GASB Update

NC GFOA 2017 Spring Conference

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Current Topics

- "Death & Taxes" blog
- Recently issued GASB Statements
  - GASB Statement No. 83
  - GASB Statement No. 84

GASB Statement No. 83

Certain Asset Retirement Obligations

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Overview of Standard

- Provides guidance on retirement of capital assets *that potentially create long-term liabilities related to closure and post-closure*
  - Similar concept to landfill closure/post-closure and pollution remediation obligations

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Examples of Asset Retirements

- Decommission a nuclear reactor
- Remove and dispose an x-ray machine
- Remove and dispose of wind turbines
- Closure and removal of a sewage treatment facility

Potential Retirement Costs Excludes….

- Cost of *planning* to sell/dispose tangible capital assets
- Prepping an asset for alternative use
- Pollution mitigation and landfill closure
- Routine maintenance
- Replacement of capital asset parts

When is an obligation incurred?

- Timing is based on a *combination* of an *external* and an *internal* event
- External?
  - Approval of federal/state/local law/regulation
  - Creation of a legally binding contract
  - Issuance of a court judgment
- Internal?
  - Contamination
  - Actual use of the asset itself
  - Permanent abandonment before even placed in use

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Other Elements of the Standard

- Valuation calculations
  - "…should be based on the best estimate of current value of the outlays expected to be incurred"
- Required note disclosures (of course!)
- Implementation date
  - In NC, it will be FYE 6/30/19

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GASB Statement No. 84

Fiduciary Activities

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The Overall Plan….

- Pension assets that are entrusted
  - GASB Statement Nos. 67 and 68
- Pension assets that are *not* entrusted
  - GASB Statement No. 73
- OPEB assets that are both entrusted and *not* entrusted
  - GASB Statement Nos. 74 and 75
- And finally…..

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Fiduciary Fund Reporting

- Fiduciary fund types for *legally entrusted* arrangements
  - Pension trust funds
  - Investment trust funds (not allowed in NC)
  - Private-purpose trust funds
- Fiduciary fund type for such activities *not legally entrusted*
  - Custodial funds

Pension Trust Funds

- Legally entrusted single-employer plans
- Legally entrusted OPEB plans (very few!)
- Legally entrusted LEO plans (even fewer!)
- State reports the cost-sharing local government plan

Investment Trust Funds

- External investment pools
- Moot point in NC – local governments do not have the legal ability to manage such pools

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Private-purpose Trust Funds

- Legally entrusted assets that are *not* pension or OPEB assets
- Government named as trustee but *not* the beneficiary
- May be expendable or nonexpendable in nature

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Custodial Funds

- Fiduciary activities that are *not* legally entrusted and do not meet the definition of pension, investment, or private-purpose trust activities
- Agency relationships (no measurement focus)
- Contractual relationships (potential measurement focus)

Fiduciary Financial Statements

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

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Implementation Date

- Fiscal years that begin *after* December 15, 2018
- Thus, in NC, FYE June 30, 2020
- No decision yet on whether NC may recommend early implementation

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