

GASB Update



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Is it coming or going and should I prepare for impact???

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Implementation Dates –GASB Statements

Effective Date – Periods Beginning After	Statement	First Fiscal Years Affected	
		June 30th	December 31st
December 15, 2015	GASB-77 - Tax Abatement Disclosures	2017	Already Implemented?
December 15, 2015	GASB-78 - Certain Multiple-Employer Defined Benefit Plans (Taft-Hartley)	2017	Already Implemented?
Pensions not within scope of 68 – June 15, 2016	GASB-73 - Pension and Related Assets not within Scope of GASB-68, (Other than Amendments to GASB 67/68)	2017	2017
June 15, 2016	GASB-74 - OPEB Plans	2017	2017
June 15, 2016	GASB-82 – Pension Issues	2017	2017
June 15, 2016	IGU-2016-1	2017	2017

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Implementation Dates – Other GASB Statements

Effective Date – Periods Beginning After	Statement	First Fiscal Years Affected	
		June 30th	December 31st
June 15, 2016	GASB-80 – Blending Requirements for Certain Component Units	2017	2017
December 15, 2016	GASB-81 – Irrevocable Split-Interest Agreements	2018	2017
June 15, 2017	GASB-75 - OPEB Employers	2018	2018
June 15, 2018	GASB-83 - Asset Retirement Obligations	2019	2019
December 15, 2018	GASB-84 – Fiduciary Activities	2020	2019
June 15, 2017	GASB-85 - Omnibus 2017	2018	2018

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Implementation Dates – Projects Almost Final

Proposed Effective Date – Periods Beginning After	Exposure Draft	First Fiscal Years Affected	
		June 30th	December 31st
June 15, 2017	<i>Certain Debt Extinguishments (GASB-86)</i>	2018	2018
June 15, 2017	<i>IGU-2017</i>	2018	2018
December 15, 2019	<i>Leases (GASB-87)</i>	2021	2020

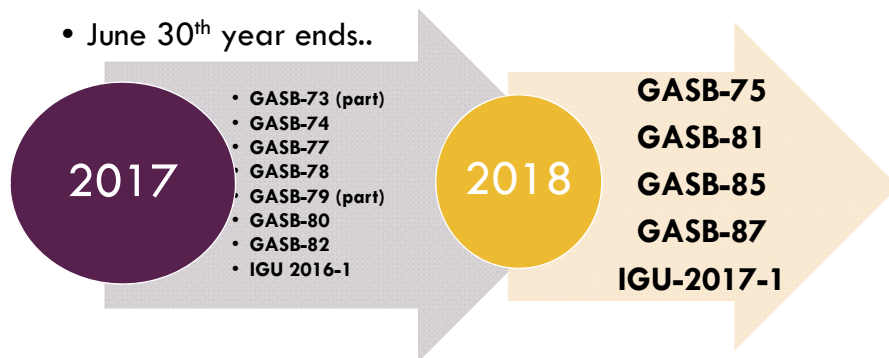
TOO EARLY TO TELL

- Debt Disclosures, including direct borrowing
- **Financial Reporting Model** (but rumor is 2020 or 2021 implementation)
- Capitalized Interest
- Equity Method Interests
- Going Concern Disclosures
- Revenue & Expense Recognition
- Note Disclosure Reexamination
- Conduit Debt
- Social Impact Bonds

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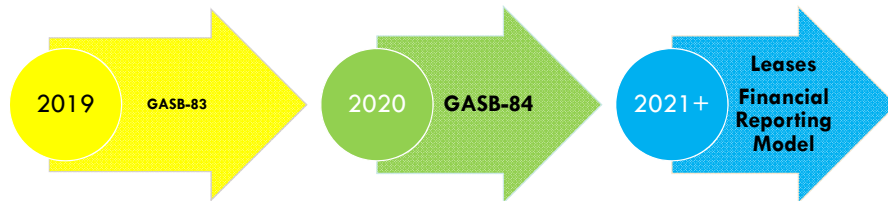
For those who need a calendar

- June 30th year ends..



