



# GASB Accounting Update

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**November 8, 2017**



# Agenda & Goal

**TO PROVIDE A GASB ACCOUNTING  
UPDATE FOR PUBLIC INSTITUTIONS THAT  
INCLUDES ITEMS CURRENTLY IN EFFECT,  
SOON TO BE EFFECTIVE AND IN PROCESS**

# GASB 73

EFFECTIVE FOR  
REPORTING PERIODS:  
BEGINNING AFTER  
6/15/16

**CERTAIN PENSIONS THAT ARE PROVIDED  
THROUGH PENSION PLANS THAT ARE NOT  
ADMINISTERED THROUGH TRUSTS**





# GASB 73

- Establishes standards of accounting and financial reporting for defined benefit pension plans and defined contribution plans not within the scope of GASB 68
- Pensions include:
  - Retirement income
  - Postemployment benefits other than retirement income
- Extends approach to accounting and financial reporting to all pensions
- Requires similar information to be included in notes to financial statements and required supplementary information



# GASB 73

## **DEFINED CONTRIBUTION PENSION PLANS:**

- Provide an individual account for each employee
- Define contributions that an employer or nonemployer contributing entity is required to make to an active employee's account
- Provide that the pensions an employee will receive will depend only on the contributions to the employee's account, actual earnings, and effects of forfeitures of contributions



# GASB 73

## DEFINED CONTRIBUTION PENSION PLANS:

### ACCRUAL BASIS OF ACCOUNTING:

Employers should recognize:

- Pension expense equal to the amount of credits to employees' accounts, net of forfeited amounts that are removed from employees' accounts
- Change in pension liability equal to the difference between amount recognized as pension expense and amounts paid by the employer as benefits come due during the fiscal year

### MODIFIED ACCRUAL BASIS OF ACCOUNTING:

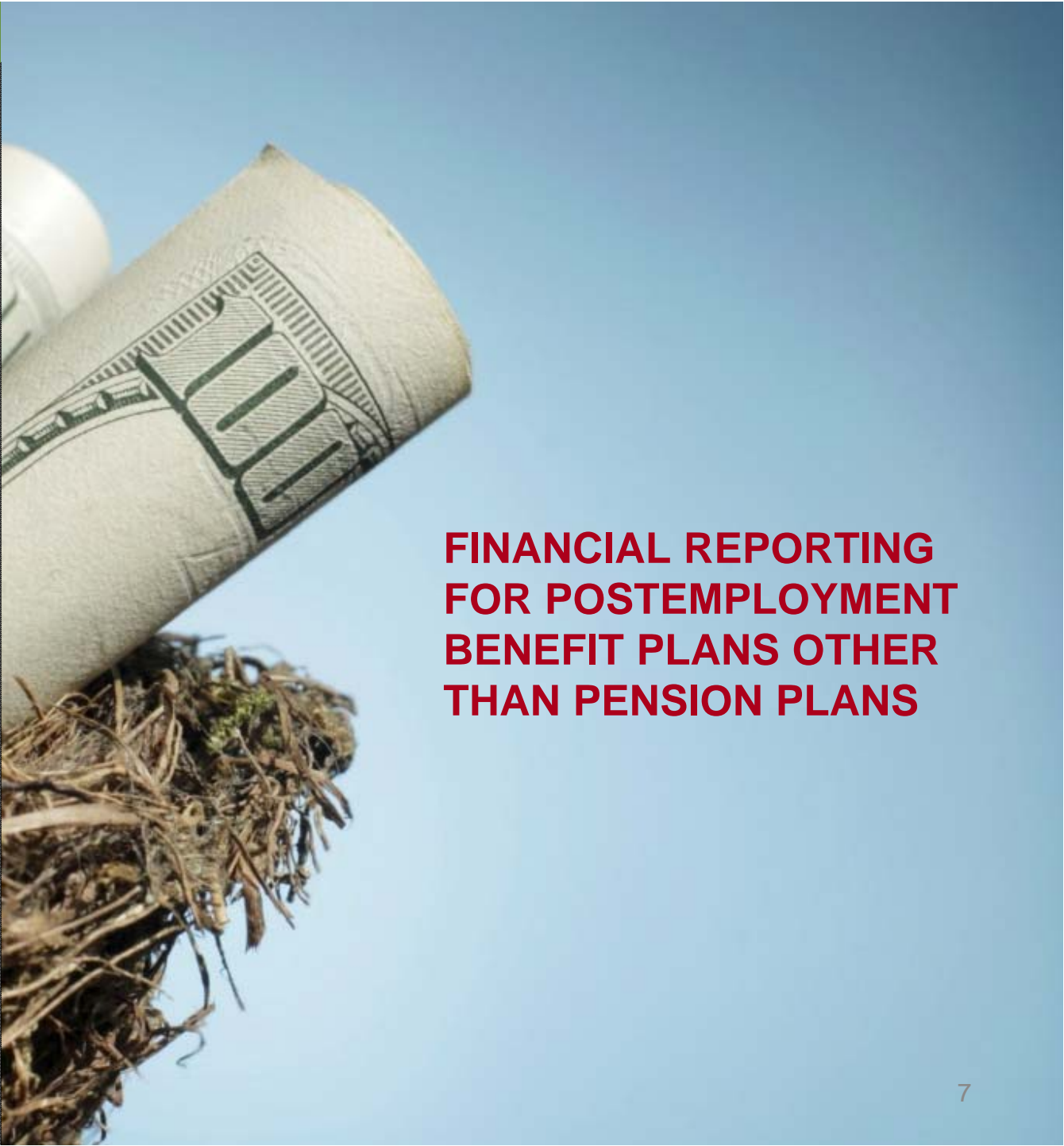
Employers should recognize the total of:

