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*33rd*  
**Annual  
Fall  
Conference**

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# 2017 GASB Update

## *(Past, Present and Future)*

Janice Fergusson, CPA



UNIVERSITY OF  
**SOUTH CAROLINA**  
Darla Moore School of Business





# GASB Update – Recent Past

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- **GASB 72** – Fair Value Measurement and Application
- **GASB 73** – Pensions not within scope of GASB 68
- **GASB 76** – GAAP Hierarchy
- **GASB 79** – Certain External Investment Pools





# **GASB Statement No. 72**

## **Fair Value**

### **Measurement and Application**

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**Fiscal Years Beginning After June 15, 2015**







# **GASB Statement No. 72**

## **Fair Value Measurement and Application**

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- Addresses accounting and reporting issues related to fair value measurements.
- Provides guidance for determining fair value measurement.
- Provides guidance for applying fair value to certain investments and related disclosures.





# GASB Statement No. 72

## Fair Value Definition

- **Fair Value** – “the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.”
- Objective is to estimate the **exit price** of assets and liabilities.





# GASB Statement No. 72

## Valuation Approaches

- **Market Approach:** Uses prices and other relevant market information
- **Cost Approach:** Reflects the amount that would be required to replace the present service capacity of an asset
- **Income Approach:** Converts future amounts (such as cash flows) to a single current amount







# **GASB Statement No. 72**

## **Fair Value Hierarchy**

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- **Level 1 Inputs:** Unadjusted quoted price
- **Level 2 Inputs:** Inputs, other than level 1 quoted prices, that are observable
- **Level 3 Inputs:** Unobservable inputs







# GASB Statement No. 72

## Investment Defined

- **Investment** – “a security or other asset that a government holds primarily for the purpose of income or profit, and the present service capacity of which is based solely on its ability to generate cash or to be sold to generate cash.”





# **GASB Statement No. 72**

## **Investments Excluded from Fair Value Measurement**

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- Investments in 2a7-like external investment pools
- Investments in commercial paper & U.S. Treasuries with remaining maturity at time of purchase of **one year or less**
- Investments in certain life insurance policies





# **GASB Statement No. 72**

## **Investments Excluded from Fair Value Measurement**

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- Investments in common stock that are eligible for the equity method
- Investments in **nonparticipating** interest-earning investments contracts (fixed-rate CDs )







# **GASB Statement No. 72**

## **Fair Value Measurement - Liabilities**

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- Statement indicates that fair value applies to certain liabilities such as interest rate swaps and other derivatives.
- The fair value of such a liability would be the price to transfer it to a market participant at the measurement date.







# **GASB Statement No. 73**

**Accounting and Reporting for Pensions  
and Related Assets not within the  
Scope of GASB Statement 68  
and Amendments to Certain Provisions  
of GASB Statements 67 and 68**





I Used to Smile



Until GASB 68





## **GASB Statement No. 73**

- Effective Dates:
  - Provisions for accumulated assets and amendments to Statements 67 and 68, effective for fiscal years beginning after June 15, 2015
  - Provisions for pensions not within the scope of Statement 68, effective for fiscal years beginning after June 15, 2016







# **GASB Statement No. 73**

## **Clarifications of GASB 67 and 68**

- Certain information required to be provided as notes to RSI about investment-related factors significantly affecting trends in amounts reported
- Accounting for separately financed specific liabilities of individual employer/nonemployer contributing entities
- Timing of employer recognition of revenue for the support of nonemployer contributing entities not in a special funding situation







# **GASB Statement No. 73**

## **Pensions Not Within Scope of Statement 68**

- Pensions provided through a plan that is not administered through a trust that meets the following criteria:
  - Employer/nonemployer contributions irrevocable
  - Plan assets dedicated to providing pensions
  - Plan assets legally protected from creditors





# **GASB Statement No. 73**

## **Pensions Not Within Scope of Statement 68**

- Liability recognized = total pension liability
  - Discount rate 20-year, tax-exempt general obligation municipal bonds with average rate of AA/Aa or higher
- Notes/RSI generally same as Statement 68, except:
  - No changes in plan net position
  - No RSI contribution schedule





# **GASB Statement No. 76**

## **The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments**

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**Fiscal Years Beginning After June 15, 2015**





# **GASB Statement No. 76**

## **The New Hierarchy of GAAP**

- Statement identifies the sources of accounting principles and the framework for selecting the principles used to prepare financial statements of state and local government entities in conformity with GAAP.







