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FLASH ALERT

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GASB 75: ACCOUNTING AND FINANCIAL REPORTING FOR OPEB AND YEAR END CLOSE

The primary objective of this GASB 75 is to improve accounting and financial reporting by state and local governments for post-employment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities.

This Statement replaces the requirements of Statements No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as amended, and No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*, for OPEB. Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, establishes new accounting and financial reporting requirements for OPEB plans.

The effective date for GASB 75 is for fiscal years beginning after June 15, 2017. PHAs with fiscal years starting July 1, 2017 and ending June 30, 2018 will be the first PHAs to implement GASB 75 where it is mandatory. Several of the changes identified in GASB 75 are for the actuaries and the disclosures in the audit report, but there are a few that are important to highlight for the year-end close process.

1. Unless the PHA did an early implementation last year, they will need a new report from the actuary that meets the GASB 75 requirements. Be sure **not to use** a roll-forward report of GASB 45 from the prior year.

2. Going forward, valuations will need to be completed every **two** years for all plans. In the past, if the PHA had under 200 employees, a valuation was only required every three years.

3. GASB 75 will require the balance sheet to report the total Un-funded Actuarial Accrued Liability. Previously, GASB 45 only reported the net OPEB obligation. Here is what that actually means:
   a. With GASB 45, the actuary would calculate what annual contributions should be made based on a calculated long-term liability, and the difference is what was reported. If the long-term liability was $300,000, that would get broken down to $10,000/year for 30 years. If the Authority only contributed $8,000/year for the three years the report applied to, the liability would be $6,000 because it was underfunded by $2,000 each year. After three years, a new report would be created and that liability would roll into it as the beginning balance.

   b. With GASB 75, the entire liability is reported. Therefore, the liability would be the full $300,000, and that would be reduced by the current calculated value of any investments to cover that. It now mirrors how GASB 68 reports the pension plans. In this example, if the Authority put aside $8,000/year they'd have $24,000 in assets and $300,000 in future liabilities so we'd report an OPEB liability of ($276,000). That $24k would be inflated to a different number to account for its future value, but the liability is still going to be substantially larger than it was under GASB 45.

4. GASB 75 reports are going to recalculate the beginning liability based on these new rules. Sticking with that last example, the liability went from $6k to $276k. A prior period adjustment will need to be made for this difference.

5. Like GASB 68, GASB 75 will now report deferred inflows/outflows for changes in assumptions for past values and amortize those differences. If you receive a report and see these deferred inflows/outflows, do not be not alarmed, as it is part of the new accounting rule as well.

We understand the year-end close process is tedious, and there is a lot to complete in a short period of time. We have seen some auditors who give findings for items like this not being updated in the unaudited submission. You may want to consult with your fee accountant or auditor for accuracy of the adjustments and reporting.

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