

Just One More Thing: The Latest Implementation Guidance from GASB

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CIG Background

- GASB updates/expands guidance for its *Comprehensive Implementation Guide (CIG)* annually
 - Level “d” GAAP in accordance with GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*
 - 2009/10 edition reflects guidance issued through June 30, 2009

Basic CIG Structure

- Chapter 1 – Disclosures Related to Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements
- Chapter 2 – Cash Flows Reporting
- Chapter 3 – Risk Financing and Related Insurance Issues
- Chapter 4 – The Financial Reporting Entity

Basic CI&G Structure (cont.)

- Chapter 5 – Pensions-Employer and Plan Accounting and Reporting
- Chapter 6 – Accounting and Financial Reporting for Certain Investments and for External Investment Pools
- Chapter 7 – Basic Financial Statements and Management's Discussion and Analysis

Basic CIIG Structure (cont.)

- Chapter 8 – Postemployment Benefits Other Than Pensions-Employer and Plan Accounting and Reporting
- Chapter 9 – The Statistical Section
- Chapter 10 – Derivative Instruments
- Chapter Z – Other Implementation Guidance

2a7-like Pools (1.57.8)

- SEC Rule 2a7 governs operation of money market funds
- Some government pools *voluntarily* comply with Rule 2a7 though not registered with SEC
- Although Rule 2a7 greatly limits exposure to interest-rate risk, it isn't eliminated
- Question 1.57.8 interest-rate risk disclosures still apply

Deposit Placement Service (1.30.17)

- Deposit placement service takes a government's deposit and purchases CDs at multiple institutions to maximize FDIC coverage
- Custodial credit risk *can still* be an issue if
 - Placements in institutions fail to comply with FDIC documentation and disclosure
 - Other govt. deposits also exist at institution
 - Period prior to issuance of the CD and subsequent to their maturity but prior to withdrawal

Reinvested Collateral (6.12.9)

- In securities lending arrangements, governments “loan” securities to a counterparty, which collateralizes the “loan” with cash or securities
- If cash received as collateral, the government will typically reinvest in a collateral pool
- This reinvestment should be valued just like other investments (i.e., fair value)

FASB 157 (6.12.10)

- FASB Statement No. 157, *Fair Value Measurements*, issued after 11/30/89
- GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pool*, “trumps” a government’s option to use FASB No. 157 as authoritative, although its methodology can certainly be used

Single Governmental Activity with Pension Trust Fund (7.3.5)

- Stand-alone entities reporting a *single* governmental activity are permitted to combine government-wide and fund financial statements into a single presentation
- Assume such an entity has a pension trust
- The combined presentation is still acceptable, however *additional* fiduciary fund financial statements would be required

Individual Enterprise Funds for Separate Utilities (7.50.10)

- GAAP require the use of an enterprise fund for any activity “...financed with debt...secured solely by pledge of net revenues...of the activity”
- This does *not* require separate enterprise funds if an entity has multiple such activities
 - Activities s/b separately identifiable
 - Segment disclosures would most likely apply

Retroactive Infrastructure Reporting (7.104.18)

- GASB Statement No. 34 allowed *optional* reporting of *nonmajor* infrastructure networks (many did not have the data)
- If, however, some or all of the data is now available, retroactive reporting would still be allowed
- The additions would be reported as a restatement of beginning asset balances not as a period addition

MD&A with Comparative Financial Statements (7.5.4)

- Basic MD&A requirements include a comparison of the current year with the prior year (i.e., two years)
- If comparative statements are presented, the MD&A must include a comparison of *three* years
 - Current year to prior year
 - Prior year to preceding year

Indirect Cost Allocation (7.28.4)

- Governments have the option of allocating indirect costs (with a separate column on the statement of activities) – these costs may “cross” between governmental and business-type activities
- This “crossover” should be reported as a transfer between activities, not as an interactivity receivable or payable as payment is typically never expected

Transfers of Capital Assets (7.74.4)

- Reporting of such activities has always troublesome between government-wide and fund financial statements
- CIG guidance
 - Reassignment at government-wide level is reported as a *transfer*
 - Reassignment at fund level
 - EF to GF...*nonoperating expense* in EF
 - GF to EF...*capital contribution* in EF

Retiree Benefits Paid from Insurance Fund (8.3.3)

- Assume single insurance fund provides OPEB for both active employees and retirees (does not qualify as a trust)
- Two options for retiree portion
 - Establish separate fund for retirees and treat payments from other funds as interfund activity
 - Report single insurance fund for both, but report OPEB-related expenses/assets/etc. in *funding* fund and only use the insurance fund as a true pass-through

Medicare-eligible Retirees (8.21.9)

