



2014 CAFR Financial Reporting Update

Accounting and Financial Reporting Section
Statewide Accounting Division

April 23, 2014

2014 CAFR Financial Reporting Update - Agenda



8:15 AM	Introduction and Overview	Terri Noblin
8:30 AM	GASB 65 – Items Previously Reported as Assets and Liabilities	Clayton Murphy/Debbie Dryer/Helen Vozzo
9:40 AM	GASB 66 – Technical Corrections - 2012	Prabha Vijayaraghavan
9:50 AM	GASB 69 – Government Combinations and Disposals of Government Operations	Lauren Lemous
10:05 AM	Break (10 minutes)	
10:15 AM	GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees	Joy Darden
10:30 AM	GASB 67, GASB 68, and GASB 71 – New Pension Statements	Virginia Sisson
11:10 AM	GASB Proposals on Fair Value Reporting	Clayton Murphy – Review Session from GFOA Annual Conference
11:45 PM	Lunch	
12:45 PM	What's in Your Communication Toolbox?	Sue Crittenden/Brandon Johnson
2:15 PM	Break (15 minutes)	
2:30 PM	What's in Your Communication Toolbox? (cont.)	Sue Crittenden/Brandon Johnson
4:00 PM	Memory Retention	Terri Noblin
4:20 PM	Closing Remarks	Terri Noblin



GASB Statement 65

*Items Previously Reported as
Assets and Liabilities*

Background

GASB Statement 65 – Background



- Traditionally, state/local governments have reported 3 elements on a statement of financial position:
 - Assets, liabilities, and difference (net position).
- GASB Concepts Statement 4, *Elements of Financial Statements*, which was issued in June 2007, created 2 new basic elements for a statement of financial position:
 - Deferred outflows of resources and deferred inflows of resources.
 - Concept Statement 4 provides that these deferrals should be limited to those instances specifically identified by the GASB.

GASB Statement 65 – Background



- Currently, deferred outflows/deferred inflows of resources are only required in:
 - GASB 53 on derivative instruments
 - GASB 60 on service concession arrangements
 - GASB 68 on accounting/financial reporting for pensions (FY15)
 - GASB 69 on government combinations (FY 15)
- GASB 63 was issued in June 2011.
 - Mandates that the statement of financial position distinguish assets and liabilities from deferred outflows/inflows of resources.
 - Preferred reporting format:
 - Assets + Deferred outflows – Liabilities – Deferred inflows = Net position.

5

GASB Statement 65 – Background



- The GASB performed a comprehensive review of the items traditionally reported as either assets or liabilities with the goal of reclassifying items that met the definition of a deferred outflow/inflow of resources.
- GASB 65 provides the result of that review.

6



GASB 65: Items Previously Reported as Assets and Liabilities

GASB Statement Issued: March 2012
Effective: Fiscal Year 2014

GASB 65: *Items Previously Reported as Assets and Liabilities*



Deferred outflows/ inflows of resources: introduced and defined originally in Concepts Statement 4.

PROBLEM: GASBs were not consistent with Concept Statement 4

SOLUTION: GASB issued this standard to make GASBs already issued consistent with this Concepts Statement.

RESULT: Certain Assets and Liabilities:

- Reclassified: Deferred Outflows/ Deferred Inflows of Resources
- Recognized: Expenses/ Expenditures or Revenues

GASB 65: *Items Previously Reported as Assets and Liabilities*



Important Limitations Introduced:

- ONLY items that can be **Deferred Inflows/ Outflows of Resources** are those **identified by GASB**.
- Deferred can **only** be used for Deferred Inflows/ Outflows of Resources

9

GASB 65: *Items Previously Reported as Assets and Liabilities*



Agency Impact: Most significant impact will be on those with the following types of transactions:

- **Deferred amounts** resulting from the **refunding of debt**.
*Gain (Addition to Bonds Payable: Liability) → **Deferred Inflow***
*Loss (Reduction to Bonds Payable: Contra Liability) → **Deferred Outflow***
- **Bond issuance costs**.
*Deferred Charges (Asset) → Restate balance, **Expense** Current Year Activity*
- **Grants** (government-mandated or voluntary nonexchange): Only restriction remaining is **time requirement**.
*Unearned Revenue (Liability) → **Deferred Inflow** of Resources*
- **Unavailable revenue** of a governmental fund (not recognized only because it is not yet available).
*Unearned Revenue (Liability) → **Deferred Inflow** of Resources*

10

GASB 65: Items Previously Reported as Assets and Liabilities



Key Implementation Issues

- Get transactions posted to the correct accounts
- Post Restatements (Example: Bond Issuance Costs)

Changes to Financial Statements

- Governmental Funds
 - New Statement Sections
 - Deferred Inflows of Resources
 - Deferred Outflows of Resources
 - New Statement Captions

Deferred Outflows	Deferred Inflows
Deferred Outflows – Other	Unavailable Revenue
	Deferred Inflows – Nonexchange Transactions
	Deferred Inflows – Other

11

GASB 65: Items Previously Reported as Assets and Liabilities



Changes to Financial Statements

- Proprietary/ Government-Wide
 - New Statement Captions

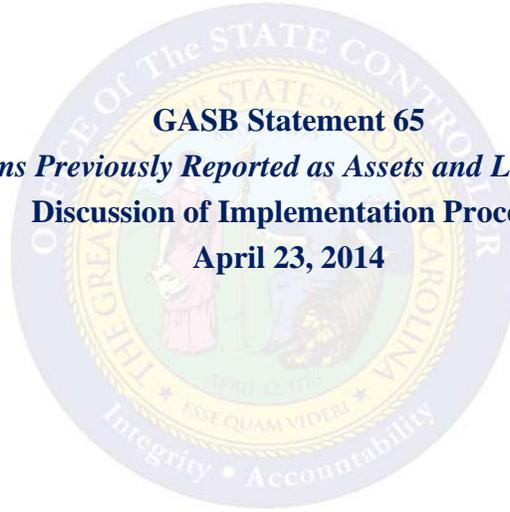
Deferred Outflows	Deferred Inflows
Deferred Loss on Refunding**	Deferred Gain on Refunding**
Deferred Outflows – Other	Deferred Inflows – Nonexchange Transactions
	Deferred Inflows – Other

**These accounts will be reported at the government-wide level for governmental funds.

12

2014 OSC Financial Reporting Update

GASB Statement 65 *Items Previously Reported as Assets and Liabilities* **Discussion of Implementation Process** **April 23, 2014**



Steps to Implement GASB 65



- Assigned to committee – work with whole CAFR team
- Read and study Statement 65 plus related resources
- Financial Reporting Update(s) – info to agencies
- Chart of Accounts Changes – look at Chart of Accts
- Changes to DSS reports – look at [CAFR 11G](#), 11P
- Changes to CAFR package worksheets, CAFR working trial balances and other files to prepare CAFR, and the actual CAFR exhibits and notes - add or modify accounts, captions and terminology

2014 CAFR Package Changes – GASB 65



- Worksheet 101 Summary of Significant Accounting Policies – removed “debt issuance costs” from question 3 Amortization. Beginning FY 2014, debt issuance costs must be expensed
- Worksheets 305 & 310 Changes in LT Liabilities – removed Less deferred amounts: “on refunding” – Deferred Loss/Gain now classified as deferred outflow/inflow, not LT liability.