- Amounts paid by employer for pensions as they come due
- Change between beginning and ending balances of amounts normally expected to be liquidated with expendable available resources



# GASB 74

EFFECTIVE FOR  
REPORTING PERIODS:  
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6/15/16



**FINANCIAL REPORTING  
FOR POSTEMPLOYMENT  
BENEFIT PLANS OTHER  
THAN PENSION PLANS**



# GASB 74

## **OPEB DEFINED:**

- All postemployment healthcare benefits
- Postemployment benefits other than retirement income not administered by a pension plan
- Excludes termination benefits
  - Inducement to hasten termination of services
  - Voluntary or involuntary
  - Recorded at net present value of benefits to be paid when agreement is made



# GASB 74

## **OPEB PLANS ADMINISTERED THROUGH TRUSTS THAT MEET THE FOLLOWING CRITERIA:**

- Contributions and related earnings are irrevocable
- Assets are dedicated to providing OPEB to plan members in accordance with benefit terms
- Assets are legally protected from creditors from contributing entities and the OPEB plan administrator

Statement includes requirements to address financial reporting of assets accumulated for purposes for providing defined benefit OPEB plans that are not administered through trusts that meet specified criteria



# GASB 74

## **REQUIRES TWO FINANCIAL STATEMENTS:**

- Statement of Fiduciary Net Position
- Statement of Changes in Fiduciary Net Position

## **NOTES TO THE FINANCIAL STATEMENTS MUST INCLUDE DESCRIPTIVE INFORMATION:**

- Types of OPEB provided
- Classes of plan members covered
- Composition of OPEB plan's Board
- Investment disclosures
- Components of net OPEB liability and related ratios
- Significant assumptions and other inputs to measure the total OPEB liability and sensitivity of measure to changes in discount rate and changes in healthcare cost trend rate



# GASB 74

## **REQUIRED SUPPLEMENTARY INFORMATION:**

- Schedules covering each of the 10 most recent fiscal years
- Annual money-weighted rate of return on investments
- Sources of changes in the net OPEB liability
- Information about the components of the net OPEB liability and related ratios



# GASB 74

## **MEASUREMENT OF THE NET OPEB LIABILITY:**

- Total OPEB liability less fiduciary net position
- Total OPEB liability is generally determined through an actuarial valuation
- If less than 100 plan members, alternative measurement allowed
- Must be performed at least every two years, with more frequent calculations encouraged
- If the valuation is not performed as of the OPEB plan's year-end, must roll forward the amounts from an earlier actuarial valuation calculation



# GASB 74

## **MEASUREMENT OF THE NET OPEB LIABILITY (CONT.):**

- Assumptions must be made in conformity with guidance in Actuarial Standards of Practice
- Prescribes what should be included in projected benefit payments
- Projected benefit payments must be discounted using single rate that reflects:
  - Long-term expected rate of return on OPEB plan investments
  - Tax-exempt, high-quality municipal bond rate

Requires use of entry age actuarial cost method with each period's service cost determined as a level percentage of pay



# GASB 74

## **ASSETS ACCUMULATED**

### **NOT ADMINISTERED THROUGH TRUSTS:**

- Required to be reported as assets of employer or nonemployer contributing entity
- If a government holds assets in a fiduciary capacity, assets must be reported in an agency fund
- An agency fund should report a liability for assets accumulated in excess of liabilities for benefits due to plan members and accrued investment and administrative expenses to participating employers or nonemployer contributing entities

## **DEFINED CONTRIBUTION OPEB PLANS**

### **ADMINISTERED THROUGH TRUSTS:**

Required to disclose:

- Class of plan members covered
- Number of plan members
- Participating employers
- Nonemployer contributing entities and authority under which OPEB plan is established or may be amended

# GASB 75

EFFECTIVE FOR  
REPORTING PERIODS:  
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6/15/17

