
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2017, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68,*
- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,*
- Statement No. 77, *Tax Abatement Disclosures,*
- Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans,*
- Statement No. 80, *Blending Requirements for Certain Component Units—an amendment of GASB Statement No. 14,*
- Statement No. 82, *Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No. 73,*
- Implementation Guide No. 2016-1, *Implementation Guidance Update – 2016.*

Statement No. 73 establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement No. 68. This Statement also made minor technical changes to Statement No. 67, *Financial Reporting for Pension Plans*, and Statement No. 68. The requirements of this Statement that amend Statement Nos. 67 and 68 were effective for the fiscal year ended June 30, 2016. The requirements of this Statement related to assets accumulated for the purpose of providing pensions through defined benefit pension plans that are not administered through trusts were also effective for the fiscal year ending June 30, 2016; however, the State currently has no such assets. The requirements that address the accounting and financial reporting by employers (and governmental nonemployer contributing entities) for pensions that are not within the scope of Statement No. 68 are effective for the fiscal year ending June 30, 2017.

Statement No. 74 replaces the requirements of Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. It also replaces the requirements for defined contribution OPEB plans in Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*, and Statement No. 50, *Pension Disclosures*. This Statement covers OPEB plans (defined benefit and defined contribution) administered through trusts that meet the following criteria:

- Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.
- OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.
- OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

For defined benefit OPEB plans that are administered through trusts that meet the specified criteria, this Statement requires a statement of fiduciary net position and a statement of changes in fiduciary net position. The notes to the financial statements for these plans must include descriptive information about the OPEB plans and plan investments (including new information about the annual money-weighted rates of return on OPEB plan investments) as well as additional disclosures. The plan's required supplementary information (RSI) must disclose new information for the ten most recent fiscal years as well as explanations of factors that significantly affect trends in the amounts reported. The net OPEB liability must be measured as the total OPEB liability, less the amount of the OPEB plan's fiduciary net position. The Statement also includes requirements to address financial reporting for defined contribution plans as well as for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

Statement No. 77 establishes requirements for disclosure by governments of a reduction in taxes through agreements made with individuals or entities where the individual or entity promises to take a specific action that contributes to the economic development of the government. The disclosures include descriptive information about the program such as the name and purpose of program, tax being abated, authority to abate the taxes, eligibility criteria, abatement mechanism, recapture provisions, and types of recipient commitments. The disclosure requirements also include the gross dollar amount of taxes being abated or reduced on an accrual basis, the commitments by the government, and a brief description of the quantitative threshold the government used to determine which agreements to disclose individually. This information will allow financial statement users to better assess 1) whether the current-year revenues were sufficient to pay for current-year services, 2) compliance with finance-related legal or contractual requirements, 3) where a government's financial resources come from and how it uses them, and 4) financial position and economic condition of the government and how that economic and financial position has changed over time.

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Statement No. 78 amends the scope and applicability of Statement No. 68 to exclude pensions provided to employees of state and local governmental employers through a cost-sharing multiple-employer defined benefit pension plan that 1) is not a state or local governmental pension plan, 2) is used to provide defined benefit pensions both to the employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and 3) has no predominant state or local governmental employer. This standard will have minimal application for the State.

Statement No. 80 amends the blending requirements for the financial statement presentation of component units of state and local governments. It amends the blending requirements of Statement No. 14, *The Financial Reporting Entity*. Statement 80 requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member.

Statement No. 82 addresses issues with respect to Statement Nos. 67, 68, and 73. The issues addressed include 1) the presentation of payroll-related measures in RSI, 2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and 3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Implementation Guide No. 2016-1 supersedes Implementation Guide No. 2015-1, Questions 5.116.9 and 8.18.3, as well as all questions in Sections 8.69-8.91. This Implementation Guide amends several other questions in Implementation Guide 2015-1. The Implementation Guide addresses questions raised relative to the standards on fair value and tax abatement disclosures.