CHANGES IN LONG-TERM LIABILITIES AND SHORT-TERM DEBT (310)
BUSINESS TYPE ACTIVITIES

NA for State Health Plan
Agency No: 14
Agency Name: Office of the State Comptroller
Preparer/Phone: _____
Email: 0

GASB Fund No: N/A for GASB 31000
Place cursor over cell E14 to view comment.

	Balance July 1, 2013 A	Prior Year Adjustments B	Additions C	Deletions D	Balance June 30, 2014 E	Due Within One Year F
Bonds and COPs payable:						
Revenue bonds						
GARVEE bonds						
Certificates of participation						
Less deferred amounts:						
For issuance discounts						
Add issuance premium						
Arbitrage rebate payable						

15

2014 CAFR Package Changes – GASB 65



- WS 330 Debt Defeasances – Deferred loss on refunding section at bottom, now references that amount should agree with deferred outflow acct 129702. Previously this amount had tied to WS 305 LT Liabilities.
- WS 420 Restricted and Unrestricted Net position- provided additional guidance in instructions to calculate components of Net position including deferred outflows and inflows in the calculation.(from PPC guide)
- WS 620 Analysis of Unavailable Revenues – wording Deferred Revenues changed to Unavailable Revenues. Had been a liability (acct 218120) but GASB 65 reclassified to a deferred inflow starting FY 2014.

16



2014 CAFR Package Changes – GASB 65

- Offline agencies - changes to Financial Statement templates:
 - Community College financial statements in community college package – Exhibits A and B – new deferred outflow and inflow captions
 - WS 905 in Prim Gov/Comp Unit package used by UNC System & Battleship - new deferred outflow and inflow captions.
 - Community College and University templates for their discretely presented component unit foundations - added note to indicate they were *not* updated for GASB 65 deferred outflows/inflows sections; foundations not expected to have these items.
 - College cash flows template – added note to indicate that captions were *not* updated for GASB 65 because colleges not expected to have amounts that would need to be reclassified to deferred outflows/inflows. If so, contact OSC for assistance.

17



2014 CAFR Package Changes – 905 worksheet

1400 Notes receivable				#N/A
1415 Investment in joint venture				#N/A
1420 Prepaid items				#N/A
1270 Restricted/designated cash and cash equivalents				#N/A
1280 Restricted/designated pooled cash				#N/A
1410 Restricted investments				#N/A
Restricted pooled investments				#N/A
Liabilities due from State of NC component units				#N/A
Total capital assets - depreciable, (net)				#N/A
Total Noncurrent assets				#N/A
Total assets				#N/A
DEFERRED OUTFLOWS OF RESOURCES				
1234 Accumulated decrease in fair value of hedging derivative				#N/A
1236 Deferred loss on refunding				#N/A
1239 Deferred outflows-other				#N/A
Total deferred outflows of resources				#N/A
LIABILITIES				
Current Liabilities:				
Accounts payable and accrued liabilities:				

18



2014 CAFR Package Changes – 905 worksheet

Noncurrent Liabilities:				
Accounts payable and accrued liabilities:				
1940	Accounts payable.....			
2096	Other long-term liabilities (ws 310).....			
	Total noncurrent liabilities.....			
	Total liabilities.....			
DEFERRED INFLOWS OF RESOURCES				
1764	Accumulated increase in fair value of hedging derivative.....			
2026	Serv concess arrangmt revenue applicable to future yrs.....			
1766	Deferred gain on refunding.....			
1768	Deferred inflows-nonexchange transactions.....			
1769	Deferred inflows-other.....			
	Total deferred inflows of resources.....			
Net position:				
2130	Net investment in capital assets.....			
Restricted Nonexpendable:				
2140	Higher education.....			
2141	Health and human services.....			
2142	Economic development.....			
Restricted Expendable:				

19

Added FY14 for GASB85, NCAS acct 229203 Def gain on refunding bonds. For more info refer to GASB Resources webpage available from OSC homepage www.osc.nc.gov

Added FY14 for GASB85, NCAS acct 229204 Def Inflows-nonexchange transactions. Refer to GASB Resources webpage available from OSC homepage www.osc.nc.gov

Added FY14 for GASB85, NCAS acct 229205 Def inflows-other, for def inflows per GASB 85 not classified in a more specific acct. For more info, refer to GASB Resources webpage available from OSC homepage www.osc.nc.gov



GASB Statement 65 – Takeaways

- GASB 65 impacts all for FY 2014 CAFR reporting
- New format for governmental fund balance sheet – new sections for Deferred Outflows and Deferred Inflows
- New equation for governmental funds balance sheet:

$$A + DO - L - DI = FB \quad \text{or} \quad A + DO = L + DI + FB$$
- Added 5 new accounts, modified 7 existing accounts and made 3 accounts invalid
- Use of term Deferred limited by GASB to only those items defined as deferred outflows and inflows
- Changed the determination for the major fund calculation

20

GASB 65 Review 1: True or False?



- GASB 65 only impacts proprietary funds so agencies having governmental funds will not see any differences for FY 2014 CAFR reporting because of GASB 65.

21

GASB 65 Review 1: Answer = False



- "GASB 65 only impacts proprietary funds so agencies having governmental funds will not see any differences for FY 2014 CAFR reporting because of GASB 65" is false.
- Starting FY2014, the governmental balance sheet has two new sections: Deferred Outflows of Resources and Deferred Inflows of Resources
- For governmental funds, the NCAS account 218120 for deferred revenue that was unavailable revenue for the current period was reclassified from a liability to a deferred inflow

22



GASB 65 Review 2: True or False?

- GASB 65 defines revenue of a governmental fund that is not recognized solely because it is not yet considered to be *available* to be a deferred inflow of resources.

23



GASB 65 Review 2: Answer = True

- “GASB 65 defines revenue of a governmental fund that is not recognized solely because it is not yet considered to be *available* to be a deferred inflow of resources” is true.
- This is addressed in GASB 65 paragraphs 30 and 108
- Par. 30: When an asset is recorded in governmental fund statements but the revenue is not available, the government should report a deferred inflow of resources until such time as the revenue becomes available.
- Par. 108: Board concluded resources reported as assets that do not meet the availability criterion for recognition in governmental funds also do not meet the definition of a liability (not present obligation to sacrifice resources). Resources not available for spending in current period, so classify as deferred inflow of resources.

24

GASB 65 Review 3: True or False?



- Effective for FY2014, on the governmental funds balance sheet, the liability caption “Deferred revenue” has been changed to “Unearned revenue” the same liability caption that is used for proprietary funds.

25

GASB 65 Review 3: Answer = True



- “Effective for FY2014, on the governmental funds balance sheet, the liability caption “Deferred revenue” has been changed to “Unearned revenue” the same liability caption that is used for proprietary funds” is true.
- GASB 65 par 31 limits the use of the term deferred
- The liabilities that had been part of the old “Deferred revenue” caption representing revenues received that were unearned (NCAS acct 218110) have been retitled “unearned revenues” along with the caption.

26



GASB 65 Review 4: True or False?

- GASB 65 had no effect on the determination of the major fund calculation.

27



GASB 65 Review 4: Answer = False

- “GASB 65 had no effect on the determination of the major fund calculation” is false
- GASB 65 paragraph 32 amended paragraph 76 of Statement 34 establishing the criteria for major fund determination.
- Paragraph 32 states: Assets should be combined with deferred outflows of resources and liabilities should be combined with deferred inflows of resources for purposed of determining which elements meet the criteria for major fund determination as set forth in paragraph 76 of Statement 34, as amended.