EARLIER  
APPLICATION IS  
ENCOURAGED

**ACCOUNTING AND FINANCIAL REPORTING  
FOR POSTEMPLOYMENT BENEFITS OTHER  
THAN PENSIONS**





# GASB 75

- Addresses accounting and financial reporting for OPEB that is provided to governmental employees
- Establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expenses/expenditures
- For defined benefit OPEB, GASB 75 identifies methods and assumptions that are required to project benefit payments, discount projected benefit payments to actuarial present value, and attribute that present value to periods of employee service
- Requires similar information as GASB 68



# GASB 75

## **DISTINCTIONS REGARDING REQUIREMENTS OF OPEB PROVIDED THROUGH TRUSTS:**

- Contributions to OPEB plan and related earnings are irrevocable
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with benefit terms
- OPEB plan assets are legally protected from creditors from contributing entities and the OPEB plan administrator



# GASB 75

- Employers of trusted plans record actuarially calculated Total OPEB Liability (TOL) less the fiduciary net position of the OPEB trust fund (NOL)
- Small plans may use alternative calculation of liability
- Nontrusted plans report the TOL
- Certain portions of the liability are offset by deferred outflows of resources and deferred inflows of resources and amortized over specified periods



# GASB 75

## MEASUREMENT DATE vs. REPORTING DATE:

- Measurement date of TOL must be as of **Plan's** fiscal year end
- Must be based on actuarial valuation performed within 24 months of plan's year end
- There can be a lag between measurement date and reporting date of up to 30 months (and a day)
- Contributions after measurement date are included in deferred outflows

## CHOOSE THE DATES WISELY:

- Help facilitate timely financial reporting
- Minimize need for rollforwards from valuation date
- Allow for enough time for a quality actuarial valuation to be prepared



# GASB 75

## PROJECTED BENEFIT PAYMENTS

- Projected benefit payments are required to be based on claims costs, or age-adjusted premiums approximating claims costs, and benefit terms and legal agreements existing as of measurement date
- Requires incorporation of effects of projected salary changes and service credits, as well as projected automatic postemployment benefit changes, including COLA's
- Effects of ad-hoc changes that could be considered substantively automatic are required to be included in projections
- Requires use of entry age actuarial cost method with each period's service cost determined as a level percentage of pay



# GASB 75

## DISCOUNT TO PRESENT VALUE

### PROJECTED BENEFIT PAYMENTS MUST BE DISCOUNTED USING SINGLE RATE THAT REFLECTS:

Must first determine whether assets will be sufficient to fund the projected benefit payments

- Long-term expected rate of return to extent that investments will be sufficient to make projected benefit payments
- Tax-exempt, high-quality municipal bond rate to extent conditions of using long-term expected rate of return are not met

Non trusted plan should use tax-exempt, high-quality municipal bond rate

#### LOWER DISCOUNT RATE:

Higher liability

#### HIGHER DISCOUNT RATE:

Lower liability



# GASB 75

ATTRIBUTE PRESENT  
VALUE TO SPECIFIC  
PERIODS

- GASB 45 allowed a wide range of amortization periods
- GASB 75 requires specific amortization periods:
  - Plan changes are reflected immediately
  - Difference between actual return on investments and expected return are amortized over 5 years
  - Other actuarial liability gains & losses are amortized over average future service life of ALL plan members



# GASB 75

## COST-SHARING MULTIPLE-EMPLOYER PLANS

- The Net OPEB Liability, Deferred Inflows, Deferred Outflows and OPEB Expense will be allocated to each employer
- “Projected Long-Term Future Contribution Effort” should be used to allocate between employers
- GASB has allowed flexibility with respect to the definition
- Current contribution effort may be used if it is deemed to be a reasonable method of determining future contribution effort



# **GASB 75**

## **DISCLOSURES**

### **NOTE DISCLOSURES WILL VARY SIGNIFICANTLY DEPENDING ON TYPE OF OPEB PLAN:**

- Trusted – Single/Agent
- Trusted – Cost Sharing
- Non-Trusted

### **ALL PLANS:**

- Name of plan, administrator of plan, and type of plan
- Benefit terms




# GASB 75

## DISCLOSURES

### **ALL PLANS:**

- Sensitivity to changes in discount rates and healthcare cost trend rates
- Significant assumptions, including inflation, healthcare cost trend rates, salary changes, and mortality assumptions
- Measurement date
- Actuarial valuation date
- Changes in assumptions and benefit terms
- Changes subsequent to measurement date
- OPEB expense in current period
- Balance of deferred inflows and outflows by source and amortization over next 5 years and thereafter




# GASB 75

## DISCLOSURES

### TRUSTED PLANS:

- Schedule of changes in NOL
- Components of NOL and related ratios
- Contribution requirements
- Availability of audited plan financial statements
- Assumptions about projected cash flows
- Long-term expected rate of return on plan investments and how determined
- Periods of projected benefits applied to long-term rate of return and municipal bond rate
- Assumed asset allocation and long-term expected real rate of return
- Cost-sharing only – Employer's proportionate share and basis for the allocation



