Appendix G. ACCOUNTING STANDARDS

SELECTED STANDARDS ISSUED BY THE GOVERNMENT ACCOUNTING STANDARDS BOARD

The Government Accounting Standards Board (GASB) establishes accounting and financial reporting guidance for governmental entities. The GASB issued several statements that relate to Joint Powers Authorities. These statements provide the necessary guidance for accounting standards for governmental insurance pools. It should be noted that subsequent statements issued by the GASB may modify or replace the standards described in these statements.

For complete copies of these statements contact:

Order Department
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Telephone orders: (203) 847-0700, Ext. 10

In addition to the Statements, certain implementation guides and question and answer summaries may be available on website at www.gasb.org/st/index.html.
GASB STATEMENT 10

ACCOUNTING AND FINANCIAL REPORTING FOR RISK FINANCING AND RELATED ISSUES

Issued November 1989

This statement establishes accounting and financial reporting standards for risk financing and insurance-related activities of state and local government entities, including public entity risk pools. Specific guidance includes but is not limited to:

- Revenue recognition
- Claim cost accounting
- Financial statement disclosures required for public entity risk pools
- Required supplementary information:
  - Reconciliation of unpaid claim liabilities by type of contract
  - Ten-year claims development information

Effective date for periods beginning after June 15, 1990
GASB STATEMENT 30

RISK FINANCING OMNIBUS
An amendment of GASB Statement 10

Issued February 1996

This statement amends GASB Statement 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Issues, for public entity risk pools.

For public entity risk pools, this Statement:

- Modifies the method for calculating a premium deficiency
- Requires disclosure about the type of reinsurance or excess insurance coverage
- Modifies the presentation of the ten-year claims development schedule to include gross, ceded, and net premiums and claim costs.
- Provides that claims development information should be reported consistently on an accident-year basis, report year-basis, or a policy-year basis.

Effective date for periods beginning after June 15, 1996
GASB STATEMENT 31

ACCOUNTING AND FINANCIAL REPORTING FOR CERTAIN INVESTMENTS AND FOR EXTERNAL INVESTMENT POOLS

Issued March 1997

This statement establishes accounting and financial reporting standards for all investments held by governmental external investment pools. For most other governmental entities, it establishes fair value standards for investments in:

a. Interest-earning investment contracts
b. External investment pools
c. Open-ended mutual funds
d. Debt securities
e. Equity securities

Fair value is the amount at which an investment could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

As the statement relates to public entity risk pools, it amends Statement 10, paragraphs 40, 41, 44, 46, and 47

Effective date for periods beginning after June 15, 1997
GASB STATEMENT 34

BASIC FINANCIAL STATEMENTS – AND MANAGEMENT'S DISCUSSION AND ANALYSIS – FOR STATE AND LOCAL GOVERNMENTS

Issued June 1999

This statement establishes accounting and financial reporting standards for state and local governments. It establishes that the basic financial statements and required supplementary information (RSI) for general purpose governments should consist of:

- Management’s discussion and analysis (MD&A). MD&A should introduce the basic financial statements and provide an analytical overview of the government’s financial activities. Although it is RSI, governments are required to present MD&A before the basic financial statements.

Changes as they would relate to JPA’s

- The basic financial statements of enterprise fund types (JPA’s) would change very little with the implementation of GASB 34. The principle changes are the requirement of the direct method for the statement of cash-flows and the reporting of designations of retained earnings would not be displayed on the face of the financial statements but instead would be displayed in the footnotes.

Effective date for periods beginning after June 15, 1999, Phased in as follows:

Governments with total annual revenues exceeding:

100 million should apply this for periods beginning after June 15, 2001

10 million but not more than 100 million should apply this for periods beginning after June 15, 2002.