28

GASB 65 Review 5: Select the correct new equation for governmental funds



- a) $\text{Assets} + \text{Deferred Inflows} - \text{Liab} - \text{Deferred Outflows} = \text{FB}$
- b) $\text{Assets} - \text{Deferred Inflows} - \text{Liab} + \text{Deferred Outflows} = \text{FB}$
- c) $\text{Assets} + \text{Deferred Outflows} - \text{Liab} - \text{Deferred Inflows} = \text{FB}$
- d) $\text{Assets} - \text{Deferred Outflows} - \text{Liab} - \text{Deferred Inflows} = \text{FB}$
- e) $\text{Assets} + \text{Deferred Outflows} - \text{Liab} - \text{Deferred Inflows} = \text{FB}$

29

GASB 65 Review 5: The correct equation for governmental funds is answer e)



- $\text{Assets} + \text{Deferred Outflows} - \text{Liab} - \text{Deferred Inflows} = \text{FB}$
Or
- $\text{Assets} + \text{Deferred Outflows} = \text{Liab} + \text{Deferred Inflows} + \text{FB}$

30



Additional items - GASB 65 implementation

- Received Technical Inquiry - State of Iowa implementing GASB 65– asking other states if they have any items that would qualify as deferred outflows/inflows of resources under GASB 65 paragraphs 9 or 10
- Strategy: Researched general statutes for par. 9 imposed nonexchange revenue transactions. Called/emailed agencies to determine if will have deferred outflows/inflows meeting definition for paragraph 10 – grants transmitted in advance where only unmet eligibility requirement was a time requirement.
- Results: did not find any examples of items that would qualify.

31



GASB Statement 65 – Summary

- OSC analysts will conduct planning conferences in May and June to show agencies changes to accounts, financial statements and CAFR packages because of GASB 65
- GASB Update seminar on June 3, 2014 at McKimmon Center will cover all the new GASB standards including GASB 65.

32



Contact information for GASB 65

Debbie Dryer
(919) 707-0528
debbie.dryer@osc.nc.gov

Clayton Murphy
(919) 707-0525
clayton.murphy@osc.nc.gov

Helen Vozzo
(919) 707-0529
helen.vozzo@osc.nc.gov

Thanks for your attention!

33



GASB 66

Technical Corrections—2012, an amendment of GASB
Statements

Effective FY 2014



Effective Date

- Effective for financial statements for periods beginning after December 15, 2012
- Earlier application is encouraged
- In the first period that the Statement is applied, changes made to comply should be treated as an adjustment of prior periods, and financial statements presented for the periods affected should be restated

35



Objective

- Resolve conflicting guidance that resulted from the issuance of two recent pronouncements
 - Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*
 - Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*

36



GASB 66

- GASB 62 was issued in December 2010.
 - The purpose of this standard was to incorporate authoritative private-sector standards into GASB standards.
- Since that time, GASB has discovered 3 conflicts between GASB 62 and the guidance offered in other GASB standards.
- In each case, the conflict was resolved by eliminating the conflicting provision of GASB 62.

37



GASB 66 contd.

- Amendments to GASB 62 – Operating Leases.
 - GASB 62 includes guidance on accounting for operating lease payments that vary from a straight-line basis.
 - Those provisions were deleted to remove what could be perceived as a potential prohibition against the use of the fair value method that is permitted in GASB 13.
- Amendments to GASB 62 – Loan Purchases.
 - Deleted provisions that conflicted with GASB 48.
- Amendments to GASB 62 – Servicing Fees Related to Mortgage Loans.
 - Deleted provisions that conflicted with GASB 48.

38



Operating Leases

- Statement 13, *Accounting for Operating Leases with Scheduled Rent Increases*—allows a lessor government that enters into an operating leases with scheduled rent increases to recognize operating lease payments on a straight-line basis over the lease term or based on the estimated fair value of the rental
- Statement 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*—includes provisions (paragraphs 222 and 227(b) that could be perceived as a potential prohibition against the use of the fair value method that is permitted in Statement 13
- Guidance in Statement 62 that created the implied prohibition against using the fair value method was superseded

39



Leases

CAFR Package – Worksheet 301- Leases

The following box should be checked if you have OPERATING LEASES with scheduled rent increases that are intended as financing arrangements or inducements to enter into the lease arrangements (e.g., rent holidays). If you have OPERATING LEASES with scheduled rent increases that are “systematic and rational”, the following box does not need to be checked. Scheduled rent increases due to inflation, changes in the CPI, or stated annual rental increases are examples of “systematic and rational” increases. If the box is checked, OSC will contact you for further details.

40



Purchase of Loans or Group of Loans

- Statement 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*—requires that when there is an exchange in an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments, a transferee government recognizes those receivables acquired at the purchase price
- Statement 62 – requires the purchaser to recognize a premium or discount for the difference between the initial investment and the principal amount of the loans.
- Guidance in Statement 62 was amended to remove the conflicting guidance

41



Servicing Fees

- Statement 48—requires that when there is an exchange in an interest in expected cash flows from collecting specific receivables or specific future revenues for immediate cash payments, a transferor government recognize a gain or loss on the difference between the proceeds and the carrying value of receivables sold.
- Statement 62—requires that when a transferor government retains the servicing rights to mortgage loans that have been sold, the gain or loss on that sale should be adjusted to recognize the difference between a “normal servicing fee” and the fee that is stipulated in the sale agreement
- Guidance in Statement 62 was amended to remove the conflicting guidance

42



Risk Financing Activities

- Statement 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*—required that if a single fund is used to account for risk financing activities that fund should either be the general fund or an internal service fund
- Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*—would allow for certain risk financing activities to be reported in a special revenue fund
 - EX: some state statutes that authorize their local governments to assess a dedicated tax levy for tort liabilities, which would constitute a restricted revenue that could serve as the foundation for a special revenue fund
- Guidance in Statement 10 that created the implied prohibition against using a special revenue fund was superseded

43



Questions ?

Contact : Prabha Vijayaraghavan (919) 707 0527

44



2014 CAFR Financial Reporting Update

Government Combinations and Disposals of Government Operations GASB Statement 69

Pam Fowler & Lauren Lemons
Statewide Accounting Division
April 23, 2014



GASB 69 - Basics

- The GASB issued Statement No. 69, *Government Combinations and Disposals of Government Operations*, which provides new accounting and financial reporting standards for government mergers and acquisitions and for government operations that have been transferred or sold.
- Until GASB 69, governments have accounted for mergers and acquisitions by applying guidance designed for the business environment which includes notions that are rarely encountered in the government environment.
- This statement is effective in financial reporting periods beginning after December 15, 2013. It should be applied on a prospective basis.



GASB 69 - Basics

- Statement 69 now provides governments with guidance for identifying and accounting for types of government combinations in a clear and consistent manner:
 - How the amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources should be measured is addressed.
 - The date on which the measurement should take place (depending on the type of combination) is addressed.
- Government combination:
 - Government Mergers
 - Government Acquisitions
 - Transfer of Operations



Government Mergers

- Government Mergers include combinations of legally separate entities without the exchange of significant consideration.
- Government mergers include two or more governments (or not-for-profit entities or businesses) and result in either the creation of a new government or the continuation of one of the merging governments.