# **GASB Statement No. 76**

## **The New Hierarchy of GAAP**

- a) **GASB Statements & Interpretations** (which are periodically incorporated into the Codification)
- b) **GASB Technical Bulletins, GASB Implementation Guides** and **AICPA Audit Guides and SOPs** (if made applicable to SLGs by GASB)

All other accounting literature is **Nonauthoritative**





# **GASB Statement No. 76**

## **The New Hierarchy of GAAP**

**Nonauthoritative Literature** includes:

- GASB Concepts
- Pronouncements and other literature of the Financial Accounting Standards Board (FASB)
- Federal Accounting Standards Advisory Board
- International Public Sector Accounting Standards Board
- AICPA (other than literature cleared by GASB)
- Practices widely recognized and prevalent in state and local governments
- Literature of other professional associations or regulatory agencies
- Accounting textbooks, handbooks, and articles





# **GASB Statement No. 79**

## **Certain External Investment Pools and Pool Participants**

**Fiscal Years Beginning After June 15, 2015,  
except provisions on portfolio quality, custodial credit  
risk and shadow pricing which are effective for years  
after December 31, 2015**







# **GASB Statement No. 79**

## **External Investment Pools**

- Establishes criteria for external investment pool to qualify for making election to measure all of its investments at amortized cost for financial reporting purposes.
- SEC changes to Rule 2a7 make it difficult for external investment pools to meet the criteria to continue to report as “2a7-like”.
- If external investment pool measures its investments at amortized costs, the pool participants should measure their investments in the pool at amortized costs.







# **GASB Statement No. 79**

## **External Investment Pools**

- Establishes additional note disclosure requirements for pools that measure their investments at amortized costs.
- Disclosures for both the qualifying external investment pools and their participants include information about any limitations or restrictions on participant withdrawals.





# **GASB Statement No. 79**

## **Paragraphs 18, 19, and 23 –**

### **Security Credit Quality**

- NRSRO rated:
  - a) Highest quality for S-T ratings (or L-T equivalent rating)
  - b) Securities with multiple rating:
    - Two ratings (lowest)
    - More than two (highest category by  $\geq 2$ )
- Not rated:
  - Determined to be comparable to (a) above
- No exposure to custodial credit risk (Statement 40, paragraph 9)





# **GASB Statement No. 79**

## **Paragraphs 24-26**

### **Credit Quality-Other**

- Deposits:
  - a) Institution has highest quality for S-T ratings (or L-T equivalent rating)
  - b) If multiple ratings – same as securities:
    - Two ratings (lowest)
    - More than two (highest category by  $\geq 2$ )
- No exposure to custodial credit risk (Statement 40, paragraph 9)
- Repos – assess credit quality of counterparty and underlying collateral







# **GASB Statement No. 79**

## **Paragraph 40 – Shadow Pricing**

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- Shadow prices to be determined at least monthly:
  - Within 5 days of month-end (before or after)
  - Amortized cost share price must be within 1/2% of FV share price







# GASB Update – Present

- **GASB 74** – Other OPEB Reporting
- **GASB 77** – Tax Abatement Disclosures
- **GASB 78** – Pensions Provided through Certain Multiple-Employer Pension Plans
- **GASB 80** – Blending Requirements
- **GASB 82** – Pension Issues





**GASB Statement No. 74**  
**Financial Reporting for**  
**Postemployment Benefit Plans**  
**Other than Pension Plans**

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**Fiscal Years Beginning After June 15, 2016**





# **GASB Statement No. 74**

## **Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**

- Essentially applies requirements similar to those in GASB No. 67 to OPEB Plans.
- Applies to OPEB Plans – defined benefit and defined contribution – administered through trusts that meet the specific criteria
- Not administered through trusts?
  - Governments would report assets in an agency fund





# **GASB Statement No. 74**

## **Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**

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### **Financial Statements Required:**