»»» For those who need a calendar

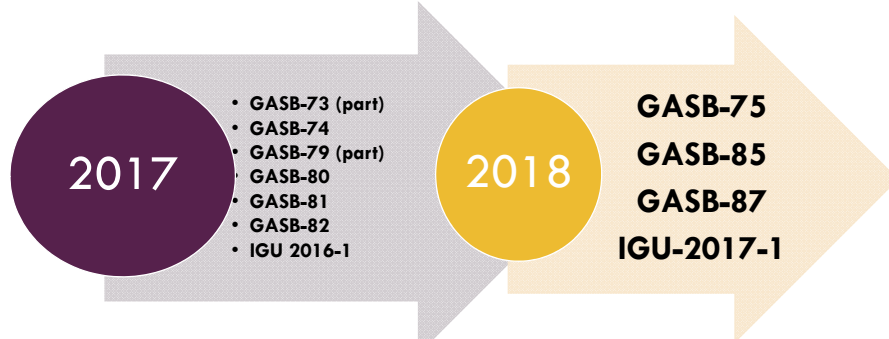
- June 30th year ends..



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»»» For those who need a calendar

- December 31st year ends..

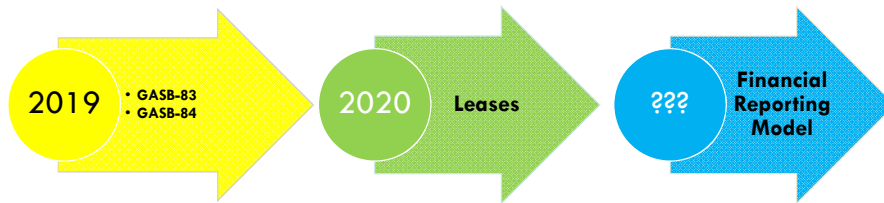


GASB-77 and 78 were December 31, 2016

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» For those who need a calendar

- December 31st year ends..



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The Exit Doors of the Plane Are Clearly Marked

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GASB 74 & 75 – Other Postemployment Benefits

- **What:** Make OPEB accounting and financial reporting consistent with the pension standards in Statements 67 and 68
- **Why:** Objective was to establish a consistent set of standards for all postemployment benefits, providing more transparent reporting of the liability and more useful information about the liability and costs of benefits
- **When:** Effective for periods beginning after June 15, 2016 (plans) and June 15, 2017 (employers)

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GASB 74 & 75 – Plan and Asset Reporting

- Scope – Defined benefit and defined contribution OPEB plans administered through trusts that meet specified criteria
- Also addresses assets accumulated for purposes of providing OPEB through defined benefit OPEB plans that are *not* administered through trusts that meet the criteria
 - Assets reported as assets in employer's governmental/proprietary funds
 - Assets held for other government reported in an agency fund
- Few changes from Statement 43 for financial statement recognition
- Notes/RSI changes primarily to reflect changes in measurement of defined benefit liabilities of employers

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GASB 74 & 75 – Employer Scope & Applicability

- Applies same definition of OPEB as used in Statement 45
 - All postemployment healthcare benefits
 - Other forms of postemployment benefits not provided through a pension plan
- Applies to employers and nonemployer contributing entities that have a legal obligation to make contributions directly to an OPEB plan or to make benefit payments as those payments come due

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GASB 74 & 75 – Liability to Employees for OPEB

- Based on total OPEB liability—the portion of the actuarial present value of projected benefit payments that is attributed to past periods of employee service
- Is OPEB administered through a trust that meets the specified criteria?
 - Yes—recognize net OPEB liability (total OPEB liability, net of OPEB plan fiduciary net position)
 - No—recognize total OPEB liability
- Employer's liability to employees for OPEB measured as of a date no earlier than the end of the employer's prior fiscal year and no later than the employer's current fiscal year
 - Based on an actuarial valuation obtained at least biennially no more than 30 months and 1 day earlier than the employer's most recent fiscal year-end