Government Mergers

- When a new government is established, the date on which the merging entities combine for financial reporting purposes is the date on which the new government's initial financial reporting begins. This is referred to as the "merger date".
- When the result of the merger is the continuation of an existing government, the date on which the merging entities combine for financial reporting purposes is the beginning of the reporting period in which the merger occurs.
- Government mergers account for assets and liabilities at carrying value.



Government Mergers

- Sometimes Governments choose to adjust some carrying values if the merging entities followed different accounting principles.
- Governments may also be required to adjust certain carrying values of capital assets for impairment as a result of the merger.
- Adjustments are also needed if one or more of the merging entities had applied accounting principles that are not in conformity with the generally accepted accounting principles for state & local governments.



Government Acquisitions



- Government Acquisitions are transactions in which a government acquires another entity, or its operations, in exchange for significant consideration.
- Are uncommon in general-purpose government like cities & counties.
- Are not uncommon in the business-type activities sector, which could include transactions involving entities such as hospitals.
- Require measurements of assets and liabilities assumed generally to be based upon their acquisition values as of the acquisition date.

Transfers of Operations



- In addition to combinations involving entire governmental entities, Statement 69 also provides guidance for combinations that involve only portions of a government which include transfers of operations to continuing governments or to form a new government.
- No significant consideration is provided.
- Governments enter into transfers of operations for similar reasons as government mergers, so the use of carrying values to report the financial statement elements of the transferred operation are also applied for these types of arrangements.



Disposals of Govt. Operations

- Disposals of government operations are similar to transfers of operations, just viewed from the perspective of the government selling or transferring the operation.
- Governments disposing of an operation should recognize a gain or loss, which is generally reported as a special item in the period in which the disposal occurs.



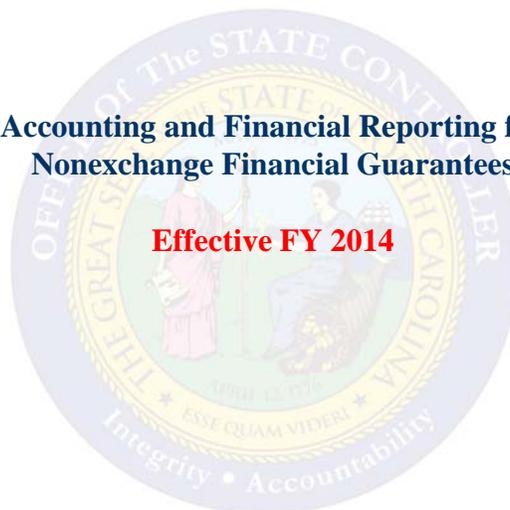
Questions?

Pam Fowler
(919) 707-0522
pam.fowler@osc.nc.gov
or
Lauren Lemons
(919) 707-0524
lauren.lemons@osc.nc.gov

GASB Statement 70

Accounting and Financial Reporting for Nonexchange Financial Guarantees

Effective FY 2014



GASB Statement 70



- Provides new recognition, measurement, and disclosure guidance for governments that extend or receive nonexchange financial guarantees.
- Occurs when a government guarantees a financial obligation but generally receives little or no compensation in return. Government guaranteeing the debt agrees to make payments to the holder of the debt if the entity that issued the debt is unable to fulfill its obligations.
- Provisions of this Statement applied retroactively. Financial Statements presented for periods affected should be restated.



GASB Statement 70 - Examples

- Nonexchange financial guarantees can include guarantees by a state for bonds issued by local governments or guarantees of mortgage loans to individuals, if equal or approximately equal value is not received in exchange.
- A public institution may receive a financial guarantee from a state government for the public institution's debt service payments on construction bonds it has issued without providing consideration to the government.
- Pledge of future revenues would not be considered a nonexchange financial guarantee.
 - Example: a university foundation issues student housing debt, and the university housing revenues are pledged for repayment. GASB Statement 48 applies not GASB 70.

57



GASB Statement 70

- Guarantor government recognizes a liability and an expense/expenditure when qualitative factors indicate that it is more likely than not (likelihood of more than 50%) that it will actually make a payment as a result of the guarantee agreement.
- Proprietary Funds Liability Recognition:
 - Liabilities recorded as:
 - Nonexchange Financial Guarantee payable–Current (2161XX) and/or
 - Nonexchange Financial Guarantee payable–Noncurrent (2261XX)
 - New accounts not established on NCAS COA but would fall in the account ranges for Bonds and similar debt payable.
 - Classification of expenses determined in the same manner as grants or financial assistance payments. Expenses recorded to:
 - 536999 Other Aids and Grants to Government Organizations–Nonoperating;
 - 536J99 Other Aids and Grants to NGO's–Nonoperating; or
 - 536Q99 Other Aids and Grants to Individuals–Nonoperating

58



GASB Statement 70

- Governmental Funds Liability Recognition:
 - When a government determines that a payment is more likely than not, financial statements prepared using the current financial resources measurement focus (Governmental funds) should recognize a fund liability and an expenditure when a guarantee payment is due and payable as of the end of the reporting period.
 - Liabilities reported to the same accounts as proprietary funds.
 - Classification of expenditures determined in the same manner as grants or financial assistance payments. Expenditures recorded to accounts:
 - 5369AA Other Aids and Grants to Government Organizations;
 - 536JAA Other Aids and Grants to NGO's; or
 - 536QAA Other Aids and Grants to Individuals.

59



GASB Statement 70

- If the issuer government is required to repay a guarantor for nonexchange financial guarantee payments made, the government should reclassify that portion of its previously recognized liability as a liability to the guarantor. This liability should be recorded to existing liability accounts based on whom the liability is owed (e.g., Due to Primary Government).
- Issuer government continues to report a liability until it is legally released as an obligor from the obligation and from any liability to the guarantor. This obligation recorded using existing liability accounts based on the type of obligation (e.g., Revenue Bonds Payable).
- When the issuer is released, it recognizes revenue. Component units report this revenue as State Aid or one of the other existing nonoperating revenues, as appropriate.

60

GASB Statement 70



- Note disclosures are required for both the guarantor government and issuer government.
- Guarantor Government (Extend Guarantees):
 - Disclosures by type of guarantee, for all nonexchange financial guarantees, regardless of the likelihood of payment.
 - A government that recognizes a nonexchange financial guarantee liability or has made payments during the reporting period is required to disclose additional information.
- Issuer Government (Receive Guarantees):
 - One or more outstanding obligations at the reporting date that have been guaranteed by another entity should make certain disclosures by type of guarantee.
 - If a government issued a guaranteed obligation for which payments have been made during the reporting period by the entity extending the guarantee and the guaranteed obligation is no longer outstanding at the end of reporting period, regardless of whether the government has any other outstanding guaranteed obligations at the end of the reporting period, it should make certain disclosures.

61

2014 CAFR Package Changes – GASB 70



- New Worksheet 338 – Nonexchange Financial Guarantees

Office of the State Controller
2014 CAFR Worksheets
NONEXCHANGE FINANCIAL GUARANTEES (338)

ONLY APPLIES TO DEPT. OF TRANSPORTATION, DEPT. OF STATE TREASURER, DEPT. OF PUBLIC SAFETY, DEPT. OF ENVIRONMENT AND NATURAL RESOURCES, DEPT. OF ADMINISTRATION, AND UNC SYSTEM ENTITIES (INCLUDES UNC HEALTHCARE SYSTEM)

GASB Fund No: All Funds Agency No: 14
 Agency Name: Office of the State Controller
 Preparer/Phone: _____
 Email: -

GASB Statement 70 provides new recognition, measurement, and disclosure guidance for state and local governments that extend or receive nonexchange financial guarantees.

