

A decorative graphic on the left side of the slide, consisting of a vertical black line intersecting a horizontal black line. To the left of the vertical line are three overlapping squares: a blue one at the top, a red one in the middle, and a yellow one at the bottom. The text "GASB UPDATE" is positioned to the right of this graphic.

GASB UPDATE

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Effective for June 30, 2018

- Statement No. 75 – OPEB (employers)
- Statement No. 81 – Irrevocable Split Interest Agreements
- Statement No. 85 – Omnibus 2017
- Statement No. 86 – Certain Debt Extinguishment Issues



Comprehensive Implementation Guide - 2018

1. Disclosures Related to Deposits with Financial Institutions, Investments (including repurchase agreements), and Reverse Repurchase Agreements
2. Cash Flow Reporting
3. Risk Financing and Related Insurance
4. The Financial Reporting Entity
5. Pensions – Employer and Plan Accounting and Reporting
6. Accounting and Financial Reporting for Investments and External Investment Pools
7. Basic Financial Statements and MD&A
8. OPEB - Employer and Plan Accounting and Reporting
9. The Statistical Section
10. Accounting and Financial Reporting for Derivative Instruments



Future GASB Implementations

- June 30, 2019
 - Statement No. 83 – Asset Retirement Obligations
- June 30, 2020
 - Statement No. 84 – Fiduciary Activities
- June 30, 2021
 - Statement No. 87 – Leases



GASB 75 – OPEB (employers)

Highlights

- Replaces Statements No. 45 and No. 57 and is the sequel to Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, which was issued to establish the reporting requirements for the plans themselves.
- The Statement is divided into guidance for OPEB plans that are administered through trusts, and those that are not administered through trusts.
- GASB implementation Guide was issued in April 2017



GASB 75 – OPEB (continued)

Highlights (continued)

- Very similar to the pension GASB Statements No. 67 and 68
- Requires the reporting of the total OPEB liability on the Statement of Net Position
- **Will be applied retroactively – restating the earliest period presented**



GASB 75 - OPEB (continued)

Highlights (continued)

- OPEB expense will require the recognition of deferred outflows and inflows for actuarial gains and losses on the total OPEB liability for the difference between actual and expected experience (with regard to economic or demographic factors), as well as on assumption changes
- Recognize a deferred outflow for OPEB employer payments made subsequent to the measurement date
- Will amortize into OPEB expense the deferred outflows and inflows from previous years



GASB 75 - OPEB (continued)

GASB 75

- 1 Funding method permitted (Entry Age Actuarial Cost Method)
- Discount Rate – Yield or index rate for 20 year, tax exempt General Municipal Obligation with average rating of AA/Aa or higher

GASB 45

- 6 funding methods permitted
- Discount Rate – Estimated long-term investment yield on assets that are expected to be used to finance the payment of benefits



GASB 75 - OPEB (continued)

GASB 75

- Requires closed period for amortization
- No amortization of prior service cost
- Impact – additional liability on the government-wide financial statements, deferred inflow/outflows of resources

GASB 45

- Allowed open or closed period for amortization
- Amortization of prior service cost – 30 years
- Impact – additional liability on the government-wide financial statements



GASB 75 - OPEB (continued)

GASB 75

- RSI (10 years of data)
 - Schedule of Changes in Total OPEB
 - Schedule of Total OPEB Liability, Covered Employee Payroll, and OPEB Liability as a Percent of Covered Payroll

GASB 45

- RSI
 - Schedule of Funding Progress for Retiree Health Plan (information from most recent 3 valuations)



GASB 75 - OPEB (continued)

GASB 75	GASB 45
Service Cost	Normal Cost
Total OPEB Liability (TOL)	Actuarial Accrued Liability (AAL)
Fiduciary Net Position	Actuarial Liability
Net OPEB Liability (NOL)	Unfunded Actuarial Accrued Liability (UAAL)
Actuarial Determined Contribution	Annual Required Contribution (ARC)
OPEB Expense	Annual OPEB Cost
Deferred Inflows/Outflows	Amortization of Liability
N/A	Net OPEB Obligation



GASB 75 - OPEB (continued)

Actuarial Valuations

- Plans with more than 200 participants (active and retirees) are required to have a full valuation annually
- Plans with fewer than 200 participants are required to have a full valuation every 2 years (triennial valuations no longer permitted)
- Permits the use of a 'specified' alternative valuation method for plans with fewer than 100 participants



GASB 75 - OPEB (continued)

Interim Valuations

- Actuarial calculations will be required every year; however, plans may have the actuary utilize roll-forward techniques in the interim years. Interim valuations will consider changes in the following:
 - Discount rate (likely no change)
 - Estimated service cost
 - Estimated expected benefit payments
 - Interest cost
 - Impact of changes in plan provisions
 - Estimate experience gains/losses (premium vs. medical cost trends)
 - Estimate assumption gains/losses



GASB 75 - OPEB (continued)

Interim Valuations

- If there are significant changes in the plan provisions you will need to have a new actuarial valuation performed
 - Change in participants (addition or removal of a group)
 - Change in insurance coverage/policy
 - Change in employee/employer contribution rates



