

GASB Update

Presented by:

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CERTIFIED PUBLIC ACCOUNTANTS
& BUSINESS CONSULTANTS



GASB STATEMENTS

GASB Statement	Statement Name	Effective Date	School Fiscal Year
No. 75	<i>Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions</i>	Fiscal years beginning after 6/15/2017	6/30/2018
No. 83	<i>Certain Asset Retirement Obligations</i>	Fiscal years beginning after 6/15/2018	6/30/2019
No. 84	Fiduciary Activities	Fiscal years beginning after 12/15/2018	6/30/2020
No. 85	<i>Omnibus 2017</i>	Fiscal years beginning after 6/15/2017	6/30/2018
No. 86	<i>Certain Debt Extinguishment Issues</i>	Fiscal years beginning after 6/15/2017	6/30/2018
No. 87	Leases	Fiscal years beginning after 12/15/2019	6/30/2021

GASB STATEMENTS

GASB Statement	Statement Name	Effective Date	School Fiscal Year
No. 88	<i>Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements</i>	Fiscal years beginning after 6/15/2018	6/30/2019
No. 89	<i>Accounting for Interest Cost Incurred before the End of a Construction Period</i>	Fiscal years beginning after 12/15/2019	6/30/2021
No. 90	<i>Majority Equity Interests</i>	Fiscal years beginning after 12/15/2018	6/30/2020

GASB Statement No. 75

GASB Statement No. 75

- Title: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Effective Date: Fiscal years beginning after June 15, 2017

GASB Statement No. 75 – Types of OPEB

OPEB includes the following:

- Postemployment healthcare benefits – including medical, dental, vision, hearing, and other health-related benefits – whether provided separately from or provided through a pension plan
- Other forms of postemployment benefits – for example, death benefits, life insurance, disability, and long-term care – when provided separately from a pension plan

Note: OPEB does not include termination benefits or termination payments for sick leave. However, if terminating employee's unused sick leave credits are converted to provide or enhanced defined benefit OPEB, the resulting benefit or increase in benefit should be accounted for under GASB 75.

GASB Statement No. 75 - Overview

- Applies requirements similar to GASB Statement No. 68 to OPEB employers
- Single employer and agent employers would report a net OPEB liability equal to the present value of projected benefit payments less the OPEB plan's fiduciary net position
- Cost sharing employers would report a liability equal to their proportional share of the plan's net OPEB liability
- Note disclosures and RSI similar to GASB Statement No. 68 are also required

Actuarial Valuation

- Required every 2 years
- Measurement date
 - NO earlier than the end of the employer's prior fiscal year and no later than the end of the employer's current fiscal year **or**
 - use update procedures to roll forward to the measurement date from an actuarial valuation as of a date no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end.
- Single discount rate
- Single actuarial method
 - Entry age
 - Level percentage of pay

Cost-Sharing Employers

- Recognize a liability for its proportionate share of the collective net OPEB liability
- Recognize OPEB expense and report deferred outflows/inflows of resources OPEB for its proportionate shares of those items

Components Of Expense

Changes in Net OPEB Liability	OPEB Expense	Deferred Inflows/Outflows
1-Employee work and earn benefits (service costs)	x	
2-Interest on total OPEB liability	x	
3-Change in total OPEB liability		
change in terms of OPEB benefits	x	
change in assumptions about economic & demographic factors		Amortize over service period
actual economic & demographic results differing from assumptions		Amortize over service period
4-Change in amount of OPEB plan net assets		
projected investment earnings	x	
actual investment earnings differing from assumed earnings		Amortize over 5 years
all other	x	
5-Change in proportionate share (cost sharing plan only)		Amortize over service period

Cost-Sharing Employers - Notes And RSI

- Descriptive information about the plan
- Components of net OPEB liability and related ratios
- Significant assumptions and other inputs used to calculate the total OPEB liability
- Date of valuation
- Basis for determining employer contributions
- 10 years of select information in RSI, as it becomes available

Common Oversights

- Restatement adjustment and note disclosure
- Should be an additional sensitivity analysis related to health care costs
- Missing RSI information and make sure the verbiage is correct – should be covered payroll

Restatement Entry Example

Restated Net Position	12,326,577	
Deferred Outflow	830,000	
Net OPEB Liability (BOY)		13,156,577

OPEB - PERA INFORMATION

- PERA Information Released
 - 20 minute video - <https://www.youtube.com/watch?v=n2zRaupZFPk> [youtube.com]
 - 2 page fact sheet - <https://www.copera.org/sites/default/files/documents/5-162.pdf>
 - 2017 Employer Schedules released via STARS in July and August 2018 - <https://www.copera.org/employers/gasb-reporting-standards/employer-schedule-status>

OPEB - PERA INFORMATION

- PERA Information Released
 - GASB educational webpage – <https://www.copera.org/employers/gasb-reporting-standards>
 - Questions regarding information provided by PERA contact PERA directly at GASBMail@Copera.org.