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







# **GASB Statement No. 74**

## **Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans**

### **Notes and RSI:**

- Descriptive information about the plan
- Details on plan investment policy and plan investments
- Additional notes required for single-employer and cost-sharing OPEB plans
- Components of net OPEB liability and related ratios
- Assumptions used to measure total OPEB liability, discount rate, and sensitivity analysis
- 10 years of select information in RSI (as it becomes available)





# GASB Statement No. 74

## Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

### Net OPEB Liability:

- Equals total OPEB liability less the OPEB plan's fiduciary net position
- Total OPEB liability must be based on an actuarial valuation (performed every 2 years, minimum)  
*Alternative measurement allowed for small plans*
- Fiduciary net position comes from the plan financial statements





# GASB Statement No. 74

## Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans

### Discount Rate:

- Single rate that reflects:
  - 1) a long-term expected rate of return on OPEB plan investments, *and*
  - 2) a tax-exempt, high-quality municipal bond rate to the extent that the conditions for use of the long-term expected rate of return are not met







# **GASB Statement No. 77 Tax Abatement Disclosures**

**Fiscal Years Beginning After  
December 31, 2015**







# GASB Statement No. 77

## Defining Tax Abatements

- A reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which:
  - One or more governments promise to forgo tax revenues to which they are otherwise entitled, *and*
  - 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.





# GASB Statement No. 77

## Tax Abatements

- Emphasis is on the substance of the arrangement meeting the definition in GASB 77, **not** on its name or form
- Does not include all transactions that reduce tax revenues – some actions can cause a reduction in taxes but are not abatements





# **GASB Statement No. 77**

## **What's Excluded**

- Tax Exemptions:
  - Exempting not-for-profit organizations from property taxes
  - Exempting senior citizens/military personnel from property taxes
- Tax Deductions:
  - Deductions for certain types of charitable contributions
- Tax increment financings (TIF) where bonds are issued and incremental revenue is pledged to pay principal and interest on the bonds







# **GASB Statement No. 77**

## **What's Included**

- Tax increment financing arrangements where incremental tax revenue is paid directly to the developer as reimbursement for eligible costs
- Certain types conduit debt such as Chapter 100 bonds structured for the purpose of tax abatement
- Other types of tax abatement arrangements







# GASB Statement No. 77

## Scope Examples

### IG 2016-1, Question 4.77

**Government uses TIF to encourage economic development**

- Bonds issued by government to finance infrastructure in specific area
- Baseline for sales tax revenues for the area, including proposed development, is established prior to the start of the project
- Additional sales tax revenues above baseline are set aside for payment of the bonds

Disclosure under 77?

**NO**

### IG2017-1, Question 4.40

**Government enters into agreement with developer to stimulate economic growth**

- Developer will construct building
- Baseline for property tax revenues for the specific area will be established prior to the start of the project
- Developer will receive amount from additional property tax revenues above baseline, based on certain costs incurred by the developer related only to the developer's building.

Disclosure under 77?

**YES**





# GASB Statement No. 77

## Scope Examples

### CIG 2016-2017, Question Z.77.2

A state enters into an agreement with a business which commits to open 10 new retail stores within the state. Under the terms of the agreement, the business is allowed to retain 40 percent of the state sales tax collected from its customers in the new stores for the first 5 years of their operation. Those are taxes the business otherwise would remit to the state, but the taxes are being paid by the business' customers.

Do the requirements of Statement 77 apply to this agreement?

**YES**

Yes, even though the taxes are the obligation of the customers and the business is acting solely as the remitter of the sales taxes, the state government forgoes tax revenues as a result of this agreement. Consequently, this agreement meets the definition of a tax abatement under Statement 77.