A nonexchange financial guarantee occurs when a government guarantees a financial obligation but generally receives little or no compensation in return. The government guaranteeing the debt (guarantor) agrees to make payments to the holder of the debt if the entity that issued the debt (issuer) is unable to fulfill its obligations. Nonexchange financial guarantees that meet certain recognition and measurement requirements should be reported in the financial statements.

For more information on GASB 70, refer to the GASB Resources link on OSC's homepage (or see link below).
[Financial Reporting Update GASB 70](#)

Has your agency/university been a party to any nonexchange financial guarantees during the year?
 YES
 NO

If you answered YES, disclosure is required:
 GASB Statement 70 requires certain disclosures for both the guarantor government and issuer government. The required disclosures should be provided in the attached **CAFR Package Narratives**.

62

2014 CAFR Package Changes – GASB 70



• New Worksheet 338 – Nonexchange Financial Guarantees (Narrative)

Worksheet 338 – Nonexchange Financial Guarantees

Agency No:	
Agency Name:	
Preparer/Phone:	

ONLY APPLIES TO DEPT. OF TRANSPORTATION, DEPT. OF STATE TREASURER, DEPT. OF PUBLIC SAFETY, DEPT. OF ENVIRONMENT AND NATURAL RESOURCES, DEPT. OF ADMINISTRATION, UNC SYSTEM ENTITIES (INCLUDES UNC HEALTHCARE SYSTEM), STATE EDUCATION ASSISTANCE AUTHORITY, NC HOUSING FINANCE AGENCY, AND PORTS AUTHORITY.

For governments that extend nonexchange financial guarantees, disclose the following information, by type of guarantee, for all nonexchange guarantees regardless of the likelihood of a payment being required:

- a. A description of the nonexchange financial guarantee, identifying:
 - 1) Legal authority and limits for extending the guarantees and types of obligations guaranteed;
 - 2) Relationship of the government to the issuer(s) of the obligations that are guaranteed;
 - 3) Length of time of the guarantees;
 - 4) Arrangements for recovering payments from the issuer(s) of the obligations that are guaranteed.
- b. Total amount of all guarantees extended that are outstanding at the reporting date.

A government that recognizes a nonexchange financial guarantee liability or has made payments during the reporting period on nonexchange financial guarantees extended should disclose the following:

- a. Brief description of the timing of recognition and measurement of the liabilities and information about the changes in recognized guarantee liabilities, including the following:
 - 1) Beginning-of-period balances;
 - 2) Increases, including initial recognition and adjustments increasing estimates;
 - 3) Guarantee payments made and adjustments decreasing estimates;
 - 4) End-of-period balances.
- b. Cumulative amounts of indemnification payments that have been made on guarantees extended that are outstanding at the reporting date.
- c. Amounts expected to be recovered from indemnification payments that have been made through the reporting date.

63

2014 CAFR Package Changes – GASB 70



• New Worksheet 338 – Nonexchange Financial Guarantees (Narrative – cont.)

For governments that issue obligations, if a government has one or more outstanding obligations at the reporting date that have been guaranteed by another entity as part of a nonexchange transaction, disclose the following information about the guarantee(s) by type of guarantee:

- a. Name of entity providing the guarantee;
- b. Amount of the guarantee;
- c. Length of time of the guarantee;
- d. Amount paid, if any, by the entity extending the guarantee on obligations of the government during the current reporting period;
- e. Cumulative amount paid by the entity extending the guarantee on outstanding obligations of the government;
- f. Description of requirements to repay the entity extending the guarantee;
- g. Outstanding amounts, if any, required to be repaid to the entity providing the guarantee.

If a government has issued a guaranteed obligation for which payments have been made during the reporting period by the entity that extended the guarantee and that guaranteed obligation is no longer outstanding at the end of the reporting period, regardless of whether the government has any other outstanding guaranteed obligations at the end of the reporting period, it should disclose:

- a. Amount paid by the entity that extended the guarantee on obligations of the government during the current reporting period;
- b. Cumulative amount paid by the entity that extended the guarantee on outstanding obligations of the government;
- c. Description of requirements to repay the entity that extended the guarantee;
- d. Outstanding amounts, if any, required to be repaid to the entity that provided the guarantee.

GASB Statement 70 may be applied prospectively for the cumulative amounts disclosed above. If applied prospectively, the disclosure should state the date through which the cumulative amounts are determined.

64

Refer to Appendix C of GASB 70 for illustrations of required disclosures.



GASB Statement 70

- Survey Results – No entities had extended or received nonexchange financial guarantees as of February 28, 2014.
- Discussions with DST – not aware of any nonexchange financial guarantees; none with local governments, universities, etc.
- Debt Affordability Advisory Committee – proposing to recommend the State not back other entities debt.

65



GASB Statement 70

- Refer to the OSC GASB Resources webpage for further information.
- Questions – contact Joy Darden (919) 707-0520 or joy.darden@osc.nc.gov

66



2014 CAFR Financial Reporting Update

Update on Pension Statements GASB Statements 67, 68 & 71 Virginia Sisson Statewide Accounting Division

April 24, 2014

The New Pension Standards



- GASB 67 – Financial Reporting for Pension *Plans* – an amendment of GASB Statement 25
 - The Pension Plan Standard
 - Effective FY 2014
- GASB 68 – *Accounting* and Financial Reporting for Pensions – an amendment of GASB Statement 27
 - The Employer Standard
 - Effective FY 2015
- GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement 68
 - Effective FY 2015 (simultaneously with GASB 68)

Scope of GASB 67, GASB 68 and GASB 71



- All defined benefit plans administered by DST:
 - Teachers and State Employees' Retirement System (TSERS)
 - Consolidated Judicial Retirement System (CJRS)
 - Legislative Retirement System (LRS)
 - Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)
 - North Carolina National Guard Pension Fund (NCNG)
 - Registers of Deeds' Supplemental Pension Fund (ROD)
 - Local Governmental Employees' Retirement System (LGERs)
- Defined contribution plans reported in the State CAFR:
 - Covered under the new standards as well, however, the requirements of 67 and 68 are minimal disclosures only
 - Sheriffs' Supplemental Pension Fund (Sheriffs')
 - Optional Retirement Plan (ORP)
 - 401 (k) Plan
 - 457 Plan
 - 403 (b) Plan

GASB Statement 67 – Pension Plan Reporting



- Financial Reporting for Pension Plans – an amendment of GASB Statement 25
 - ***The Pension Plan Standard***
- Effective fiscal year ending June 30, 2014
- Only affects the State CAFR for pension plan reporting
 - Enhanced note disclosures and the addition of four new Required Supplementary Information (RSI) schedules
 - Requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules.
- The pension plan has to implement this standard first in order for the information to be available to the employers for GASB 68 in 2015.

GASB 67 Note Disclosures – Applicable to All Plans



- Required note disclosures for all pension plans:
 - Plan description
 - Benefits provided, classes of plan members covered, plan membership (including active, inactive) composition of the pension plan's board.
 - Investments
 - Investment policies of the plan including asset allocation.
 - Description of how fair value is determined.
 - Identification of investments in any one organization that represent five percent or more of plan net position.
 - Annual **money-weighted rate of return** on plan investments.

