



COLORADO
Department of Education

FPP Meeting
GASB Update
March 3, 2017

Statement No. 84 – Fiduciary Activities

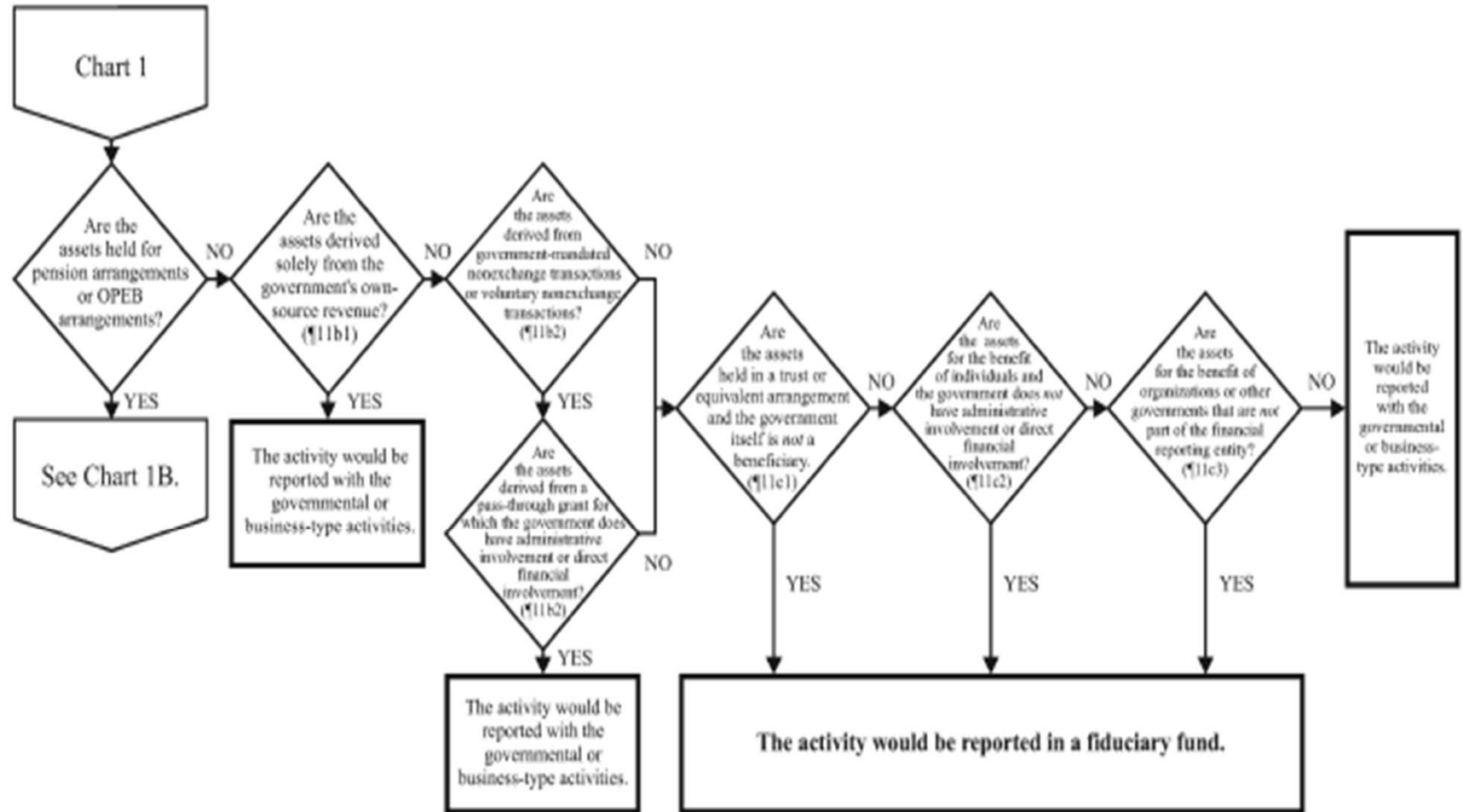
- Issued in January 2017
- This Statement establishes criteria for identifying fiduciary activities of all state and local governments
- Focus of the criteria:
 - Whether a government is controlling the assets, and
 - Beneficiaries relationship with whom a fiduciary exists
- Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position
- This Statement describes four fiduciary funds that should be reported
 - Pension (and other employee benefit) trust funds
 - Investment trust funds
 - Private-purpose trust funds, and
 - Custodial funds

Statement No. 84 – Fiduciary Activities (cont.)

- Custodial funds generally should report fiduciary activities that are not held in a trust or equivalent arrangement that meets specific criteria
- This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources
 - If no such liability, a restricted net position will be reported by the fiduciary fund
- The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (FY2019-2020). Earlier application is encouraged
- Changes to the chart of accounts will be needed to implement this Statement.

Statement No. 84 – Fiduciary Activities (cont.)