GASB Statement No. 83

GASB Statement No. 83

- Title: *Certain Asset Retirement Obligations*
- Effective Date: For reporting periods beginning after June 15, 2018
- Examples include decommissioning nuclear reactors, dismantling sewage treatment plants, retiring certain types of medical equipment

GASB Statement No. 84

GASB Statement No. 84

- Title: *Fiduciary Activities*
- Effective Date: For reporting periods beginning after December 15, 2018

Types of Fiduciary Funds

- Pension and OPEB trust funds
- Investment trust funds
- Private-purpose trust funds
- Custodial funds

Four Paths

- Component units that provide post employment benefits
- Component units that do not provide postemployment benefits
- Postemployment benefit arrangement that are not component units
- All other activities

Control of Assets

- A government controls assets if:
 - The government holds the assets, OR
 - The government has the ability to **direct** the **use**, exchange, or employment of the assets
- Use = expends or consumes an asset for the benefit of individuals, organizations, or other governments
- Direct = designate a third party to perform a government's fiduciary duties without assuming them

Other Fiduciary Activities

- A government should report an activity as a fiduciary activity if:
 - The government **controls** the assets of the activity AND
 - “Control” as defined on prior slide
 - The assets of the activity are not derived solely from the government’s own-source revenue or from grants received by the government (other than pass-through grants for which the government has no administrative involvement), AND
 - One or more of the criteria on the next slide are met

Additional Criteria

- The assets are administered through a trust or equivalent arrangement of which the government is not a beneficiary
- The assets are to be provided to individuals and are not derived from the government's provision of goods and services to those individuals
- The assets are to be provided to organizations that are not part of reporting entity

Other Fiduciary Activities

- Pension and OPEB plans administered through qualified trusts, assuming that the government **controls** the assets of the arrangement
 - “Control” is defined in a previous slide
- Component units that are fiduciary in nature

Custodial Funds

- Replace agency funds under current model
- For activity not held in a trust
- Unlike agency funds, custodial funds will have an “income statement”
- Unlike agency funds, custodial funds will have net position

GASB Statement No. 85

GASB Statement No. 85

- Title: *Omnibus 2017*
- Effective Date: For reporting periods beginning after June 15, 2017
- Contains fixes or small modifications on a number of topics that did not each warrant their own Statement

GASB 85 – Omnibus 2017

Topic	Description
<i>Blended Component Units</i>	Governments utilizing the BTA model may blend a component unit only if the criteria in GASB 14, paragraph 53 are met
<i>Goodwill</i>	Addresses accounting for goodwill from transactions prior to GASB 69; results in this goodwill being moved to a deferred outflow and amortized
Fair Value Measurement	Each unit of account of real estate used in operations by insurance entities should be classified as an investment or capital asset based on definition of an investment in GASB 72, paragraph 64
	Money market investments and participating interest-earning contracts described in GASB 72, paragraph 69c may be measured at amortized cost to the extent permitted by GASB 31, paragraph 9

GASB 85 – Omnibus 2017

Topic	Description
<i>Pensions and OPEB</i>	Governmental funds should measure liabilities and expenses associated with pensions and OPEB for the current reporting period (as opposed to the government-wide statements and proprietary funds, which may be based on a measurement date up to 12 months in advance of the balance sheet date)
	Addresses timing and measurement of on-behalf payments in employer financial statements
OPEB	Use of covered payroll vs. covered-employee payroll for RSI disclosures: <ul style="list-style-type: none">- Plan financial statements use covered payroll- Employer financial statements use covered payroll if contributions based on a measure of pay; otherwise, use covered-employee payroll
	Employer-paid member contributions should be classified as employee contributions, similar to Statement No. 82 requirement for pensions

GASB Statement No. 86

GASB Statement No. 86

- Title: *Certain Debt Extinguishment Issues*
- Effective Date: For reporting periods beginning after June 15, 2017
- Contains various provisions to improve consistency in accounting and financial reporting for in-substance defeasance of debt by governments