GASB 67 Note Disclosures – Applicable to All Plans (cont.)



- Required note disclosures for all pension plans:
 - Long-term expected real rate of return by asset class
 - Reserves
 - Allocated insurance contracts excluded from plan assets
 - Total pension liability, significant assumptions used to measure the liability such as inflation, salary changes, and mortality
 - Discount rate applied to determine the total pension liability and its component assumptions such as projected cash flow and long-term expected rate of return on investments

GASB 67 Note Disclosures – Applicable to All Plans (cont.)



- Required note disclosures for all pension plans:
 - Sensitivity of the net pension liability to 1% change in the discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Cost-Sharing, Multiple-Employer			
TSERS' net pension liability	\$ 13,182,408	\$ 6,071,019	\$ 51,632
LGERS' net pension liability	\$ 3,747,980	\$ 1,247,192	\$ (857,572)

- Components of the net pension liability:

	Cost-Sharing, Multiple-Employer			
	Teachers' and State Employees*	Local Govern- mental	Firefighter's and Rescue Squad	Registers of Deeds*
Total pension liability	\$ 64,562,739	\$ 21,360,154		
Plan fiduciary net position	(58,491,720)	(20,112,962)		
TSERS' net pension liability	\$ 6,071,019	\$ 1,247,192		
Plan fiduciary net position as a percentage of the total pension liability	90.60%	94.16%		

GASB 67 Required Supplementary Information (RSI)



- Required supplementary information for all single-employer and cost-sharing plans:
 - 10-year schedule of changes in the net pension liability (asset).
 - 10-year schedule of net pension liability including measures of fiduciary net position as a percentage of the total pension liability.
 - 10-year schedule of actuarially determined contributions (if calculated), contributions recognized, covered payroll and contributions as a percentage of covered payroll.
 - 10-year schedule of the annual money-weighted rate of return.
- Notes to the RSI:
 - Significant methods and assumptions used in calculating the actuarially required contributions.

Example GASB 67 RSI Schedules – Changes in the Net Pension Liability



State of North Carolina
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN THE NET PENSION LIABILITY
COST-SHARING, MULTI-EMPLOYER, DEFINED BENEFIT PENSION PLANS
 Last Two Fiscal Years
 (Expressed in Thousands)

	2014	2013
Teachers' and State Employees'		
Total pension liability		
Service Cost	\$ -	\$ 1,546,680
Interest	-	4,528,642
Change of benefit terms	-	-
Differences between expected and actual experience	-	(522,420)
Change of assumptions	-	-
Benefit payments, including refunds of member contributions	-	(3,815,000)
Net change in total pension liability	-	1,337,902
Total pension liability - beginning	-	60,824,945
Total pension liability - ending (a)	\$ -	\$ 62,162,847
Plan fiduciary net position		
Contributions-employer	\$ -	\$ 1,120,482
Contributions-member	-	830,078
Net investment income	-	6,212,389
Benefit payments, including refunds of member contributions	-	(3,815,000)
Administrative expenses	-	(8,776)
Other	-	(20)
Net change in plan fiduciary net position	-	3,339,143
Plan fiduciary net position - beginning	-	66,183,872
Plan fiduciary net position - ending (b)	\$ -	\$ 69,523,015
TSERS' net pension liability (asset) ending (a) - (b)	\$ -	\$ 6,071,019
Local Governmental Employees'		
Total pension liability		
Service Cost	\$ -	\$ 680,743
Interest	-	1,492,009
Change of benefit terms	-	-
Differences between expected and actual experience	-	(186,754)
Change of assumptions	-	-
Benefit payments, including refunds of member contributions	-	(1,031,050)
Net change in total pension liability	-	915,938
Total pension liability - beginning	-	20,444,719
Total pension liability - ending (a)	\$ -	\$ 21,360,657
Plan fiduciary net position		
Contributions-employer	\$ -	\$ 383,888
Contributions-member	-	238,864
Net investment income	-	1,770,221
Benefit payments, including refunds of member contributions	-	(1,051,000)
Administrative expenses	-	(4,589)
Other	-	3,619
Net change in plan fiduciary net position	-	1,267,383
Plan fiduciary net position - beginning	-	18,951,900
Plan fiduciary net position - ending (b)	\$ -	\$ 20,219,283
LGERS' net pension liability (asset) ending (a) - (b)	\$ -	\$ 1,247,180

Continued

Example GASB 67 RSI Schedules – Net Pension Liability



State of North Carolina
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY
COST-SHARING, MULTI-EMPLOYER, DEFINED BENEFIT PENSION PLANS
 Last Two Fiscal Years
 (Expressed in Thousands)

	2013	2012	2011	2010
Teachers' and State Employees'				
Total pension liability	\$64,662,739			
Plan fiduciary net position	(58,491,700)			
TSERS' net pension liability (asset)	\$ 6,071,019			
Plan fiduciary net position as a percentage of the total pension liability	90.60%			
Covered-employee payroll	\$13,126,804			
TSERS' net pension liability (asset) as a percentage of covered-employee payroll	46.25%			
Local Governmental Employees'				
Total pension liability	\$21,360,194	\$20,444,219		
Plan fiduciary net position	(20,112,965)	(18,661,000)		
TSERS' net pension liability (asset)	\$ 1,247,180	\$ 1,783,219		
Plan fiduciary net position as a percentage of the total pension liability	94.16%	91.23%		
Covered-employee payroll	\$ 6,421,364	\$ 6,050,080		
TSERS' net pension liability (asset) as a percentage of covered-employee payroll	22.01%	35.00%		
Firefighters' and Rescue Squad Workers'				
Total pension liability	\$ -			
Plan fiduciary net position	\$ -			
TSERS' net pension liability (asset)	\$ -			
Plan fiduciary net position as a percentage of the total pension liability	#DIV/0!			
Covered-employee payroll	\$ -			
TSERS' net pension liability (asset) as a percentage of covered-employee payroll	#DIV/0!			
Registers of Deeds'				
Total pension liability	\$ -			
Plan fiduciary net position	\$ -			
TSERS' net pension liability (asset)	\$ -			
Plan fiduciary net position as a percentage of the total pension liability	#DIV/0!			
Covered-employee payroll	\$ -			
TSERS' net pension liability (asset) as a percentage of covered-employee payroll	#DIV/0!			

Example GASB 67 RSI Schedules Schedule of Employer Contributions (Actuarially Determined)



State of North Carolina
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER CONTRIBUTIONS
COST-SHARING, MULTIPLE-EMPLOYER, DEFINED BENEFIT PLANS
Last Ten Fiscal Years
(Dollars in Thousands)