# GASB 75

## DISCLOSURES

### **NON-TRUSTED PLANS:**

- Schedule of changes in TOL
- Fact that no assets accumulated in trust
- Authority under which to pay OPEB benefits as they come due and how it may be amended
- TOL as a percentage of covered employee payroll



# GASB 75

## TRANSITION

- Beginning deferred outflow of resources for contributions/OPEB payments subsequent to measurement date of the beginning OPEB liability
- All other deferred inflows or deferred outflows – all or nothing at implementation
- RSI schedules will build up if information is not initially available
- Information on contributions should be available for all periods in which a trusted plan existed
- Need to reverse previously recorded OPEB obligation as part of restatement of beginning net position

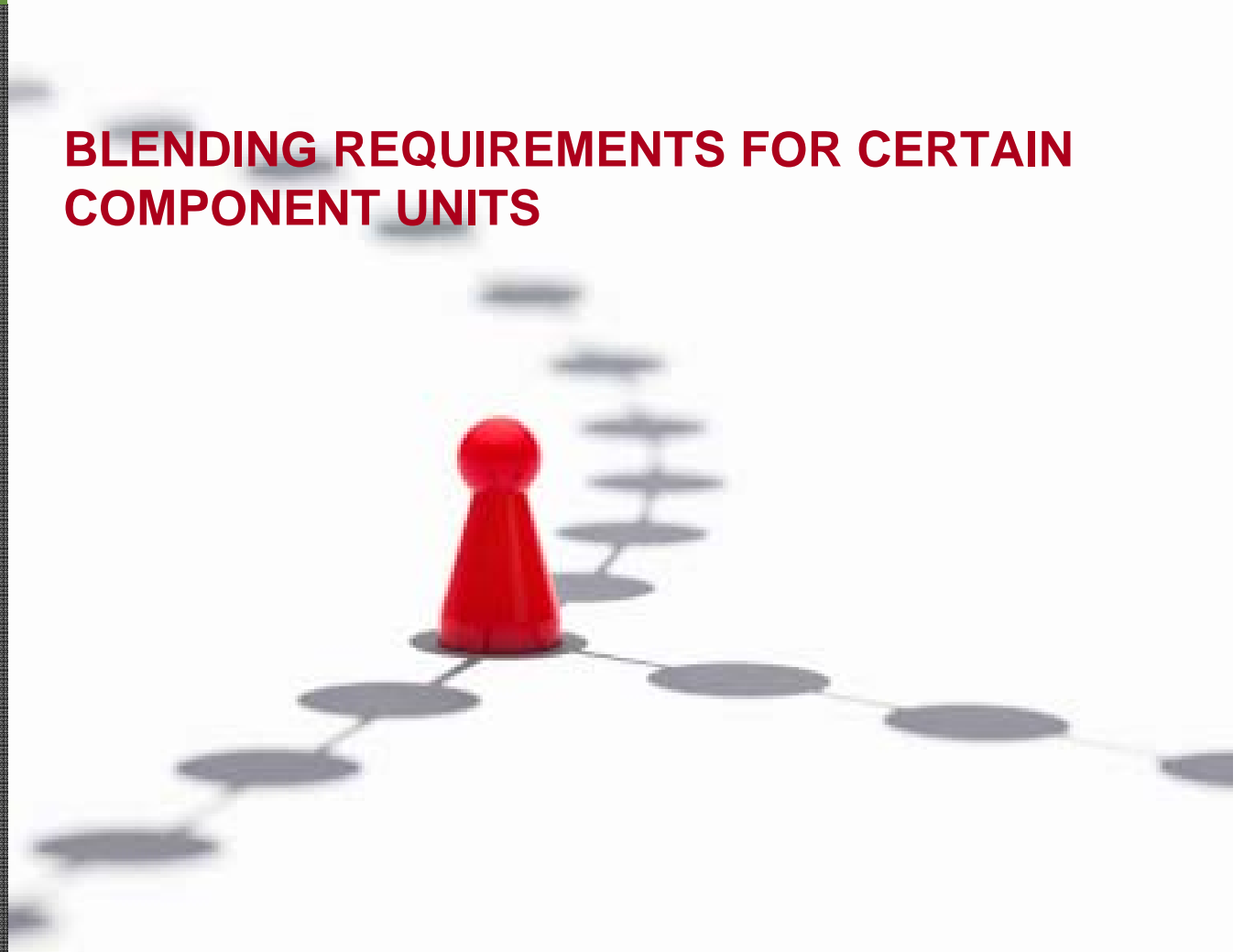
A BRIEF  
RESPITE  
BEFORE  
WE  
CONTINUE



# GASB 80

EFFECTIVE FOR  
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6/15/16

## BLENDING REQUIREMENTS FOR CERTAIN COMPONENT UNITS





# GASB 80

## BLENDING REQUIREMENT

- Establishes an additional (narrow scope) blending requirement for component units
- Applies to component units (CU) that are organized as not-for-profit corporations in which primary government is sole corporate member
- Statement **does not apply** to component units included pursuant to GASB No. 39, *Determining Whether Certain Organizations are Component Units*
- Changes applied retroactively