# **GASB Statement No. 77**

## **Disclosure Requirements**

- 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







# GASB Statement No. 77 Disclosure Requirements

Required Disclosure	Government's Own Abatements	Abatements by Other Governments
Name of program	√	
Purpose of program	√	
Name of government		√
Tax being abated	√	√
Statutory authority to abate taxes	√	
Eligibility criteria	√	
Abatement mechanism and rate	√	
Recapture provisions	√	
Types of receipt commitments	√	
Dollar amount of taxes abated	√	√







# **GASB Statement No. 77 Disclosure Requirements**

<b>Required Disclosure</b>	<b>Government's Own Abatements</b>	<b>Abatements by Other Governments</b>
Amounts received or receivable from other governments associated with the abated taxes	√	√
Other commitments by the government	√	
Quantitative threshold for individual disclosure	√	√
Information omitted (if any) due to legal prohibitions	√	√





# **GASB Statement No. 78**

## **Pensions Provided through Certain Multiple-Employer Pension Plans**

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**Fiscal Years Beginning After  
December 31, 2015**





# **GASB Statement No. 78**

## **Pensions Provided through Certain Multiple-Employer Pension Plans**

- Statement issued to address concerns about application of GASB Statement 68 to defined benefit pensions provided through federally sponsored or private multiple-employer pension plans
- Governments involved in such plans have difficulty obtaining necessary information to implement Statement 68





# **GASB Statement No. 78**

## **Pensions Provided through Certain Multiple-Employer Pension Plans**

- Excluded are cost-sharing multiple employer defined benefit plans that are:
  - a) Not a state or local government plan
  - b) Used to provide benefits to both governmental and non-governmental employers, and
  - c) Plan with no predominant government employer







# **GASB Statement No. 78**

## **Pensions Provided through Certain Multiple-Employer Pension Plans**

- Accordingly, such governments are exempted from most of the accounting and reporting requirements of Statement 68.
- Instead:
  - Pension expense is recognized for the employer's required contributions to the plan for the reporting period
  - A payable is reported for unpaid amounts at the end of the reporting period
  - Descriptive note disclosures required
  - RSI schedule of required contributes for the past 10 years





# **GASB Statement No. 80**

## **Blending Requirements for Certain Component Units**

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**Fiscal Years Beginning After  
June 15, 2016**





## **GASB Statement No. 80 Blending Requirements for Certain Component Units**

- Statement creates an additional blending criteria.
- Requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.
- Does not alter GASB No. 39 (most university foundations)







# **GASB Statement No. 80**

## **Blending Requirements for Certain Component Units**

- Does not mean that all not-for-profit corporations for which the primary government is the sole corporate member are component units
- Still must go through existing component unit guidance first, then if the not-for-profit is a component unit, determine whether to discretely present or blend





# **GASB Statement No. 82**

**An Amendment of  
GASB Statements No. 67, 68 & 73**

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**Fiscal Years Beginning After  
June 15, 2016**





# **GASB Statement No. 82**

## **An Amendment of**

### **GASB Statements No. 67, 68 & 73**

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- Statement addresses issues regarding:
  - a) Presentation of **covered payroll** – defined as the payroll on which contributions to a pension plan are based and ratios that use that measure
    - Previously, covered payroll was the payroll of employees that are provided with pensions through the plan







# **GASB Statement No. 82**

## **An Amendment of**

# **GASB Statements No. 67, 68 & 73**

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- Statement addresses issues regarding:
  - b) Selection of assumptions and treatment of deviations from Actuarial Standard of Practice
    - **Deviations are not considered to be in conformity with GASB**





# **GASB Statement No. 82**

## **An Amendment of**

# **GASB Statements No. 67, 68 & 73**

- Statement addresses issues regarding:
  - c) Classification of payments made by employers to satisfy employee contribution requirements as plan member contributions
    - Requires employer's expense/expenditures for these contributions be recognized in the period assessed
    - Recognized as compensation other than pension (not pension expense)





# GASB Update – Future

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- **GASB 75** – OPEB Reporting for Employers
- **GASB 81** – Irrevocable Split-Interest Agreements
- **GASB 83** – Asset Retirement Obligations
- **GASB 84** – Fiduciary Activities
- **GASB 85** – Omnibus
- **GASB 86** – Debt Extinguishment
- **GASB 87** - Leases







**GASB Statement No. 75**  
**Accounting and Financial Reporting**  
**for Postemployment Benefits**  
**Other Than Pensions**

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**Fiscal Years Beginning After**  
**June 15, 2017**





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

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





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- **Liability:**
  - Based on the total OPEB liability – portion of actuarial present value of projected benefit payments that is attributable to past periods of employee service.
- **Is OPEB administered through a trust that meets specified criteria?**
  - If **YES**, recognize the **net** OPEB liability (total OPEB liability minus OPEB plan fiduciary net position).
  - If **NO**, recognize the **total** OPEB liability.







# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

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- **Measurement Date:**
  - The employer's liability to employees is 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.





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

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### **Steps in Measurement of Total OPEB Liability:**

1. Project the benefits payments to be paid
2. Discount the projected benefit payments to their actuarial present value
3. Attribute the actuarial present value to period





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- Alternative measurement method may be applied if there are fewer than 100 employees (active and inactive) who are provided benefits through the plan as of the beginning of the measurement period
- Generally the same simplifications to the assumptions can be utilized per GASB 45







# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- **Changes in OPEB Liability:**

Most changes in the liability for the current reporting period will be recorded as immediate OPEB expense – except:

1. Changes in the total OPEB liability:
  - a) Differences between expected and actual experience related to economic and demographic factors in the measurement of the total OPEB liability
  - b) Changes of assumptions in the measurement of the total OPEB liability





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- **Changes in OPEB Liability -**

Most changes in the liability for the current reporting period will be recorded as immediate OPEB expense – except:

2. For OPEB administered through a trust in which specified criteria are met:
  - a) Differences between projected and actual earnings on plan investments
  - b) Employer contributions





# **GASB Statement No. 75**

## **Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions**

- **RSI and Note Disclosures -**

Similar to those required for pensions:

- Effect on net OPEB liability of a discount rate +/- 1 percent
- Effect on net OPEB liability of a healthcare cost trend rate +/- 1 percent
- 10-year schedules – liability, ratios, contributions, etc.







# **GASB Statement No. 81**

## **Irrevocable Split-Interest Agreements**

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**Fiscal Years Beginning After  
December 15, 2016**





# **GASB Statement No. 81**

## **Irrevocable Split-Interest Agreements**

- Addresses accounting and financial reporting guidance for **split-interest agreements** – types of giving arrangements used to provide resources to two or more beneficiaries.
- Particularly prevalent among public colleges/universities and public healthcare entities.
- Limited guidance exists for agreements in which the government acts as intermediary/trustee and is one of the beneficiaries.
- No guidance exists for situations where a third party is the trustee and the government is one of the beneficiaries.





# GASB Statement No. 81

## Irrevocable Split-Interest Agreements

- A government could have:
  - **Remainder Interest** – right to receive resources at end of the agreement term
  - **Lead Interest** – right to receive resources throughout agreement term
- The government may or may not be the intermediary(trustee)







# GASB Statement No. 81

## Irrevocable Split-Interest Agreements

### Intermediary and Remainder Interest:

- **At inception** – record an **asset** for the fair value of the trust assets, a **liability** for the amount due to third parties over the course of the agreement, and a **deferred inflow** for the government's remainder interest.
- Disbursements to third parties reduce the liability.
- Liability and deferred inflow re-measured each year.
- Deferred inflow recognized as revenue upon termination of the trust.





# GASB Statement No. 81

## Irrevocable Split-Interest Agreements

### Intermediary and Lead Interest:

- **At inception** – record an **asset** for the fair value of the trust asset, a **deferred inflow** for amount due to the government throughout the agreement, and a **liability** for the amount due to third parties upon termination.
- Disbursements to the government reduce deferred inflow and result in revenue being recognized.
- Liability and deferred inflow re-measured each year.
- Upon termination, liability and any remaining deferred inflow are eliminated.





# GASB Statement No. 81

## Irrevocable Split-Interest Agreements

### Not Intermediary:

- **At inception** – record an **asset** and a **deferred inflow** for future distributions to be received
- Asset and deferred inflow re-measured each year.
- Upon termination of trust (for remainder interests) or as distributions are received (for lead interests), the deferred inflow is recognized as revenue.







# **GASB Statement No. 83**

## **Certain Asset Retirement Obligations**

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**Fiscal Years Beginning After  
June 15, 2018**





## **GASB Statement No. 83**

### **Certain Asset Retirement Obligations**

- **Asset retirement obligation (ARO)** – a legally enforceable liability associated with the retirement of a tangible capital asset
- **“Retirement”** encompasses the asset sale, abandonment, recycling, or disposal in some other manner.
- Examples:
  - Nuclear power plant decommissioning
  - Removing sewage treatment plants
  - Coal ash pond closures





# **GASB Statement No. 83**

## **Certain Asset Retirement Obligations (Recognition and Measurement)**

- **Initial Recognition:**
  - ARO liability when *incurred* and *reasonably estimable*.
  - Incurrence manifested by both external and internal obligating events.
  - Measured based on best estimate of current value of outlays expected to be incurred.
  - Deferred outflow of resources – same amount as the ARO liability.