	2013	2012	2011	2010	2009
Teachers' and State Employees'					
Actuarially determined contribution	\$ 1,052,890	\$ 988,418	\$ 902,051	\$ 483,205	\$ 472,374
Contractually required contribution	1,120,482	1,015,762	680,670	492,779	492,689
Contributions in relation to the actuarially determined contribution	1,120,482	1,015,762	680,670	492,779	492,689
Contribution deficiency (excess)	\$ 67,592	\$ 327,344	\$ 221,981	\$ 10,474	\$ 203,315
Covered Payroll	\$ 13,125,804	\$ 13,285,190	\$ 13,452,472	\$ 13,035,145	\$ 14,058,750
Contributors as a percentage of covered-employee payroll	8.54%	7.60%	5.00%	3.04%	3.50%
Local Governmental Employees'					
Actuarially determined contribution	\$ 370,882	\$ 352,117	\$ 342,910	\$ 230,121	\$ 257,882
Contractually required contribution	370,882	352,117	342,910	230,121	257,882
Contributions in relation to the actuarially determined contribution	370,882	352,117	342,910	230,121	257,882
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ 128,827	\$ -
Covered Payroll	\$ 6,421,364	\$ 6,090,080	\$ 6,329,051	\$ 6,320,927	\$ 6,284,882
Contributors as a percentage of covered-employee payroll	6.87%	6.97%	6.42%	4.88%	4.88%
Firefighters' and Rescue Squad Workers'					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contractually required contribution	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributors as a percentage of covered-employee payroll	NDVD	NDVD	NDVD	NDVD	NDVD
Registers of Deeds'					
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -
Contractually required contribution	-	-	-	-	-
Contributions in relation to the actuarially determined contribution	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered Payroll	\$ -	\$ -	\$ -	\$ -	\$ -
Contributors as a percentage of covered-employee payroll	NDVD	NDVD	NDVD	NDVD	NDVD

Example GASB 67 RSI Schedules Schedule of Investment Returns



State of North Carolina
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF INVESTMENT RETURNS
ALL DEFINED BENEFIT PENSION TRUST FUNDS
Last Ten Fiscal Years

Annual money-weighted rate of return, net of investment expense	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Cost-Sharing, Multiple Employer										
Teachers' and State Employees'	9.55%									
Local Governmental Employees'										
Local Governmental Employees'	9.53%									
Firefighters' and Rescue Squad Workers'										
Firefighters' and Rescue Squad Workers'										
Registers of Deeds'										
Single-Employer										
Consolidated Judicial										
Legislative										
North Carolina National Guard										

GASB Statement 68 – Employer Reporting



- Accounting and Financial Reporting for Pensions – an amendment of GASB Statement 27
 - *The Employer Standard*
- Effective fiscal year ending June 30, 2015
- For employers, there will be more extensive note disclosures and two new RSI schedules
- Implementation guide for GASB 68 is now available on the GASB website

GASB Statement 68 - Employer Reporting (cont.)



- The following amounts for a defined benefit pension plan must be determined as of a date no earlier than the end of the employer's prior fiscal year (i.e., measurement date). The measurement date for employers will be June 30, 2014:
 - Net pension liability (asset)
 - Pension expense
 - Pension deferred outflows of resources and deferred inflows of resources
- Employers participating in single-employer plans recognize 100 percent of the above amounts for each plan.
 - Consolidated Judicial Retirement System (CJRS)
 - Legislative Retirement System (LRS)
 - North Carolina National Guard Pension Fund (NCNG)
- Employers participating in cost-sharing multiple-employer plans recognize their proportionate share of the collective amounts for the plan as a whole.
 - Teachers' and State Employees' Retirement System (TSERS)
 - Local Governmental Employees' Retirement System (LGERS)
 - Registers of Deeds (ROD)
 - Firefighters' and Rescue Squad Workers' Pension Fund (FRSWPF)

GASB 68 Note Disclosures – Applicable for All Plans



- Required note disclosures for pension plan employers (in addition to disclosures already presented for GASB 67):
 - Employer's proportionate share (amount) of the collective net pension liability (NPL).
 - Employer's proportion (percentage) of the collective NPL, the basis on which its proportion was determined, and the change in its proportion since the prior measurement date.
 - Measurement date of the collective NPL, the date of the actuarial valuation on which the NPL is based, and the fact that update procedures were used to roll forward the total pension liability to the measurement date.
 - Amount of pension expense recognized by the employer.
 - Employer's balances of deferred outflows and deferred inflows of resources.

GASB 68 Note Disclosures – Applicable for All Plans (cont.)



- Required note disclosures for pension plan employers (cont.):
 - Employer's contributions to the pension plan subsequent to the measurement date of the collective net pension liability.
 - Schedule presenting (1) for each of the subsequent five years the net amount of the employer's balances of deferred outflows and deferred inflows of resources that will be recognized in the employer's pension expense and (2) amount of employer's balance of deferred outflows and deferred inflows of resources that will be included as a reduction of the collective NPL.

GASB 68 Required Supplementary Information (RSI)



- Required supplementary information for all single-employer and cost-sharing plan employers:
 - 10-year schedule of employer’s proportionate share of NPL.
 - 10-year schedule of employer’s contractually required employer contributions.
- Notes to RSI:
 - Information about factors that significantly affect trends in the amounts reported in the RSI schedules.

Example GASB 68 RSI Schedules – Schedule of Employer’s Proportionate Share of the Net Pension Liability



Schedules of Required Supplementary Information
SCHEDULE OF THE DISTRICT’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Teachers Pension Plan
 Last 10 Fiscal Years*
 (Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
District’s proportion of the net pension liability (asset)	0.20%	0.19%	0.19%	0.19%	0.20%	0.20%	0.20%	0.21%	0.21%	0.21%
District’s proportionate share of the net pension liability (asset)	\$ 14,910	\$ 11,738	\$ 12,972	\$ 13,465	\$ 14,892	\$ 11,605	\$ 4,372	\$ (2,365)	\$ (1,284)	\$ (826)
District’s covered-employee payroll	\$ 11,512	\$ 10,412	\$ 9,715	\$ 9,553	\$ 9,522	\$ 9,299	\$ 8,709	\$ 8,175	\$ 7,909	\$ 7,659
District’s proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	129.52%	112.74%	133.53%	141.26%	156.40%	124.80%	50.20%	(28.81%)	(15.96%)	(12.09%)
Plan fiduciary net position as a percentage of the total pension liability	81.38%	83.20%	80.41%	78.53%	75.79%	79.74%	91.78%	104.52%	102.63%	102.10%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Example GASB 68 RSI Schedules – Schedule of Employer Contributions (Contractually Required)



SCHEDULE OF DISTRICT CONTRIBUTIONS Teachers Pension Plan Last 10 Fiscal Years (Dollar amounts in thousands)

	20X9	20X8	20X7	20X6	20X5	20X4	20X3	20X2	20X1	20X0
Contractually required contribution	\$ 2,005	\$ 2,057	\$ 1,969	\$ 1,649	\$ 1,176	\$ 898	\$ 820	\$ 769	\$ 880	\$ 1,082
Contributions in relation to the contractually required contribution	(2,005)	(2,057)	(1,959)	(1,649)	(1,176)	(898)	(820)	(769)	(880)	(1,082)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 12,097	\$ 10,902	\$ 10,003	\$ 9,034	\$ 9,508	\$ 9,410	\$ 9,004	\$ 8,442	\$ 8,042	\$ 7,784
Contributions as a percentage of covered-employee payroll	17.32%	18.70%	19.57%	17.11%	12.33%	9.54%	9.10%	9.11%	10.94%	13.90%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

Example Schedule of Employer Allocations (GASB 68)



EXAMPLE COST SHARING PENSION PLAN Schedule of Employer Allocations June 30, 2015

Employer	2015	
	Actual Employer Contributions	Employer Allocation Percentage
State of Example	\$ 2,143,842	38.9 %
Employer 1	268,425	4.9
Employer 2	322,142	5.8
Employer 3	483,255	8.8
Employer 4	633,125	11.5
Employer 5	144,288	2.6
Employer 6	95,365	1.7
Employer 7	94,238	1.7
Employer 8	795,365	14.4
Employer 9	267,468	4.9
Employer 10	267,128	4.8
Total	\$ 5,514,641	100.0