Chart 1A—Flowchart for Evaluating and Reporting Potential Fiduciary Activities



Statement No. 77 – Tax Abatement Disclosures

- Issued in August 2015
- Effective for periods beginning after 12/15/15 or (FY16-17)
- A tax abatement is the result of an agreement between a government and an individual or entity in which the government promises to forego tax revenues and an individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.
- This Statement requires disclosures of tax abatement information about:
 - (1) A reporting government's own tax abatement agreements, and

Statement No. 77 – Tax Abatement Disclosures

- (2) Those that are entered into by other governments and that reduce the reporting government's tax revenues.
- During the JBC hearing in December 2016, CDE identified 41 school districts in Colorado that were impacted by tax increment financing agreements (TIFs)
- Are TIFs the same as tax abatement agreements?
- If TIFs are, this Statement would require that school districts disclose: (1) the names of the governments that entered into the agreements, (2) the specific taxes being abated, and (3) the gross dollar amount of taxes abated during the period.

GASB Invitation to Comment (ITC)

- Financial Reporting Model Reexamination, related to governmental funds issued 12/7/2016
- Comment period ends 3/31/2017
- Outlines three different approaches for comment:
 - Near-term
 - Short-term
 - Long-term
- Each approach has potential benefits and challenges

GASB ITC – Near-term approach

- The length of time following the end of the reporting period that would be included in the near-term perspective would generally be in the range of 60 to 90 days.
- The GASB Board would deliberate on the specific length of time later in the project if the near-term approach is considered.
- The biggest change from the current financial resources approach is that prepaid items and inventories would not be recognized as assets as of year-end.
- These changes may be a recognition issue for grant accounting under the Uniform Grant Guidance.

GASB ITC – Short-term approach

- The short-term approach would provide information that is focused on the government's one-year fiscal period (operating cycle).
- Liabilities would include those that are payable at period-end and that normally are due within the subsequent operating cycle.
- Instead of focusing on the current year-end operations, this short-term approach would instead focus on the next fiscal years impacts.
- Would require a statement of cash flows for this approach.

GASB ITC – Long-term approach

- The long-term approach would recognize the effects on financial resources of transactions or events when they take place, regardless of when cash is received or paid.
- However, this approach would not recognize capital assets and capital-related debt.
- The full-accrual approach without capital assets and related debt.
- Would recognize the full amount of the pension and OPEB liability at year-end.
- Would require a statement of cash flows for this approach.

OPEB Statements (73, 74, 75)

- GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB).
- Revises and establishes new financial reporting requirements for state and local governments related to OPEB liabilities
- Will be effective for school districts for FY17-18, with early application encouraged.
- Look for guidance from PERA on the treatment of the Health Care Trust Fund (HCTF) under these new standards.
- We are not aware of any chart of account changes being required for OPEB reporting - is this true?

GASB Exposure Draft - Leases

- GASB issued an Exposure Draft in January 2016.
- A final statement has not been issued yet - possibly May 2017
- Would be effective for periods beginning after December 15, 2018, or FY19-20, with early application being permitted.
- Would define a lease contract as “conveys control of the right to use another entity’s nonfinancial asset (the underlying asset).”
- The concept of capital leases and operating leases would go away.
- Operating leases, greater than 1 year would be reported under the new standard, dropping the word “operating”.

GASB Exposure Draft – Leases (cont.)

- Capital leases, would be reported as capital financing activities instead of being called leases. This will impact the terminology and footnote disclosure of such activities going forward.
- For school districts and Federal reporting requirements, we must continue to isolate the general obligation (GO) voter approved debt from the non-voter approved debt.
- For the reporting of leases in governmental funds, the Exposure Draft carries forward the existing guidance.

GASB Exposure Draft – Leases (cont.)

- For the Lessee Governments - the government-wide statements would report an intangible lease asset that represents the lessee's right to use the leased asset and a long-term liability for the lease.
- The long-term lease payable would be measured as the present value of the payments under the provisions of the lease.
- The intangible lease asset would equal the lease liability plus any prepayments and certain initial direct costs.
- Subsequent to reporting of the lease - the asset will be amortized over the shorter of the useful life or lease term, and the liability will be reduced by lease payments (less amount of interest expense).

GASB Exposure Draft – Leases (cont.)

- For the Lessor Governments - they would report on the government-wide statements a receivable for the right to receive payments, initially measured based on the present value of future lease payments to be received.
- A corresponding deferred inflow of resources, measured at the initial value of the lease receivable, to reflect that the receivable relates to future periods.
- Lease revenue (and a corresponding reduction in the deferred inflows of resources) systematically over the term of the lease.
- Interest revenue related to the receivable.

GASB Working on another ITC

- The GASB has a Revenue and Expense Recognition project that they are working on.
- The objective of this project is to develop a comprehensive application model for the recognition of revenues and expenses that arise from nonexchange, exchange, and exchange-like transactions, including guidance for exchange transactions that have not been specifically addressed in the current literature.
- Related to government-wide reporting.
- Look for an Invitation to Comment at the beginning of 2018.

Questions