




GASB UPDATE

Alaska Mental Health Trust Authority
Board Meeting
August 2, 2018



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Agenda

- Standards effective fiscal year end 2018
 - GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- Standard effective in future periods
 - GASB 87, *Leases*



Standards effective fiscal year end 2018





GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- The Other Postemployment Benefits (OPEB) side of GASB 68
- Issued in conjunction with GASB 74
- Replaces GASB 45 and 57 and establishes new accounting and financial reporting requirements for OPEB plans
- Difference in applicability between 74 and 75:
 - 74 only applicable for plans administered through trusts with irrevocable trust assets, legally protected by creditors
 - 75 applies regardless whether a trust exists to administer the plan



GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Measurement of the OPEB liability to employees for benefits
 - Liability of employers for DB OPEB to be measured at present value of projected benefits due to active and inactive employees less any OPEB plan net position
 - Net OPEB liability referred to as “NOL”
 - Similar calculation to GASB 68/net pension liability
 - Gross liability calculated via actuarial valuation
 - Actual NOL allocable to each participating employer and nonemployer entity will be determined by State of Alaska for PERS/TRS OPEB



GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Net OPEB liability is required to be measured at a date no earlier than the end of the employer's prior fiscal year and no later than the end of the current fiscal year
 - max lag between measurement and reporting date is 12 months
 - June 30, 2018 FYE - measurement date allowable can be no earlier than June 30, 2017
- Actuarial valuation date, upon which the reporting is based, can be up to 30 months + 1 day prior to the reporting date
- The plan's assets should be based on the measurement date to match the timing of the NOL measurement
- To summarize: GASB 75 date rules = GASB 68 date rules



GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Changes to financial statements
 - Statement of Net Position
 - Net OPEB liability (NOL) reported as a noncurrent liability
 - Equal to employer share at measurement date
 - Deferred inflows of resources related to OPEB
 - Investment returns on OPEB plan assets exceeding projections
 - Positive change in proportion of employer contributions
 - Deferred outflows of resources related to OPEB
 - Used to account for changes in NOL not included in OPEB expense
 - Employer contributions subsequent to the measurement date of NOL
 - Statement of Activities/Revenue, Expenses and Changes in Net Position
 - OPEB Expense -
 - Changes in NOL not related to timing of contributions or investment returns
 - Statement of Cash Flows
 - New line items for corresponding changes to other statements



GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Changes to financial statements
 - New notes to the financial statements
 - Identify discount rate and assumptions made in the measurement of the proportionate share of net OPEB liabilities
 - Sources of changes in NOL
 - Discount rate sensitivity
 - New Required Supplementary Information
 - 10 year schedules containing net OPEB liability and certain related ratios
 - Only required to present information as it becomes available
 - Information about statutorily or contractually required contributions



GASB 75 - Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

- Key Takeaways
 - Will resemble GASB 68 in statements and in implementation
 - Data required for entries and disclosures produced by the State of Alaska DRB
 - No significant governmental fund level or budget impact
 - NOL only reported at fund level to the extent the liability is normally expected to be liquidated with expendable available financial resources
 - Contributions to the OPEB plan will continue to be recorded as expenditures at the fund level equal to the amount paid or presently due to the plan
 - No change in cash outlays
 - All OPEB and PERs allocation information are obtained from the State of Alaska Department of Administration.
 - The amount of liability for AMHTA is determined based on the Nonemployer portion of the liability for the State of Alaska multiplied by the contribution percentage of AMHTA (AMHTA's contribution divided by the State of Alaska Contributions)



Standards effective in future periods





GASB 87- Leases

- GASB followed example of the FASB and IASB and adopted new accounting treatment for leases
- Items previously recognized as operating leases now recognized as certain lease assets and liabilities
- Elimination of the capital vs. operating lease distinction
- Definition of a lease -
 - contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction
 - Broad applicability
 - Any contract meeting this definition considered a lease unless specifically excluded by GASB 87
- Lease term
 - Period during which lessee has a noncancelable right to use an underlying asset, +/- optional extension or termination clauses considered reasonably certain to be exercised/not exercised



GASB 87- Leases

- Financial statement impact - Lessee
 - Required to recognize a lease liability and an intangible right-to-use lease asset
 - Liability measured at present value* of payments expected to be made during the lease term, less any lease incentives
 - Liability reduced as payments made over time
 - Interest recognized as expense
 - *Present value of payments should be based on interest rate charged by lessor or lessee's borrowing rate if unknown
 - Asset measured at present value of payments over lease term
 - Plus - initial/upfront payments to lessor
 - Plus - direct costs to put asset into service
 - Less - lease incentives received from lessor at beginning of term
 - Asset amortized in systematic and rational manner over the shorter of the lease term or useful life of asset



GASB 87- Leases

- Financial statement impact - Lessor
 - Required to recognize a lease receivable and a deferred inflow of resources at commencement of lease term
 - Receivable measured at present value of payments expected to be received during the lease term
 - Deferred inflow of resources measured at value of lease receivable plus any payments received at or before start of lease term related to future periods
 - Interest revenue recognized in a systematic and rational manner over the term of the lease, offset to a decrease in deferred inflows of resources



GASB 87- Leases

- Treatment under current financial resources measurement (governmental funds)
 - Lessee
 - No change from existing lease accounting guidance
 - Lease payments made over term of lease = debt service expenditures
 - Lessor
 - Recognize lease receivable at PV of lease payments and a deferred inflow of resources for portion of amount that is not available due to time restrictions
 - Lease payments received over term of the lease - reduce receivable, record interest revenue (offset to deferred inflow of resources)



GASB 87- Leases

- Note disclosures
 - Lessee
 - Description of leasing arrangements
 - Value of lease assets
 - Schedule of future lease payments (principal and interest disclosed separately)
 - Lessor
 - General description of leasing arrangements
 - Total amount of lease revenue for current year (lease related + interest + variable lease payments/any other lease related revenue)
 - Termination or abatement provisions available as lessee options
 - Schedule of future lease payments (principal and interest disclosed separately)



GASB 87- Leases

- Other considerations
 - Contracts with lease and nonlease components
 - Separate components and treat as separate contracts
 - Multiple assets with different lease terms in same contract
 - Treat each asset as separate component
 - Allocate contract price to each component using reasonableness and professional judgment
 - Contract combinations
 - Can combine if entered into at or near the same time with same counterparty, and were either negotiated as a common package or consideration for one contract depends on price or performance of another
 - Treat such contracts as a contract with multiple components



GASB 87- Leases

- Other considerations
 - Amendments to lease contracts are considered lease modifications unless the lessee's right to use the underlying asset decreases (considered a partial or full lease termination)
 - Options exercised to extend or terminate the leases should be remeasured
 - Modifications to a lease contract should be treated as a separate lease if the modification adds assets to the original lease contract and increase payment terms not considered unreasonable
 - If no assets added or payment terms are considered unreasonable, then remeasurement should take place
- Remeasurement
 - Lessee - remeasure lease liability, adjust lease asset for difference before and after lease modification
 - Lessor - remeasure lease receivable, adjust deferred inflow of resources for difference before and lease modification



GASB 87- Leases

- Leases *excluded* from scope of GASB 87
 - Intangibles
 - Biological assets
 - Inventory
 - Service concession agreements
 - Supply contracts
 - Short-term leases
 - Maximum possible term of lease contract of 12 months or less, including any options to extend (regardless of probability)
 - Cancelable lease - maximum possible term is the noncancelable period, including any notice periods
 - Contracts that ultimately transfers ownership of asset to lessee



QUESTIONS?

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