GASB 75- OPEB (continued)

Disclosure Requirements

- Name of plan and type of plan (single employer)
- Benefit terms including type of benefits, classes of employees covered by the plan, policies regarding automatic benefit changes such as COLAs, legal authority to establish or amend benefit terms
- Number of employees covered broken into inactive-receiving benefit payments, inactive-entitled to but not yet receiving benefit payments, and active



GASB 75 - OPEB (continued)

Disclosure Requirements (continued)

- The fact that there are no assets in a trust for the plan
- Authority under which to pay benefits as they come due or to amend the requirement to pay the benefits, and the amount paid by employer
- Significant assumptions and other data including inflation, healthcare cost trend rates, salary changes, postemployment benefit changes, mortality assumptions, dates of experience studies, the total OPEB liability sensitivity to the healthcare cost trend rate (+ or – 1%)



GASB 75 - OPEB (continued)

Disclosure Requirements (continued)

- Discount rate used
- Municipal bond rate used
- Total OPEB liability sensitivity to the municipal bond rate (+ or – 1%)
- Schedule of changes in total OPEB liability (opening balance, service cost, interest, changes in benefit terms, difference between expected and actual experience, changes of assumptions, benefit payments, ending balance)



GASB 75 - OPEB (continued)

Disclosure Requirements (continued)

- Measurement date and actuarial valuation date
- If applicable, the fact that update procedures were used to roll forward the total OPEB liability to the measurement date
- Changes in assumptions and benefit terms since prior measurement date
- Changes subsequent to measurement date that may effect the liability
- OPEB expense in the current year



GASB 75 - OPEB (continued)

Disclosure Requirements (continued)

- Balance of deferred outflows and inflows by source, and the effect on OPEB expense in each of the next five years and thereafter



GASB 75 - OPEB (continued)

Required Supplementary Information - 10 year schedules (if information is available), with information as of the measurement date

- Total OPEB liability, the covered employee payroll, and the total OPEB liability as a as a percentage of covered employee payroll
- The changes in total OPEB liability, by source
- Include a note to the RSI that no assets are accumulated in a trust



GASB 75 - OPEB (continued)

Required Supplementary Information (continued)

- Additional information should be presented on factors that materially affected trends in the amounts reported as RSI, such as changes in terms, etc.



GASB 75 - OPEB (continued)

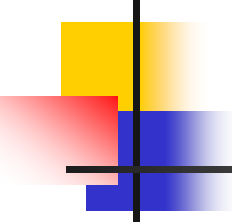
Auditor and Auditee Implications

- What is the source of the data given to the actuary and auditor, this data is integral to the actuarial valuation
- Were changes to the plan relayed correctly
- Is it reliable, what are the controls in obtaining /preparing the data, etc.
- Auditors will need to test this census data



GASB 81 – Irrevocable Split-Interest Agreements

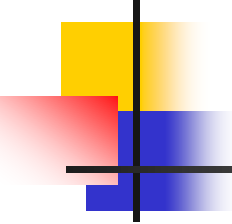
The objective of this Statement is to improve accounting and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of the agreement



GASB 81 – Irrevocable Split-Interest Agreements (continued)

These are a type of 'giving' agreement used by donors to provide resources to two or more beneficiaries, including governments

GASB 81 – Irrevocable Split-Interest Agreements (continued)



- This statement requires that a government that receives resources pursuant a irrevocable split-interest agreement to recognize assets, liabilities and deferred inflows of resources at the inception of the agreement
- Revenue is recognized when the resources become available



GASB 85 – Omnibus 2017

Topics included in this statement:

- Blending a component unit in circumstances in which the primary government is a business-type activity
- Reporting amounts previously reported as goodwill
- Classifying real estate held by insurance entities
- Measuring certain money market investments and participating in interest earning investment contracts at amortized cost



GASB 85 – Omnibus 2017 (continued)

Topics included in this statement (continued):

- **Timing of the measurement of pension or OPEB liabilities and expenditures recognized on the modified accrual basis financial statements**
- Recognizing on-behalf payments for pensions or OPEB



GASB 85 – Omnibus 2017 (continued)

Topics included in this statement (continued):

- Presentation of payroll-related measures in RSI by OPEB plans and employers that provide OPEB
- Classifying employer-paid member contributions for OPEB
- Simplifying certain aspects of the alternative measurement for OPEB
- Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans



GASB 85 – Omnibus 2017 (continued)

Timing of the Measurement of Pension and OPEB Liabilities and Expenditures

- Liabilities to employees for defined benefit pensions or OPEB should be measured as of the end of the reporting period
- All expenditures for defined benefit pensions or OPEB plans should be measured for the reporting period, including:
 - Amounts payable to a pension or OPEB plan
 - Costs incurred by the employer related to the administration of such a plan

GASB 86 – Certain Debt Extinguishment Issues



The primary objective of this statement is to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources (i.e. resources other than the proceeds of the refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing the debt.