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GASB 74 & 75 – Measurement of the Total Liability

- Three broad steps
 - Project benefit payments
 - Discount projected benefit payments to actuarial present value
 - Attribute actuarial present value to periods
- Methods and assumptions
 - Generally, assumptions in conformity with Actuarial Standards of Practice
 - Single attribution method—entry age, level percentage of pay

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GASB 74 & 75 - Alternative Measurement Method

- Alternative measurement method may be applied if fewer than 100 employees (active and inactive) are provided benefits through plan as of the beginning of the measurement period
 - Generally, same simplifications to assumptions can be used as were permitted by Statement 45

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GASB 74 & 75 - Changes in Liability

- Recognize most changes in liability for the current reporting period as OPEB expense immediately, except:
 - Changes in total OPEB liability:
 - Differences between expected and actual experience with regard to economic and demographic factors in the measurement of the total OPEB liability
 - Changes of assumptions in the measurement of the total OPEB liability
 - For OPEB administered through trust in which specified criteria are met:
 - Difference between projected and actual earnings on OPEB plan investments
 - Employer contributions

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GASB 74 & 75 - Notes and RSI

- Think pensions
- Disclosure of effect on net/total OPEB liability of a discount rate +/- 1 percent
- Disclosure of effect on net/total OPEB liability of a healthcare cost trend rate +/- 1 percent
- Single and agent employers: 10-year RSI schedules for changes in the net OPEB liability, ratios, and actuarially determined contributions
- Cost-sharing employers: 10-year RSI schedules for proportionate share/ratios, and statutorily or contractually determined contributions

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GASB 77 - Tax Abatement Disclosures

- **What:** Requires disclosures about a government's tax abatement agreements
- **Why:** Information about revenues that governments forgo is essential to understanding financial position and economic condition, interperiod equity, sources and uses of financial resources, and compliance with finance related legal or contractual requirements
- **When:** Effective for periods beginning after December 15, 2015

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GASB 77 - Definition and Scope

- Does not include all transactions that reduce tax revenues
- Emphasis is on the substance of the arrangement meeting the definition, not on its name or form
- Would apply only to arrangements meeting this definition:
 - A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

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GASB 77 - General Disclosure Principles

- A government would disclose separately (a) its own tax abatements and (b) tax abatements that are entered into by other governments and reduce the reporting government's taxes
- Disclose own tax abatements by major program
- Disclose those of other governments by the government and specific tax abated
- May disclose individual tax abatements above quantitative threshold established by the government
- Disclosure would commence in the period in which a tax abatement agreement is entered into and continue until the tax abatement agreement expires, unless otherwise specified

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GASB 77 - Required Disclosures

Brief Descriptive Information	Government's Own Abatements	Other Government's Abatements
Name of program	✓	
Purpose of program	✓	
Name of government		✓
Tax being abated	✓	✓
Authority to abate taxes	✓	
Eligibility criteria	✓	
Abatement mechanism	✓	
Recapture provisions	✓	
Types of recipient commitments	✓	

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GASB 77 - Required Disclosures

Other Disclosures	Government's Own Abatements	Other Government's Abatements
Dollar amount of taxes abated	✓	✓
Amounts received or receivable from other governments associated with abated taxes	✓	✓
Other commitments by the government	✓	
Quantitative threshold for individual disclosure	✓	✓
Information omitted due to legal prohibitions	✓	✓

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GASB 80 - Blending Requirements

- **What:** Revises the standards regarding how certain component units should be presented in the financial statements of the primary government
- **Why:** There is diversity in practice, with some component units
- **When:** Effective for reporting periods beginning after June 15, 2016