# **GASB Statement No. 83**

## **Certain Asset Retirement Obligations (Recognition and Measurement)**

- **Subsequent Recognition:**
  - At least annually – adjust for general inflation/deflation.
  - At least annually – evaluate relevant factors to determine if there is a significant change in the estimated outlays – re-measure liability when significant.
  - Deferred outflows reduced and recognized as expenses in a systemic manner over the life of the capital asset. Immediate expense if asset is abandoned.





# **GASB Statement No. 84**

## **Fiduciary Activities**

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**Fiscal Years Beginning After  
December 15, 2018**





## **GASB Statement No. 84 Fiduciary Activities**

- Statement is focused on:
  - Whether a government is controlling the assets of the fiduciary activity, *and*
  - The beneficiaries with whom a fiduciary relationship exists.
- Establishes criteria on which a fund should be reported as a fiduciary fund.







## **GASB Statement No. 84 Fiduciary Activities**

- **Fiduciary Funds – Four Types:**
  - Pension (and OPEB) Trust Funds
  - Investment Trust Funds
  - Private-Purpose Trust Funds
  - Custodial Funds
- Liability recognized in fiduciary fund when an event has occurred that requires the government to disburse fiduciary resources.





# **GASB Statement No. 84**

## **Fiduciary Activities**

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### **Custodial Funds:**

- For fiduciary activities not held in a trust.
- Replaces agency funds under current model.
- Unlike agency funds, custodial funds will have an “income statements”
- Unlike agency funds, custodial fund will have “net position”





# **GASB Statement No. 85**

## **Omnibus 2017**

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**Fiscal Years Beginning After  
June 15, 2017**







## **GASB Statement No. 85 Omnibus 2017**

- Statement addresses a variety of practice issues identified during the implementation and applications of certain GASB statements:
  - Blending a component unit in which primary government is a business-type activity with a single column for FS presentation
  - Reporting amounts previously reported as goodwill
  - Classifying real estate held by insurance entities
  - Measuring certain investments as amortized cost





## **GASB Statement No. 85 Omnibus 2017**

- Statement addresses a variety of practice issues identified during the implementation and applications of certain GASB statements:
  - Timing of measurement of pension or OPEB liabilities for entities using the current financial resources measurement focus
  - Recognizing on-behalf payments for pensions or OPEB
  - Presenting payroll-related measures in RSI
  - Classifying employer paid member contributions for OPEB





## **GASB Statement No. 85 Omnibus 2017**

- Statement addresses a variety of practice issues identified during the implementation and applications of certain GASB statements:
  - 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 Statement No. 86**

## **Certain Debt Extinguishment Issues**

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**Fiscal Years Beginning After  
June 15, 2017**





## **GASB Statement No. 86**

### **Certain Debt Extinguishment Issues**

- Statement establishes accounting and financial reporting guidance for transactions in which cash and other monetary assets acquired with **only existing resources** (resources other than the proceeds of refunding debt) are placed in an irrevocable trust for the sole purpose of extinguishing debt.
- Also provides guidance relating to prepaid insurance on debt that is extinguished.





## **GASB Statement No. 86**

### **Certain Debt Extinguishment Issues**

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When debt is defeased in-substance **from existing resources:**

- The debt, cash, and other monetary assets placed in trust **are no longer** reported in the financial statements.
- Governments are required to disclose information in the notes to the financial statements about debt that has been defeased in substance.







## **GASB Statement No. 86**

### **Certain Debt Extinguishment Issues**

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#### **Prepaid insurance related to extinguished debt:**

- Any remaining prepaid insurance related to extinguished debt is included in the net carrying amount of that debt for the purpose of calculating the difference between the reacquisition price and the net carrying amount of the debt.