# GASB 81

EFFECTIVE FOR  
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**IRREVOCABLE SPLIT-INTEREST  
AGREEMENTS**



# GASB 81

## SPLIT- INTEREST AGREEMENTS

- Establishes recognition and measurement principles for irrevocable split-interest agreements created through trusts in which a donor transfers resources to an intermediary
- Intermediary administers resources for unconditional benefit of a government and at least one other beneficiary
- Includes the following agreements
  - Charitable Lead Trusts
  - Charitable Remainder Trusts
  - Life Interests in Real Estate
- Accounting depends on who holds the assets and what obligations are assumed
- Retroactive restatement (if practical)

# GASB 83

EFFECTIVE FOR  
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6/15/18

EARLIER  
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## CERTAIN ASSET RETIREMENT OBLIGATIONS (ARO)





# GASB 83

## ASSET RETIREMENT OBLIGATIONS

Establishes standards of accounting and financial reporting for certain Asset Retirement Obligations (AROs)

**Legally enforceable liability** associated with retirement of a tangible capital asset

### **Legal obligations arise from:**

- ✓ Laws and regulations
- ✓ Contracts and court settlements

### **Liability is incurred when:**

- ✓ External obligating event, AND
- ✓ Internal obligating event have occurred

### **Recognize when:**

- ✓ ARO is incurred and reasonably estimable
- ✓ Corresponding deferred outflow of resources

# GASB 84

EFFECTIVE FOR  
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## FIDUCIARY ACTIVITIES





# GASB 84

## FIDUCIARY ACTIVITIES

- To provide consistency among governmental entities in accounting for and reporting fiduciary activities
- All governmental entities will include fiduciary fund financial statements with their basic financial statements (if material!):
  - ✓ Statement of Fiduciary Net Position and
  - ✓ Statement of Changes in Fiduciary Net Position
- Four types to report:
  - ✓ Pension (and Other EB) Trust funds
  - ✓ Investment Trust Fund
  - ✓ Private Purpose Trust Fund
  - ✓ Custodial funds

