



February 25, 2011

Mr. David Bean
Director of Research
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Project No. 3-22

Dear David:

On behalf of the National Association of College and University Business Officers (NACUBO), thank you for the opportunity to comment on the Board's Exposure Draft, "Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position." We value the effort that the Board and the staff have invested in this project.

NACUBO is a nonprofit professional organization representing chief financial and administrative officers at more than 2,100 colleges and universities. In its capacity as a professional association, NACUBO educates over 2,000 higher education professionals annually on accounting and reporting issues and practices. Where appropriate, NACUBO also issues industry specific accounting and reporting guidance. NACUBO's comments on the proposal were developed with input from our member institutions and our Accounting Principles Council (APC).

Overall Impressions of the ED:

NACUBO thinks that the proposed presentation of deferred inflows of resources, deferred outflows of resources, and net position is straightforward and manageable. We applaud the Board's decision for separate presentation of these financial statement elements rather than netting such categories. Netting clearly would have been inconsistent with the conceptual underpinnings of these elements.

We remain a bit concerned, however, that the Board feels compelled to continue down a path that labels and reports elements as other than assets and liabilities. We are not convinced that constituents adequately understood where the GASB was

going when it issued Concept Statement 4. We think that deferred inflows of resources and deferred outflows of resources could have been separately categorized within the asset and liability categories.

Given that the Board is committed to the identification of these elements as distinct from assets and liabilities, we are disappointed that the ED only provides for the presentation of such deferrals if specifically addressed in authoritative standards (which to date are statements 53 and 60). Imposing such a “**rule**” related to a concept seems paradoxical. In hind sight, perhaps Concept Statement 4 (which is not level A GAAP) over reached in paragraph 38, which explicitly limited the presentation of such elements to instances identified in GASB authoritative literature.

On a related noted, and as a practical matter, governmental entities will need to begin working with lenders, underwriters, analysts, and rating agencies to ensure that the new reporting presentation is understood for the sake of compliance with debt covenants. It would be easier for the aforementioned financial statement users to begin understanding what these balance sheet categories mean if all elements that meet the definition of a deferral are reported using the new presentation.

Finally, it is unclear whether the proposed guidance requires that the “statement of net assets” be permanently changed to a “statement of net position,” regardless of whether the reporting entity has deferred inflows of resources to report or deferred outflows of resources to report. Although we may not agree with five reporting categories on the balance sheet, we think that the balance sheet should have a consistent label.

Suggestions for enhancing the ED:

We offer a brief list of suggestions that we believe will enhance the utility of the final guidance:

- Make it clear in the final guidance that statement 60, “Service Concession Arrangements” provides for the recognition of deferred inflows of resources and deferred outflows of resources and is covered by the proposed guidance
- Clearly establish what the standard name of the balance sheet is – regardless of whether the deferred inflows of resources or deferred outflows of resources elements exist for a reporting entity
- Provide illustrative examples of suggested disclosures
- Discuss other financial accounting and reporting situations that would lead to the deferred inflows of resources or deferred outflows of resources and encourage preparers to examine the need to use and identify these elements in the statement of financial position

In closing, we again wish to express our appreciation for the opportunity to comment. We look forward to answering any questions the Board or the staff may

have about our response. Please direct your questions to Sue Menditto at 202-861-2542 or sue.menditto@nacubo.org.

Sincerely,

Susan M. Menditto
Director, Accounting Policy