

# Imagine

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## Accounting Newsletter for Governmental Entities

### **GASB Updates for Fiscal Years 2013-2015**

*by Casey R. Good, CPA, Senior Associate*

The Governmental Accounting Standards Board (GASB) has been busy and several pronouncements are on the horizon that affect governmental financial reporting. This article provides you with a short summary of the upcoming pronouncements that may be of particular interest to your organization.

#### **GASB 63 – Financial Reporting of Deferred Outflows, Deferred Inflows, and Net Position**

GASB Statement No. 63 centers on financial statement elements and how they are currently defined. The assets, liabilities, revenues and expenses that we all know are still reported. However, effective for fiscal year 2013, the concept of net position replaces net assets and two new financial statements elements, deferred outflows of resources and deferred inflows of resources join the mix.

Statement No. 63 establishes the following financial statement elements that will be reported on the Statement of Financial Position (previously the Statement of Net assets):

- Assets: resources the government currently owns
- Deferred outflows: consumption of assets applicable to a future period
- Liabilities: current obligations to utilize resources
- Deferred inflows: acquisition of assets that will occur in a future period
- Net Position: residual of all other Statement of Financial Position elements

*(Continued on P.2)*

### **Payroll and Benefit Reminders**

*by Diane Bradley, Administrative Partner, and Karin M. Smith, MBA, SFO, Consulting Manager*

#### **IRS Details on Employer Shared Responsibility Provisions Transition Relief for 2014**

As reported in our last newsletter, the Federal government announced at the beginning of July that the shared responsibility penalty for employers would be delayed until 2015. On July 29, 2013, the IRS issued Notice 2013-45 which outlines more details about this transition relief ([http://www.irs.gov/irb/2013-31\\_IRB/ar08.html](http://www.irs.gov/irb/2013-31_IRB/ar08.html)) Please review the "Transition Relief" section of this notice to determine what impact this change will have on your organization's plans for the upcoming year.

The IRS is still encouraging employers to voluntarily comply with the information reporting provisions for 2014 in preparation for 2015, but has deemed that no employer shared responsibility payments must be paid for 2014. This transition relief has no other effect on the effective date or application of other Affordable Care Act provisions.

#### **More Payroll Tips**

With the end of the year approaching, below are some reminders for your payroll procedures:

- Create a timeline of all the important deadlines for employee related documents such as I-9, W-4, A-4 and E-Verify. Additionally, monitor to ensure all 941s, A1-QTRs, W-2s and 1099s are filed timely. There are stiff penalties if these forms are not completed in entirety and timely.

*(Continued on P.3)*

## HMU Events

Details and links to online registration can be found at [www.heinfeldmeech.com/hmu](http://www.heinfeldmeech.com/hmu). Registration typically opens 6 to 7 weeks before each event. For more help, contact Susan at 520-742-2611, x107 or [hmu@heinfeldmeech.com](mailto:hmu@heinfeldmeech.com).



### Payroll Essentials for Governments and Non-Profits

**Location:** Mesa, AZ (Mesa Convention Center)

**Date:** Friday, December 6

*(registration ends 11/26/13)*

### 1099 Requirements and Best Practices (webinar)

**Date/Time:** Monday, January 6, 1:00-2:15 pm

### 2014 Local and State Government Accounting Conference

**Location:** Mesa, AZ (Mesa Convention Center)

**Date:** Thursday, January 23

### Preventing Fraud with Internal Controls

**Location/Date:** Vail, AZ - Wednesday, January 15

**Location/Date:** Mesa, AZ - Thursday, January 16

### Capital Assets Accounting for Local Governments

**Location:** Mesa, AZ (Mesa Convention Center)

**Date:** Tuesday, March 4

## H&M News

H&M welcomes the *City of Eloy* as a new client - we are excited that you have chosen H&M and look forward to helping you achieve new levels of accounting and managerial success!

