



# **Accounting Challenges & GASB Update**

## **April 23, 2015**

**Presented by: Wendi Unger, Partner, CPA**

# Agenda



- Challenging payroll related issues presented by Chad Koski
- GASB Update
- Accounting Challenges
  - Clearing & recording of tax roll
  - New debt issues – current and advance refunding

# GASB Update



- GASB 67 – Financial Reporting for Pension Plans – an amendment of GASB No. 25 – effective for fiscal years beginning after June 15, 2013 (calendar 2014)
- GASB 68 – Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27- effective for fiscal years beginning after June 15, 2014 (calendar 2015)

# GASB Update



- GASB 69 – Government Combinations and Disposals of Government Operations – effective for reporting periods beginning after December 15, 2013 (calendar year 2014)
- GASB 70 – Accounting and Financial Reporting for Nonexchange Financial Guarantees – effective for periods beginning after June 15, 2013 (calendar year 2014)

# GASB Update



- GASB 71 – Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB No. 68 – effective with GASB No. 68 (calendar 2015)
- GASB 72 - Fair Value Measurement and Application – effective for periods beginning after June 15, 2015 (calendar 2016)

# GASB 67



## **GASB 67**

- Applied to Wisconsin Retirement System and Single Employer Pension Plans – addressed with calendar yearend 12/31/14 or 6/30/14 fiscal yearend

# GASB 68



## GASB 68

- **More prominent disclosure**
  - Funded status moves from footnotes to balance sheet
  - Additional footnote and RSI disclosures
- **Move from income statement focus to balance sheet focus**
  - Was “Are we making adequate ARC contributions?”
  - Now “How big is our Net Pension Liability?”

# GASB 68



## **GASB 68**

- > Funding measures still valid and essential but no longer reported in financial reports
- > Accounting and funding are no longer linked
- > Strictly accounting/reporting changes
  - Underlying economic activity will stay the same



## What is the impact of the new standard?

- > Accounting liabilities will likely be higher than funding liabilities
- > Accounting liability may need to be recorded for the first time
  - Might cause employer to rethink defined benefit plan
  - May impact credit ratings
- > We have new terminology
- > Will not increase contribution rates
- > Will increase complexity to a complex topic
- > Might bring increased scrutiny to the plan
- > Most trend information won't carry over
- > Most likely increased third party fees

## Implementation Issues/Challenges

- To the extent practical, changes made to implement a new standard should be reported as an adjustment of prior periods, and financial statements presented for periods affected should be restated
- Beginning balances of deferred outflows / inflows of resources are not required to be restated, except for deferred outflows related to contributions made after the measurement date

## **Establishes accounting and reporting requirements for government combinations and disposals of governmental operations**

- Combination can be a merger, acquisition or transfer of operations
- Examples – two municipalities merge, municipality acquires a local golf course, a fire authority (separate muni corporation) combines operations with a City's fire protection operations

## Nonexchange Financial Guarantees

- Improve accounting and financial reporting
- May occur with another government, NFP or private entity
- Do not receive equal or approximate equal value in exchange for the guarantee
- Government commits to indemnify the holder of the obligation
- Example – nonexchange financial guarantee of debt – muni to muni, muni to school district

## **Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68**

- Requires that at transition, a government recognize a beginning deferred outflow of resources for its pension contribution, if any, made subsequent to the measurement date of the beginning net pension liability
- Required to be applied simultaneously with the implementation of the provisions of Statement No. 68

## Fair value measurement and Application

- Provides guidance on FV measurement
- Not just applicable to investments
- Applies to other assets and liabilities and derivatives
- Note disclosure requirements

# Accounting Challenges – Tax Roll



- **Background**
- **Clearing Tax Roll**
- **Recording Tax Roll**

# Accounting Challenges – Tax Roll



- **Background**
  - You set your levy during your budget process
  - Levy amount needs to be within the levy limit calculation
  - Statement of Taxes is prepared and submitted to DOR



# Accounting Challenges – Tax Roll



## ➤ **Clearing of Tax Roll**

- Should be done BEFORE recording the new tax roll
- Revenue in each fund should agree to prior year (PY) budgeted amount for that fund
- Deferred revenues and taxes receivable should be zero
- Due to other governments (i.e. school, tech college etc.) should be zero

# Accounting Challenges – Tax Roll



- **Recording New Tax roll**
  - Documents you will need
    - Statement of Taxes
    - Subsequent Year Budget
    - January Settlement Worksheet from County

# Accounting Challenges – Tax Roll



- **Recording New Tax roll**
  - See separate handouts
  - May use an agency fund – Tax Roll fund
  - May do in general fund
  - Should be done after clearing of the PY tax roll
  - Watch handling in governmental funds vs. proprietary funds (modified vs. full accrual accounting)

# Accounting Challenges – Tax Roll



- **Recording New Tax roll**
- Verify amounts in each fund are appropriate
  - ❑ Receivable balance = levy – portion of advanced tax collections + delinquent person property tax
  - ❑ Revenues = PY tax levy (per budget)
  - ❑ Deferred revenues = municipalities portion of total current year levy (per budget)

# Accounting Challenges – Debt



- Make sure you have a complete set of debt documents from your financial advisors or bond counsel
- Most important sections are the closing and post sale report and the amortization schedules
- New debt issued during the year can be:
  - New project proceeds
  - Current refunding
  - Advanced refunding

# Accounting Challenges – Debt



- **Recording of new debt transaction**
  - See handouts
  - Current refunding portion
  - Governmental and Proprietary funds

# Accounting Challenges – Debt



- **Advanced refunding**
  - Debt proceeds are sent to escrow agent vs. kept by municipality
  - Debt is paid down on future call dates by escrow agent
  - Defeased debt footnote required
  - Gain/loss on refunding calculation is needed for GASB 34 statements

# Contact Information



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