# **GASB Statement No. 87**

## **Leases**

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**Fiscal Years Beginning After  
December 15, 2019**

**Earlier application is encouraged**





# **GASB Statement No. 87**

## **Leases**

- Statement establishes a single approach to accounting for leases that will eliminate the current operating and capital lease classifications.
- Exclusions from Lease Guidance:
  - Short-term leases with a term (including renewal options) of 12 months or less
  - Leases that transfer ownership (report as a financed purchase)
  - Contracts that meet the definition of a service concession arrangement under GASB 60







# **GASB Statement No. 87**

## **Leases**

### **Difference Between FASB and GASB lease standards:**

- Biggest difference has to do with types of leases:
  - FASB retained a distinction between Type A (capital) leases and Type B (operating) leases.
  - GASB model has a single lease type similar to the current capital lease model.





# **GASB Statement No. 87**

## **Leases**

### **Lessee Accounting:**

- Record a lease liability and an intangible asset at the beginning of lease.
- Lease liability measured at present value of lease payments over lease term.
- Intangible asset measured at the value of the lease liability plus any prepayments and certain indirect costs.
- Recognize interest expense on the liability and amortization expense on the lease asset.





# **GASB Statement No. 87**

## **Leases**

### **Lessor Accounting:**

- Recognize a lease receivable and a deferred inflow at the beginning of lease.
- Lease receivable measured at present value of lease payments to be received over lease term.
- Deferred inflow measured at the value of the lease receivable plus any prepayments.
- Recognize interest revenue on receivable and revenue over the term of the lease from the deferred inflow.







# **GASB Statement No. 87**

## **Leases**

### **Terminations and Modifications:**

- Terminations result in the adjustment of the carrying value on both lessee and lessor's books and recording a gain/loss.
- Modifications result in the re-measurement of the lease liability for the lessee.
- Modifications result in the re-measurement of the lease receivable for the lessor.





# **GASB Statement No. 87**

## **Leases**

### **Contracts with Multiple Components:**

- Some lease contracts involve multiple components. (i.e., a lease component and a service component)
- These should be accounted for as separate contracts.
- Use contract prices (if available) to allocate.
- If no contract prices, use observable stand-alone prices to allocate if readily available.
- If no readily available stand-alone prices, estimate prices for each component or treat entire contract as a lease.





## **GASB Statement No. 87**

### **Leases**

#### **Note Disclosures:**

- General description of the lease arrangement.
- Total amount of assets recorded under leases, and the related accumulated amortization (lessee).
- Cost of assets on lease or held for leasing, by major class, and the amount of accumulated depreciation (lessor).







## **GASB Statement No. 87**

### **Leases**

#### **Note Disclosures:**

- Amount of expense (lessee) or revenue (lessor) during period.
- Schedule of future lease payments to be made or received in each of the five subsequent years and in five-year increments thereafter.





# On the Horizon . . .

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## Technical Agenda Overview

Revised August 10, 2017

<b>FRAMEWORK PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Conceptual Framework: Recognition	PV Redeliberations	

<b>MAJOR PROJECTS</b>	<b>Current Stage</b>	<b>Timing</b>
Financial Reporting Model	ITC Redeliberations	
Revenue and Expense Recognition	Initial Deliberations	

<b>PRACTICE ISSUES</b>	<b>Current Stage</b>	<b>Timing</b>
Capitalization of Interest Cost	Initial Deliberations	
Certain Disclosures Related to Debt	Exposure Draft Comment Period	<b>Ends September 15, 2017</b>
Equity Interest Ownership Issues	Initial Deliberations	
Implementation Guidance—Other Postemployment Benefits	Exposure Draft Comment Period	<b>Ends September 25, 2017</b>
Implementation Guidance—Update	Initial Deliberations	

<b>PRE-AGENDA RESEARCH ACTIVITIES</b>
Conduit Debt—Reexamination of Interpretation 2
Going Concern Disclosures Reexamination
Information Technology Arrangements, including Cloud Computing
Note Disclosures
Public-Private Partnerships, including Reexamination of Statement 60
Social Impact Bonds





# Questions?

**Contact Information:**  
[fergusson@moore.sc.edu](mailto:fergusson@moore.sc.edu)  
**(803) 777-4903**