*Marvin Mendieta*, Audit Manager, recently became a Certified Government Financial Manager (CGFM), recognized by the Association of Government Accountants.

## GASB Updates

*(cont'd from P.1)*

Net position is further broken out into three components: net investment in capital assets, a restricted component, and an unrestricted component. Although the titles of categories will change, there are no other substantial changes to the government-wide financial statements. Fund balance reporting on the governmental funds is unaffected.

### GASB 65 – Items Previously Reported as Assets and Liabilities

While GASB Statement No. 63 establishes the new financial statement elements, Statement No. 65 examines items previously reported as assets and liabilities and specifically defines deferred inflows and outflows. Statement No. 65 will be in effect for fiscal year 2014 financial statements.

So what exactly are deferred inflows and outflows? Statement No. 65 defines seven financial statement items considered to be deferred inflows or outflows and reclassified two additional items as period expenses as opposed to assets or liabilities. Some common examples of specifically defined items include deferred grant revenues (inflow) and deferred charges on debt refunding (outflow).

The reclassified item that will most affect organization is debt issuance costs. GASB has determined that the debt issuance costs that were previously recorded as an asset (bond discount) or liability (bond premium) and amortized over the life of the debt should now be expensed in the period incurred. Governments that were carrying a premium or discount should expect to see a prior period adjustment to net position to properly account for this change.

*(Continued on P.3)*

### Payroll and Benefit Reminders

(cont'd from P.1)

- Verify the exempt vs. non-exempt status of your employees to ensure they are properly classified. Be sure you are following all FLSA rules associated with the docking of non-exempt and exempt employees wages.
- Review IRS Publication 15-B (<http://www.irs.gov/pub/irs-pdf/p15b.pdf>) to ensure you are taxing all appropriate fringe benefits.
- Conduct an internal review on the segregation of duties within your payroll and human resources department. To protect your organization, ensure one person is not able to set up an employee, establish a rate of pay, process their bi-weekly pay, and issue a paycheck.

**Need help reviewing your current payroll practices?** Contact Cherie R. Wright, CPA, CGFM, CFE, Consulting Partner, at 602-277-9449, ext 316 or [cheriew@heinfeldmeech.com](mailto:cheriew@heinfeldmeech.com). ■

**Legal and Tax Advice Disclaimer:** The information presented in this newsletter does not constitute legal advice or tax advice. Heinfeld, Meech & Co., P.C. makes no claims about its accuracy, completeness, or currency of information presented, including any external references provided. Legal and tax advice, including tax advice, must always be tailored to your circumstances, and no content of this newsletter should be viewed as a substitute for the advice of a competent attorney. Please consult legal counsel for advice pertaining to your specific organization. ■



### GASB Updates

(cont'd from P.2)

#### GASB 68 – Accounting and Financial Reporting for Pensions

GASB Statement No. 68 will affect any government participating in the Arizona State Retirement System, Public Safety Personnel Retirement System or any defined benefit pension plan. Statement No. 68 requires that these government employers report a proportionate share of the net pension liability and pension expense in their financial statements. The amount of the liability and expense will be determined using actuarial valuations. In addition, more extensive note disclosures will be required that detail the types of benefits and covered employees, how plan contributions are determined, and the assumptions and methods used to calculate the pension liability.

For more information on these and other GASB Statements, you can also visit [www.gasb.org](http://www.gasb.org) ■

### About H&M

Heinfeld, Meech & Co., P.C., CPAs and Business Consultants, has offices in Tucson, Phoenix and Flagstaff. We are the recognized leaders in the State of Arizona in the field of governmental accounting and auditing.

Our active involvement with national and state associations keep us up-to-date about emerging issues affecting the governmental industry. We offer this free newsletter as part of our commitment to providing resources and training to governmental business personnel.

For more about our firm, please visit our web site at [www.heinfeldmeech.com](http://www.heinfeldmeech.com).