GASB 86 – Certain Debt

Extinguishment Issues (continued)

In-substance defeasance – When a debtor irrevocably places cash or other monetary assets acquired with refunding proceeds in a trust to be used solely for satisfying scheduled payments of interest and principal on the defeased debt

GASB 86 – Certain Debt

Extinguishment Issues (continued)

Under this statement, districts should recognize any difference between the reacquisition price (i.e. the amount required to be placed in the trust) and the net carrying amount of the debt defeased using only existing resources as a separately identified gain or loss in the period of defeasance in the accrual basis financial statements



Future GASB Statement Implementations



GASB 83 – Certain Asset Retirement Obligations (ARO)

Highlights

- Effective for fiscal year ending June 30, 2019
- Does **not** include pollution remediation or landfill closure and post closure (covered by other statements.)
- Unless you have a sewage treatment or nuclear power plant, this probably won't apply to you
- Applies to minority share ownership interest in a jointly owned asset



GASB 83 – Certain Asset Retirement Obligations (ARO) (continued)

- Addresses accounting and financial reporting for a **legally enforceable liability** associated with the **permanent** retirement of a tangible capital asset whether by sale, abandonment, recycling, or disposal
- Establishes criteria for determining the timing, and pattern of recognition of a liability and a corresponding deferred outflow of resources for an ARO



GASB 84 – Fiduciary Activities

Highlights

- Effective for fiscal year ending June 30, 2020
- Fiduciary activity – activities in which the district acts as a trustee or agent for resources that are the property of others
- An activity meeting this criteria should be reported in the Fiduciary Fund



GASB 84 – Fiduciary Activities

(continued)

- Establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is on:
 1. Whether the district is controlling the assets of the fiduciary activity and
 2. The beneficiaries with whom a fiduciary relationship exists



GASB 84 – Fiduciary Activities

(continued)

Criteria:

- The assets associated with the activity are **controlled** by the district (holds the assets or has the ability to direct their use),
- The assets associated with the activity are **not derived** either:
 1. Solely from the district itself (exchange and exchange-like transactions), or
 2. From mandated non-exchange transactions or voluntary nonexchange transactions



GASB 84 – Fiduciary Activities

(continued)

Characteristics:

- The assets are administered through a **trust** in which the district itself is not a beneficiary, dedicated to providing benefits to recipients and legally protected from the creditors of the district
- The assets are for the **benefit of individuals** and the district does not have administrative involvement with the assets or direct financial involvement with the assets



GASB 84 – Fiduciary Activities

(continued)

Four fiduciary funds that should be reported, if applicable:

- Pension (and other employee benefit) trust funds,
- Investment trust funds,
- Private-purpose trust funds, and
- Custodial fund
 - Custodial funds generally should report fiduciary activities that are *not* held in a trust or equivalent arrangement that meets specific criteria



GASB 87 – Leases

Highlights

- Effective for fiscal year ending June 30, 2021
- Impacts districts as either the lessee or lessor
- Includes leases of equipment from BOCES
- Generally excludes short-term leases
- Impacts only government-wide financial statements



GASB 87 – Leases (continued)

In General:

- Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases
- It establishes a single model for lease accounting based on the foundational principle that leases are financings of the **right to use** an underlying asset



GASB 87 – Leases (continued)

In General (continued):

- Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources



GASB 87 – Leases (Continued)

Definition of a Lease

A contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment



GASB 87 – Leases (continued)

Definition of Lease Term

The period during which a lessee has a non-cancelable right to use an underlying asset, plus the following periods:

- Periods covered by a lessee's/lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee/lessor will exercise that option
- Periods covered by a lessee's/lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee/lessor will not exercise that option



GASB 87 – Leases (continued)

Short-term Leases

- A lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.
- Lessees and lessors should recognize short-term lease payments as outflows of resources or inflows of resources, respectively, based on the payment provisions of the lease contract.



GASB 87 – Leases (continued)

Accounting for Leases by Lessees

- A lessee should recognize a lease liability and a lease asset at the commencement of the lease term, unless the lease is a short-term lease or it transfers ownership of the underlying asset
- The lease liability should be measured at the present value of payments expected to be made during the lease term
- The lease asset should be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs



GASB 87 – Leases (continued)

- A lessee should reduce the lease liability as payments are made and recognize an outflow of resources (expense) for interest on the liability.
- The lessee should amortize the lease asset in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset.
- The notes to financial statements should include a description of leasing arrangements, the amount of lease assets recognized, and a schedule of future lease payments to be made.



GASB 87 – Leases (continued)

Subleases Transactions

- Subleases should be treated as transactions separate from the original lease.
- The original lessee that becomes the lessor in a sublease should account for the original lease and the sublease as separate transactions, as a lessee and lessor, respectively.



GASB 87 – Leases (continued)

Sale-Leaseback Transactions

- A transaction qualifies for sale-leaseback accounting only if it includes a sale.
- The sale and lease portions of a transaction should be accounted for as separate sale and lease transactions, except that any difference between the carrying value of the capital asset that was sold and the net proceeds from the sale should be reported as a deferred inflow of resources or a deferred outflow of resources and recognized over the term of the lease.



GASB 87 – Leases (continued)

Lease-Leaseback Transactions

- A lease-leaseback transaction should be accounted for as a net transaction.
- The gross amounts of each portion of the transaction should be disclosed.

Questions