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GASB 80 - Reporting Entity Standards

- Most component units should be included in the financial reporting entity by discrete presentation. Before Statement 80, the blending presentation was required only when:
 - Primary government and component unit have substantively the same governing body AND
 - A financial benefit/burden relationship exists, OR
 - Management (below the elected official level) of the primary government has “operational responsibility” for the activities of the component unit
 - Services of the component unit exclusively benefit the primary government
 - Debt of the component unit is expected to be repaid entirely or almost entirely with resources of the primary government

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GASB 80 - Additional Blending Criterion

- A component unit should be included in the reporting entity financial statements using the blended method if:
 - The component unit is organized as a not-for-profit corporation in which the primary government is the sole corporate member,* as identified in the component unit’s articles of incorporation or bylaws, AND
 - The component unit is included in the financial reporting entity pursuant to the provisions in paragraphs 21–37 of Statement 14, as amended.

* The sole corporate member requirement should not be analogized to any other situations that may be considered similar to those in which the primary government is the sole corporate member, such as situations in which the primary government is the residual equity interest owner.

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GASB 81 - Irrevocable Split-Interest Agreements

- **What:** Addresses irrevocable split-interest agreements, which are particularly prevalent among public colleges and universities and public healthcare entities
- **Why:** Limited guidance exists for irrevocable split-interest agreements in which the government acts as trustee (and is one of the beneficiaries); no guidance exists for situations in which a third party is the trustee and the government is one of the beneficiaries; users need information about these arrangements
- **When:** Effective for periods beginning after December 15, 2016

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GASB 81 - Scope

- **Irrevocable split-interest agreements** for which the government is the intermediary (trustee or agent) and a beneficiary
 - Donor gives resources to government that also is a beneficiary in the agreement
 - Lead interest: payments during the life of the agreement, generally to non-governmental beneficiary (donor or donor's relative)
 - Remainder interest: assets remaining at termination of the agreement; generally goes to government
- **Beneficial interests** in resources held and administered by 3rd parties
 - Refers to the right to receive resources in a future reporting period, from resources administered by a 3rd party

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GASB 81 - Irrevocable Split-Interest Agreements with Resources Held by Government

Measurement	Asset	Liability	Deferred Inflow
Initial	Resources measured at fair value	For benefit of <i>nongovernmental</i> beneficiary: • Lead interest—measure directly at settlement amount	For government's benefit in resources: • Remainder interest—residual amount (assets less liability)
Subsequent	Investments remeasured at fair value; changes in assets will be reflected in deferred inflow	Distributions to lead interest beneficiaries reduce the liability	

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GASB 81 - Irrevocable Split-Interest Agreements with Resources Held by Third Party

Measurement	Asset	Deferred Inflow
Initial	Resources initially measured at fair value	Same as the asset
Subsequent	Changes in fair value of resources reflected in the deferred inflow	

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GASB 82 - Pension Issues

- **What:** Addresses concerns raised by stakeholders during the implementation process of Statements 67 & 68
- **Why:** The Board addresses requests to revisit existing standards when the concerns are significant and raise new issues
- **When:** Effective for reporting periods beginning after June 15, 2016, except requirements related to the selection of assumptions in a circumstance in which an employer's NPL is measured as of a date other than the employer's most recent FYE.
 - In that circumstance, those requirements are effective for that employer in the first reporting period in which the measurement date of the NPL is on or after June 15, 2017 or later

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GASB 82 - Provisions

- Return to the use of *covered payroll*, defined as the payroll on which contributions to a pension plan are based, for the RSI schedules required by Statements 67 and 68
- Clarify that a *deviation* from the guidance in Actuarial Standards of Practice, as the term is used in ASOPs, is not considered to be in conformity with the requirements of Statements 67, 68, or 73 for the selection of assumptions in determining the total pension liability
- Payments made by an employer to satisfy contribution requirements identified by plan terms as plan member contributions should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68
 - Also requires that an employer's expense/expenditures for those amounts be classified as a type of compensation expense/expenditures but not as pension expense/expenditures

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GASB 83 - Certain Asset Retirement Obligations

- **What:** Establish accounting and financial reporting standards for legal obligations to retire certain capital assets, such as decommissioning nuclear power plants and removing sewage treatment plants
- **Why:** Statement 18 addressed only municipal landfills but governments have retirement obligations for other types of capital assets. Diversity exists in practice.
- **When:** Effective for fiscal years beginning after June 15, 2018. Earlier application is encouraged.