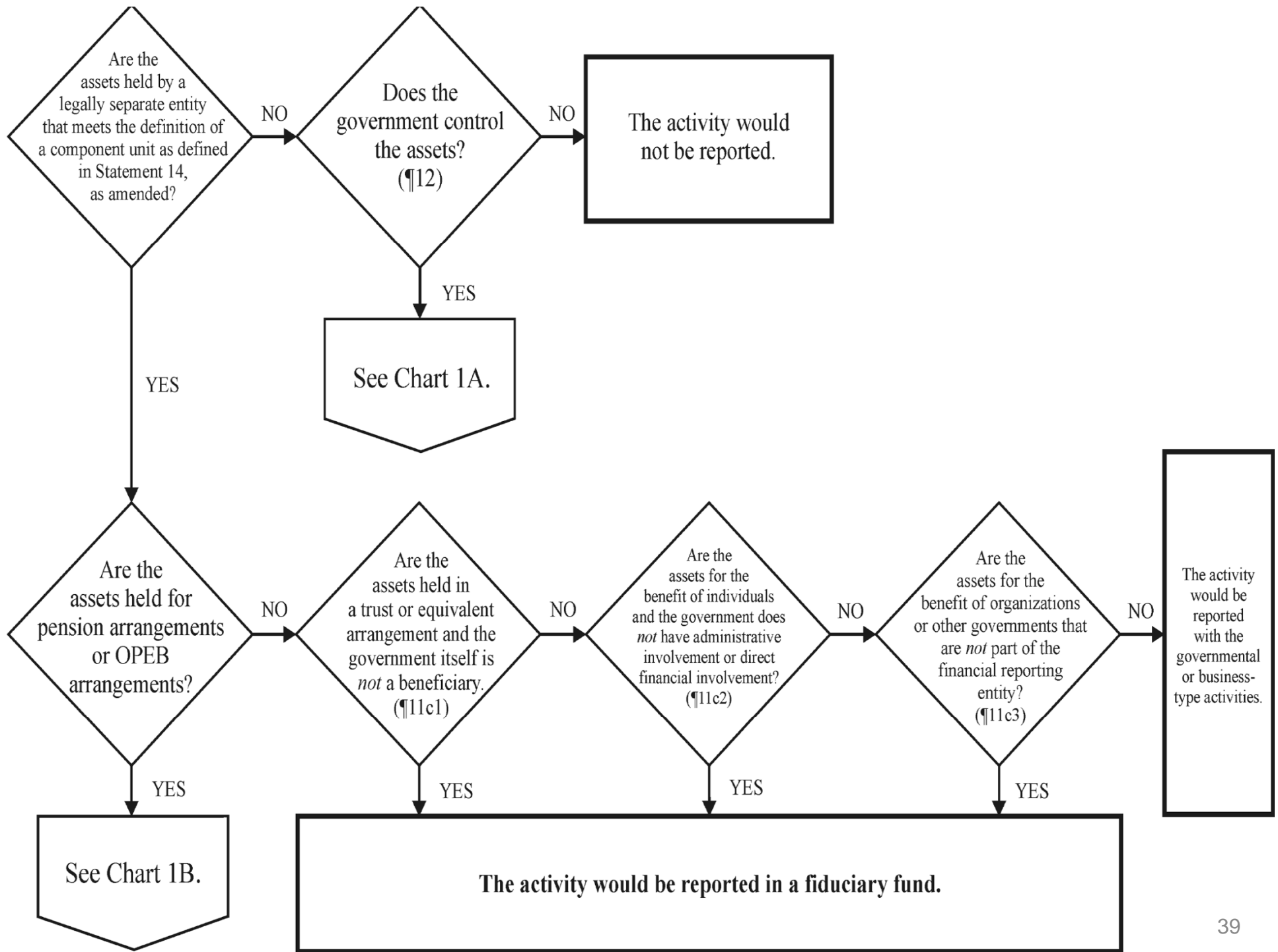


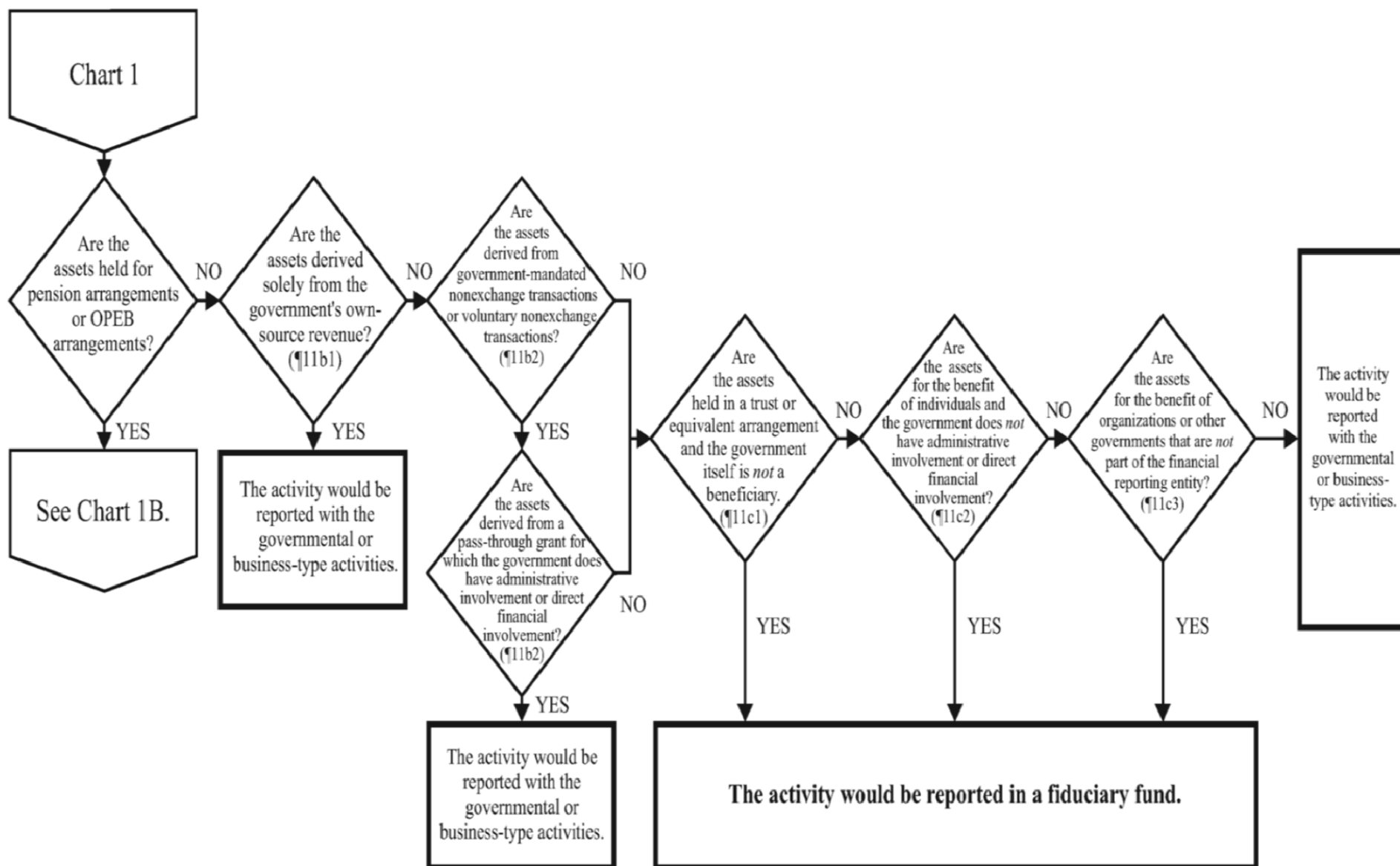
# GASB 84

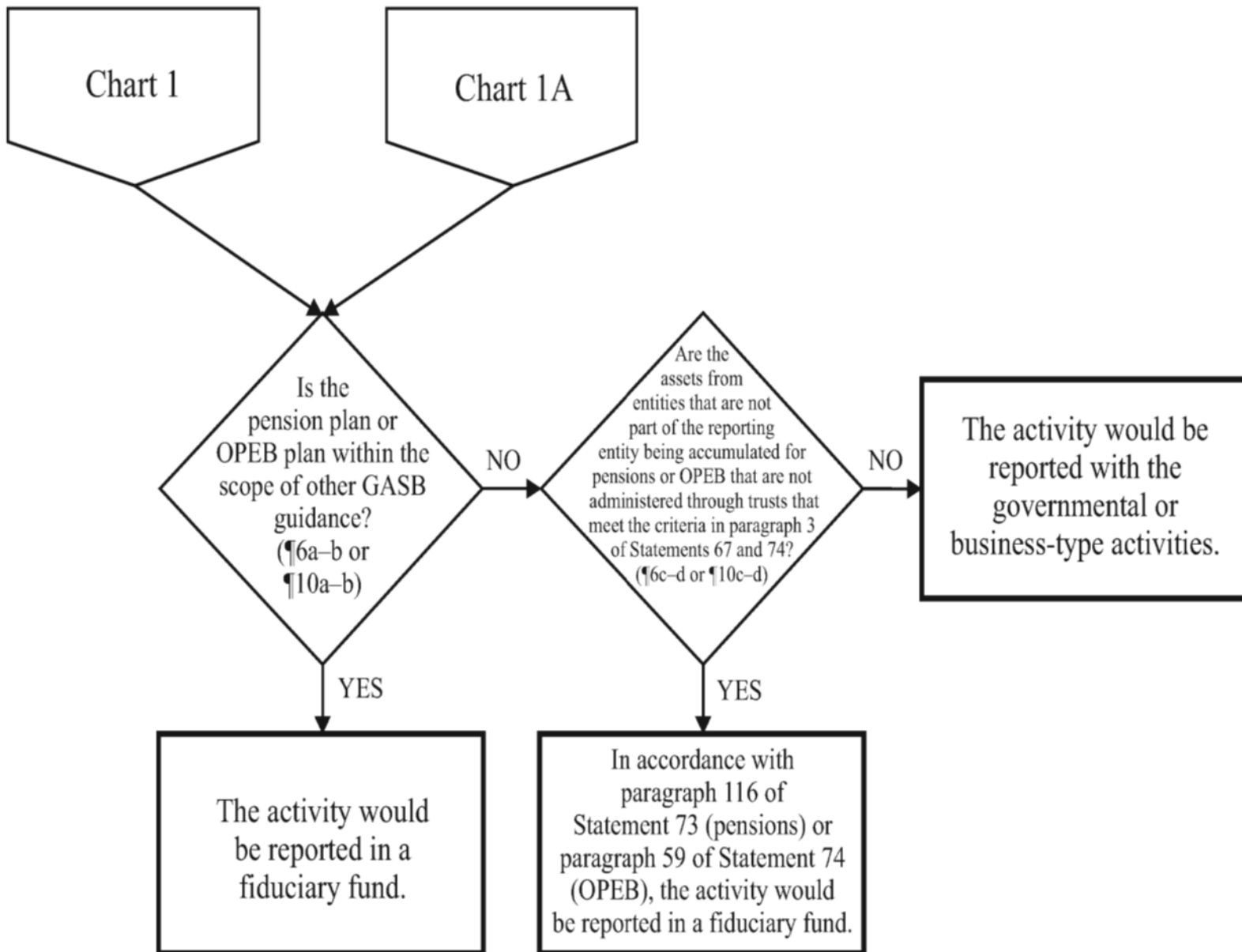
## FIDUCIARY ACTIVITIES

### Fiduciary Activities - What are They?:

- Fiduciary component units
- Pension and OPEB arrangements
- Other fiduciary activities









# GASB 85

EFFECTIVE FOR  
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**OMNIBUS 2017**



# GASB 85

## OMNIBUS

- Blending a component unit when primary government is a BTA that reports in a single column
- Reporting amounts previously reported as goodwill and “negative” goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments at amortized cost
- Timing of measurement of pension or OPEB liabilities and expenditures



# GASB 85

## OMNIBUS

- Recognizing on-behalf of payments for pensions or OPEB in employer financial statements
- Presenting payroll-related measures in OPEB RSI
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of alternative measurement method for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans

# GASB 86

EFFECTIVE FOR  
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## CERTAIN DEBT EXTINGUISHMENT ISSUES





# GASB 86

## DEBT EXTINGUISHMENT

- Establishes standards of accounting and financial reporting for in-substance defeasance transactions when existing resources (rather than through refinancing) are placed in an irrevocable trust for purpose of extinguishing debt
- Gain or loss should be recognized in period of defeasance
- Disclose:
  - Amount of debt that remains outstanding
  - Amount of defeased debt that is exposed to a risk of substitution with monetary assets that can be replaced with assets that are not essentially risk free

# GASB 87

EFFECTIVE FOR  
REPORTING PERIODS:  
BEGINNING AFTER  
12/15/19

EARLIER  
APPLICATION IS  
ENCOURAGED

**LEASES**





# GASB 87

## LEASES

- Establishes standards of accounting and financial reporting for leases
- Recognize assets and liabilities for leases that were previously recorded as operating leases
- Lease term is period that lessee has a noncancelable right to use an underlying asset, plus periods covered by a:

### LESSEE'S OPTION:

- To extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- To terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option

### LESSOR'S OPTION:

- To extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- To terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option



# GASB 87

## LEASES

### **REASSESS THE LEASE TERM ONLY IF ONE OR MORE OF THE FOLLOWING OCCUR:**

- Lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that lessee or lessor would not exercise that option
- Lessee or lessor elects not to exercise an option even though it was previously determined that it was reasonably certain that lessee or lessor would exercise that option
- An event specified in the lease contract that requires an extension or termination of the lease takes place

Lease contracts of 12 months (or less) should be recognized as outflows of resources by lessee and inflows of resources by lessor



# GASB 87

## LEASES

### LESSEE ACCOUNTING

- Initially – lease asset and liability
- Liability = PV of payments expected during lease
- Lease asset = lease liability plus any additional amounts paid to lessor and certain direct costs
- Payments ↓ lease liability ↑ interest expense
- Lease asset amortized over shorter of lease term or useful life of underlying asset
- Notes to the financial statements include:
  - Description of leasing arrangements
  - Lease asset \$\$\$ recognized
  - Schedule of future lease payments



# GASB 87

## LEASES

### LESSOR ACCOUNTING

- Initially – lease receivable and DI
- Leased asset remains on books
- Lease receivable = PV of payments
- DI = lease receivable + payments received at beginning of lease that relate to future periods
- Payments ↓ lease receivable ↑ interest income
- DI amortized over term of lease
- Notes to the financial statements include:
  - Description of leasing arrangements
  - Total amount of DI from leases



# GASB 87

## LEASES

### LEASE MODIFICATIONS/ TERMINATIONS

#### **LEASE TERMINATION:**

Reduce the carrying value of the lease liability (receivable) and lease asset (deferred inflow), with any difference recorded as a gain or loss

#### **LEASE MODIFICATION:**

Remeasure the liability (receivable) and adjust the related lease asset (deferred inflow)



# GASB 87

## LEASES

### SUBLEASES AND LEASEBACK TRANSACTIONS

#### **SUBLEASES:**

Separate transactions from original lease

#### **SALE-LEASEBACK:**


Difference between carrying value of asset sold and net proceeds = a deferred inflow or deferred outflow; recognized over term of lease

#### **LEASE-LEASEBACK:**

Accounted for as a net transaction with gross amounts of each portion included in footnotes

# Effective Dates for New Standards

<b><i>GASB No.</i></b>	<b><i>Name</i></b>	<b><i>Effective Date</i></b>	<b><i>Calendar Year-End</i></b>	<b><i>June Year-End</i></b>
73	<i>Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68</i>	Fiscal years beginning after June 15, 2015, with some provisions not effective until after June 15, 2016	CY 2016 and 2017	FY 2016 and 2017
74	<i>Financial Reporting for Postemployment Benefits Plans Other Than Pensions</i>	Periods beginning after June 15, 2016	CY 2017	FY 2017
75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	Fiscal years beginning after June 15, 2017	CY 2018	FY 2018
80	<i>Blending Requirements for Certain Component Units— an amendment of GASB Statement No. 14</i>	Periods beginning after June 15, 2016	CY 2017	FY 2017
81	<i>Irrevocable Split-Interest Agreements</i>	Periods beginning after December 15, 2016	CY 2017	FY 2018
83	<i>Certain Asset Retirement Obligations</i>	Periods beginning after June 15, 2018	CY 2019	FY 2019
84	<i>Fiduciary Activities</i>	Periods beginning after December 15, 2018	CY 2019	FY 2020
85	<i>Omnibus 2017</i>	Periods beginning after June 15, 2017	CY 2018	FY 2018
86	<i>Certain Debt Extinguishment Issues</i>	Periods beginning after June 15, 2017	CY 2018	FY 2018
87	<i>Leases</i>	Periods beginning after December 15, 2019	CY 2020	FY 2021



# Financial Reporting Model Project

*The objective is to reevaluate the financial reporting model (GASB 33 and 34) to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government's accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model*

# Questions





# Interested in More?

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