- In 2013, TSERS had 247 participating employers, so this schedule will be 247+ lines long
- LGERS had 890 employers in 2013, so their schedule will be 890+ lines long

Example Schedule of Employer Pension Amounts (GASB 68)



EXAMPLE COST SHARING PENSION PLAN
Schedule of Pension Amounts by Employer
June 30, 2015

Employer	Deferred Outflow of Resources				Deferred Inflows of Resources				Pension Expense		
	Net Pension Liability	Economic Experience	Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Differences Between Expected and Actual Economic Experience	Differences Between Actual and Projected Investment Earnings	Changes of Assumptions	Changes in Employer Proportion and Differences Between Contributions and Proportionate Share of Pension Expense	Proportionate Share of Pension Expense	Net Amortization of Deferred Amounts from Changes in Proportionate Share of Pension Expense
State of Example	\$ 38,589,135	428,768	2,058,088	1,500,690	782,365	380,371	1,063,285	-	584,365	1,878,717	12,375
Employer 1	4,831,647	53,685	257,688	187,898	96,633	47,625	133,131	-	125,325	235,229	(1,793)
Employer 2	5,798,553	64,428	309,256	225,499	115,971	57,156	159,773	-	245,386	282,303	(8,088)
Employer 3	8,698,585	96,651	463,925	338,279	173,972	85,742	239,681	-	125,632	423,492	3,021
Employer 4	11,396,244	126,625	607,800	443,188	227,925	112,332	314,012	-	386,325	554,828	(9,900)
Employer 5	2,977,183	28,858	138,516	101,002	51,944	25,600	71,563	-	42,358	126,444	599
Employer 6	1,716,569	19,073	91,550	66,756	34,331	16,920	47,298	-	24,325	83,571	625
Employer 7	1,696,283	18,848	90,468	65,967	33,926	16,720	46,739	-	125,325	82,584	(5,712)
Employer 8	14,316,562	159,073	763,550	556,756	286,486	141,118	394,478	-	152,005	697,004	8,405
Employer 9	4,814,421	53,494	256,769	187,228	68,325	47,456	132,657	-	87,325	234,391	(1,188)
Employer 10	4,808,301	53,426	256,443	186,990	67,528	47,395	132,488	-	41,035	234,093	1,656
Total	\$ 99,263,485	1,102,928	5,294,055	3,860,249	1,939,406	978,435	2,735,105	-	1,939,406	4,832,655	-

- This table will give the employers their net pension liability, pension expense, and any deferred outflows/inflows that will be recorded in their financial statements.

Effects of GASB 67 and GASB 68



- These statements will have a huge impact on the State as they will affect governmental agencies, LEA's, universities and community colleges.
- These statements will shed a new light on the State's pension plans and whether or not the plans will be sound for the future retirees of the State.
- For GASB 67 – the State CAFR – Note 12 – Retirement Plans, and RSI will be completely revised, with the addition of more required schedules beginning in 2014 and continuing in 2015.
 - Note: For 2014, because NC reports the pension plans as part of the State CAFR, we still have to include the requirements of GASB 27 for the State as an employer. In 2015, GASB 68 requirements will replace the GASB 27 requirements.
- For GASB 67 – the State CAFR – Note 13 – Deferred Compensation Plans, will be revised to include all defined contribution plans (Sheriffs' Supplemental Pension Fund and Optional Retirement Program, 401(k) plan, 457 plan and 403(b) plan) and will be called Defined Contribution Pension Plans. Note disclosures will be revised to include only GASB 67 requirements.

Effects of GASB 67 and GASB 68 (cont.)



- For GASB 68 – new accounts will be established to record the deferred inflows and deferred outflows of resources in 2015.
- For GASB 68 – in 2015, agencies, universities and community colleges will be required to record their proportionate share of net pension liability, pension expense or deferred inflows/outflows. The net pension liability, expense and inflows/outflows will be shown on the face of the financial statements for the first time. The pension allocations will be provided by Department of the State Treasurer (DST).

GASB Statement 71



- Amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability.
- Eliminates the source of potential significant understatement of restated beginning net position and expense in the first year of implementation of GASB 68.

Where Are We Now?



- OSC continues to partner with DST and Office of the State Auditor (OSA) in implementing these standards with monthly status calls and face-to-face meetings.
- OSC is working with DST on the draft proforma note disclosures and draft dry run data for GASB 67 and will continue to develop the information required for the 2014 CAFR.
 - Plan to submit first drafts of note disclosures and RSI schedules to OSA for their review and comments by mid/end of April.
- With the new allocation schedules for GASB 68, there are still outstanding audit issues such as the employer required assurances that the pension amounts reported on the statement of net position and the supplemental schedules are accurate and supported by verifiable audit evidence.
 - In February, the AICPA released a whitepaper addressing issues related to how **employers** obtain all necessary information to properly recognize and disclose pension amounts in their financial statements and how **their auditors** obtain sufficient appropriate evidence to support their opinions on the employer financial statements.
 - Another whitepaper was released addressing responsibilities of the plan and its auditor to obtain sufficient appropriate evidence regarding the completeness and accuracy of all census data underlying certain financial statement elements of the plan.

Where Are We Now? (cont.)



- On Monday, March 24, 2014 the GASB held a board meeting to discuss delaying the effective date of GASB Statement 68 based on requests from GFOA and NASACT requesting a delay. The stakeholder groups argued that a delay was necessary until related auditing procedures have been implemented for a sufficient period. The concern was expressed that governments in multiple-employer pension plans will receive a modified audit opinion on their financial statements in the interim.
- After careful deliberation, the GASB unanimously decided against delaying the effective date. The Board received feedback from officials and users of financial statements who acknowledged that they were aware of the new standards and that if the governments received modified opinions it would not negatively impact their analyses of government finances.

GASB Statements 67, 68 and 71 Resources



- Refer to the Financial Reporting Updates (FRU) sent in December for GASB 67 and 68, and January for GASB 71, as well as the OSC GASB Resources webpage for further information.
 - The GASB 68 FRU has been updated to include links to the two AICPA whitepapers mentioned on previous slide as well as other implementation links such as the GASB pension toolkit and recent KPMG critical issues webcasts.
- As the GASB 68 implementation process moves along, there will be contacts available for the different areas impacted:
 - GASB 68 implementation/technical questions – contact Virginia Sisson at OSC (919) 707-0530 or virginia.sisson@osc.nc.gov.
 - GASB 68 pension allocations – contact Joan Fontes at DST (919) 508-5951 or joan.fontes@nctreasurer.com.

Questions?

Virginia Sisson
(919) 707-0530
virginia.sisson@osc.nc.gov



New GASB Statements



- **Effective FY 2014**

- GASB 65 – Items Previously Reported as Assets and Liabilities
- GASB 66 – Technical Corrections – 2012 *an amendment of GASB Statements No. 10 and 62*
- GASB 67 – Financial Reporting of Pension Plans – *an amendment of GASB Statement 25* (applies to pension plans)
- GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees

95

New GASB Statements



- **Effective FY 2015**

- GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27 (applies to employers)
- GASB 69 – Government Combinations and Disposals of Government Operations
- OSC will sponsor a Governmental Accounting and Auditing Update on June 3, 2014 at the McKimmon Center
 - Will cover the new GASB standards.

96