferred outflows of resources; and liabilities should be combined with deferred inflows of resources for purposes of determining which elements meet the criteria for major fund determination.

GASB Statement No. 65 is effective for periods beginning after December 15, 2012. Accounting changes adopted to conform to the provisions of this Statement should be applied retroactively by restating financial statements, if practical, for all periods presented. If restatement is not practical, the cumulative effect of applying this Statement, if any, should be reported as a restatement of beginning net position or fund balance, as appropriate, for the earliest period restated.

GASB Statement 65 can be found on GASB’s website at the following web address:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Tonia Jackson at (225) 342-8090 or via email at Tonia.Jackson@la.gov with any questions regarding GASB Statement No. 65.

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