Debt Defeased With Existing Resources

- When a government defeases outstanding debt using only existing resources by placing the resources in an irrevocable trust, GASB 86 requires that the resources and the outstanding debt should be removed from the financial statements
 - Similar to treatment under GASB 7 for debt defeased by the issuance of new bonds
- Under GASB 86, the difference between the reacquisition price and the net carrying amount of the debt defeased should be reported as a gain or loss in the period of defeasance

GASB Statement No. 87

GASB Statement No. 87

- Title: *Leases*
- Effective Date: For reporting periods beginning after December 15, 2019
- Establishes a single approach to accounting for leases that will eliminate the current operating and capital lease classifications

Lease Definition

- A contract that conveys the right to use a nonfinancial asset (the underlying asset) for a period of time in an exchange or exchange-like transaction
- The lease “term” is defined as the period during which a lessee has a noncancellable right to use the asset plus any options to extend or terminate if it is reasonably certain that the lease will continue

Lessee Accounting

- Recognize a lease liability and an intangible asset at the beginning of a lease
- Lease liability measured at present value of lease payments over the lease term
- Intangible asset measured at the value of the lease liability plus any prepayments and certain indirect costs
- Lease liability reduced as payments are made
- Interest is accrued on lease liability
- Intangible asset amortized to expense over shorter of the life of the underlying asset or the lease term

Lessor Accounting

- Recognize a lease receivable and a deferred inflow of resources at the beginning of a lease
- Underlying capital asset is still recognized by lessor
- Lease receivable measured at present value of lease payments to be received over the lease term
- Deferred inflow of resources measured at the value of the lease receivable plus any prepayments
- Receivable is reduced as payments are received
- Interest is earned on lease receivable
- Deferred inflow is amortized to revenue over the life of the lease

Leases With Multiple Components

- Lease component and nonlease component (e.g. service provisions) should be accounted for as separate contracts
- Use stated contract prices for individual components as long as they do not appear unreasonable based on professional judgment
- If no stated contract prices for the separate components, use professional judgment to determine best estimate
- If not practicable to develop a best estimate, treat as a single lease unit

Note Disclosures

- A general description of the lease arrangement
- Total amount of assets recorded under leases, and the related accumulated amortization (lessee)
- The cost of assets on lease or held for leasing, by major class, and the amount of accumulated depreciation (lessor)
- The amount of expense (lessee) or revenue recognized (lessor) during the period
- Schedule of future lease principal and interest payments to be made or received in each of the five subsequent years and in five-year increments thereafter

Leases Excluded from GASB 87

- Short-term leases
 - A lease with a maximum possible term under the contract of 12 months or less (including options to extend)
- Leases that transfer ownership
 - A lease that transfers ownership of the underlying asset at the conclusion of the contract
 - Contains no termination provisions
 - Lease is treated as the financed purchase of an asset

GASB Statement No. 88

GASB Statement No. 88

- Title: *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*
- Effective Date: For reporting periods beginning after June 15, 2018
- Clarifies and expands the footnote disclosures that are required for debt, including direct borrowings and direct placements

New Disclosure Requirements

- In addition to existing disclosure requirements for debt, the following should be disclosed in the financial statements:
 - Amount of unused lines of credit
 - Assets pledged as collateral for debt
 - Terms specified in debt agreements related to:
 - Events of default with finance-related consequences
 - Termination events with finance-related consequences
 - Subjective acceleration clauses

Separate Presentation

- Governments should separate information in debt disclosures regarding:
 - Direct borrowings and direct placements of debt
 - Other debt
- Definitions:
 - Direct borrowings and direct placements have terms negotiated directly with the investor or lender and are not offered for public sale
 - Differs from bonds and similar instruments, which are offered for sale in the public bond markets

GASB Statement No. 89

GASB Statement No. 89

- Title: *Accounting for Interest Cost Incurred before the End of a Construction Period*
- Effective Date: For fiscal years beginning after December 15, 2019
- Enhances the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period.
- Simplifies accounting for interest cost incurred before the end of a construction period.

Accounting Requirements

- Financial statements prepared using the **economic resources measurement** focus
 - Interest cost incurred before the end of a construction period should be recognized as an expense in the period in which the cost is incurred. Such interest cost should not be capitalized as part of the historical cost of a capital asset.
- Financial statements prepared using **the current financial resources measurement** focus
 - Interest incurred before the end of a construction period should continue to be recognized as an expenditure on a basis consistent with governmental fund accounting.

GASB Statement No. 90

GASB Statement No. 90

- Title: *Majority Equity Interests*
- Effective Date: For reporting periods beginning after December 15, 2018
- Clarifying guidance related to accounting for a majority equity interest.

Questions



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