- Pre-Medicare and Medicare-eligible retirees placed in a single pool (retirees pay full premium)
- Blended premium for pre-Medicare; age-adjusted premium Medicare-eligible
- NO OPEB related to Medicare-eligible (they have no direct benefit or implicit subsidy) – therefore, excluded from actuarial valuation

Reimbursed Premium Payments (8.34.4)

- Employer contributes to OPEB plan and also makes insurer payments; Plan reimburses employer for premium payments *for retirees*
- Are both the contributions and the premium payments considered OPEB trust contributions?
- No...the *reimbursable* premium payments are simply an advance, not part of net OPEB asset/obligation calculation

Excess OPEB Payments to Third-party Administrator (8.35.4)

- Assume an employer makes payments to trust fund that is *not* a qualifying OPEB trust; the trust is designed to cover current payments & create a reserve for unexpected claims
- At time of *remittance*, amount is considered “cash with fiscal agent”
- At time of *payment from trust*, those amounts then considered employer contributions

Multiple Funds Contributing to a Single OPEB Plan (8.38.5)

- Often, a single OPEB plan is financed by different funds
- The net OPEB obligation/asset would be divided among funds, as follows:
 - Accrual-based funds....report in fund
 - Governmental funds....report in government-wide financials (governmental activities) only

Allocating the ARC Among Funds (8.38.6)

- The ARC should be allocated among participating funds
- Allocation approach flexible
 - Based on fund's proportionate share of actual payments made
 - Based on fund's proportionate share of covered payroll

Internal Service Fund for OPEB (8.38.7)

- ISFs are often used for OPEB for both active employees and retirees
- As such, the ISF would report the *full* ARC and net OPEB liability/asset
- ISFs are used on a *cost-reimbursement basis*, so premiums from other funds must cover the full OPEB costs; if not, there are fund liabilities for underfunding *including the governmental funds*

Classification of OPEB Plan Trusts (8.70.5)

- Several states administer qualifying OPEB trusts by holding and investing plan assets on behalf of participating employers (governments); disbursements are made at participating governments' direction
- Still, this is *not* an investment trust fund from the state's perspective, but rather a pension/OPEB trust fund

One Plan/Multiple Trusts (8.73.1)

- In this scenario, one OPEB plan has multiple OPEB trusts – assume the resources in these trusts may be used interchangeably
- Reporting would still be as a single OPEB plan for financial reporting purposes
 - If any of the trusts had specific limitations, they would be reported separately

Plan Reporting of Employer Payments (8.81.4)

- Assume that an employer makes contributions to an OPEB trust for its active employees, but pays retiree premiums directly to insurers
- Since the retiree premiums do qualify as a contribution for OPEB obligation purposes, should they be accounted for in the trust itself?
 - YES...even without the true inflow/outflow, any payments that qualify as *contributions* would show as an addition and deduction in the OPEB trust

Landfill-related Electrical Generation Facility (Z.18.1)

- Technologies exist to convert gas from landfills to electric power – often this equipment is purchased as part of the closure/postclosure process
- Are these assets part of the landfill closure or postclosure liability or separate assets?
- The *incremental costs/outlays* related to the assets would be capitalizable assets and *not* part of the closure/postclosure liability.

Accrued Interest on Refunded Debt (Z.23.1)

- Interest naturally accrues on debt; if this debt is being refunded, the interest accrued up until that date of the refunding should be considered a separate interest expense (i.e., prior interest cannot be deferred)
- Ways to avoid:
 - Include liability for accrued interest as part of net carrying amount of debt AND include refunding proceeds as part of reacquisition price (offsets)
 - Exclude related portion of proceeds from net reacquisition price

Tax-increments of Non-issuers (Z.48.14)

- Assume a tax increment district is created by local govt. Bonds are issued to be repaid with incremental taxes generated in district. Other taxing bodies that overlap district forego their share of taxes until the bonds are retired.
- Who has pledged revenue disclosures – just the district or both the district and other bodies?
 - Disclosures only required for direct issuer (district).

Asset Transfers Involving Differences in Capitalization Thresholds (Z.48.4)

- Assume the following:
 - Agency A (general fund) \$100K threshold
 - Agency B (enterprise fund) \$700K threshold
 - Transfer \$570K asset (either direction)
- How would the transfer of the asset, in either direction, be reported in the financial statements?
 - B to A – No effect
 - A to B – Capital contribution or Transfer in, offset by an expense to “write off” asset

Pollution Remediation if Conducted or Paid by Another (Z.49.14)

- Assume that a county and a private-sector entity are both named as potentially responsible parties in a pollution mitigation situation...further assume the private-sector entity is ultimately deemed legally obligated.
- Who recognizes the pollution remediation obligation liability?
 - There is no recognition for an entity that has no anticipated cash outflows.