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GASB 83 - Definitions & Scope

- **Asset retirement obligation**—Legally enforceable liability associated with the retirement of a tangible capital asset
- **Retirement** of a tangible capital asset—The permanent removal of a capital asset from service (such as from sale, abandonment, recycling, or disposal)
- Includes:
 - Nuclear power plant decommissioning
 - Coal ash pond closure
 - Contractually required land restoration, such as removal of wind turbines
 - Other similar obligations

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GASB 83 - Recognition & Measurement

Initial Recognition	ARO liability when incurred and reasonably estimable. Incurrence manifested by both external and internal obligating events. Measured based on the best estimate of the current value of outlays expected to be incurred.	Deferred outflow of resources—same amount as the ARO liability
Subsequent Recognition	- At least annually, adjust for general inflation or deflation - At least annually, evaluate relevant factors to determine if there is a significant change in the estimated outlays; remeasure liability when significant	An outflow of resources (such as expense) in a systematic and rational manner over the estimated useful life of the capital asset. Immediately expense if capital asset is abandoned.

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GASB 83 - Disclosures

- General description of ARO and associated tangible capital assets
 - Include source of AROs (federal, state, or local laws and regulations, contracts, or court judgments)
- Methods and assumptions used to measure ARO liabilities
- Estimated remaining useful life of tangible capital assets
- How financial assurance requirements, if any, are being met
- Amount of assets restricted for payment of ARO liabilities, if not separately displayed in financial statements
- If a government has an ARO (or portions of an ARO) that is incurred but not yet recognized because it cannot be reasonably estimated, that fact and the reasons therefor

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GASB 84 - Fiduciary Activities

- **What:** Clarify when a government has a fiduciary responsibility and is required to present fiduciary fund financial statements
- **Why:** Existing standards require reporting of fiduciary responsibilities but do not define what they are; use of private-purpose trust funds and agency funds is inconsistent; business-type activities are uncertain about how to report fiduciary activities
- **When:** Effective for fiscal years beginning after December 15, 2018. Earlier application is encouraged.

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GASB 84 - When to Report Assets in a Fiduciary Fund?

Guidance addresses:

- Categorization for fiduciary activities for financial reporting
- How to report fiduciary activities
- When liabilities to beneficiaries must be disclosed

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GASB 84 – Types of Fiduciary Funds

- The following types of fiduciary funds must be reported:
 - Pension (and other employee benefit) trust funds
 - Investment trust funds
 - Private-purpose trust funds
 - Custodial funds.

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GASB 84 - Fiduciary Fund Types

- New definitions for pension trust funds, investment trust funds, and private-purpose trust funds that focus on the resources that should be reported within each.
 - Trust agreement or equivalent arrangement should be present for an activity to be reported in a trust fund.
- *Custodial funds* would report fiduciary activities for which there is no trust agreement or equivalent arrangement.
 - External portions of investment pools that are *not* held in trust should be reported in a separate column under the custodial fund umbrella
 - Current agency funds will be custodial funds

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GASB 84 - Stand-Alone BTA

- A stand alone BTA's fiduciary activities should be reported in separate fiduciary fund financial statements.
- Resources expected to be held 3 months or less can be reported instead in the statement of net position, with inflows and outflows reported as operating cash flows in the statement of cash flows

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Questions and Thank You!



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