Less than 10 million should apply this for periods beginning after June 15, 2003
GASB STATEMENT 37

BASIC FINANCIAL STATEMENTS – AND MANAGEMENT DISCUSSION AND ANALYSIS – FOR STATE AND LOCAL GOVERNMENTS: OMNIBUS

Issued June 2001

This statement amends Statement 34 to either (1) clarify certain provisions that, in retrospect, may not be sufficiently clear for consistent application or (2) modify other provisions that the Board believes may have unintended consequences in some circumstances.

The provisions clarified by this Statement include:

- **MD&A requirements.** Governments should confine the topics discussed in MD&A to those listed in paragraph 11 of Statement 34, rather than consider those topics as "minimum requirements."

- **Modified approach.** Adopting the modified approach for infrastructure assets that have previously been depreciated is considered a change in an accounting estimate. The effect of the change is accounted for prospectively, rather than as a restatement of prior periods.

- **Program revenue classifications.** Fines and forfeitures should be included in the broad charges for services category. Also, additional guidance is provided to aid in determining to which function certain program revenues pertain.

- **Major fund criteria.** Major fund reporting requirements apply to a governmental or enterprise fund if the same element (for example, revenues) exceeds both the 10 and 5 percent criteria.

Effective with implementation of Statement 34
GASB STATEMENT 40

DEPOSIT AND INVESTMENT RISK DISCLOSURES

An amendment of GASB Statement No. 3

Issued: March 2003

This statement address common deposit and investment risk related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. As an element of interest rate risk, this Statement requires certain disclosures of investments that have fair values that are highly sensitive to changes in interest rate.

The custodial credit risk disclosures of Statement 3 are modified to limit required disclosures to:

- Deposits that are not covered by depository insurance and are (a) uncollateralized, (b) collateralized with securities held by the pledging financial institution, or (c) collateralized with securities held by the pledging financial institution’s trust department or agent but not in the depositor-government’s name.

- Investment securities that are uninsured, are not registered in the name of the government, and are held by either (a) the counterparty or (b) the counterparty’s trust department or agent but not in the government’s name.

How the Changes in This Statement Improve Financial Reporting

This Statement is designed to inform financial statement users about deposit and investment risks that could affect a government’s ability to provide services and meet its obligations as they become due. This Statement also provides users of governmental financial statements with information to assess common risks inherent in deposit and investment transactions. This statement also provide users a better understanding of the measurement of investments at fair value by providing timing cash flows (including investment time horizons) and investment risks need to be.

Effective: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2004.
GASB STATEMENT 45

ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYERS FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSION

Issued June 2004

This statement establishes standards for the measurement, recognition, and display of other post employment benefits (OPEB) expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in the financial reports of state and local governmental employers.

From an accrual accounting perspective, the cost of OPEB, like the cost of pension benefits, generally should be associated with the periods in which the exchange occurs, rather than with the periods (often many years later) when benefits are paid or provided. However, in current practice, most OPEB plans are financed on a pay-as-you-go basis, and financial statements generally do not report the financial effects of OPEB until the promised benefits are paid. As a result, current financial reporting generally fails to:

- Recognize the cost of benefits in periods when the related services are received by the employer
- Provide information about the actuarial accrued liabilities for promised benefits associated with past services and whether and to what extent those benefits have been funded
- Provide information useful in assessing potential demands on the employer’s future cash flows.

This statement improves the relevance and usefulness of financial reporting by (a) requiring systematic, accrual-basis measurement and recognition of OPEB cost (expense) over a period that approximates employees’ years of service and (b) providing information about actuarial accrued liabilities associated with OPEB and whether and to what extent progress is being made in funding the plan.

Effective: The requirements of this Statement are effective in three phases based on a government’s total annual revenues in the first fiscal year ending after June 15, 1999:

Phase 1: Governments that were phase 1 for the purpose of implementation of Statement 34 - those with total annual revenues of $100 million or more - are required to implement this Statement in financial statements for periods beginning after December 15, 2006

Phase 2: for Governments that were phase 2 for the purpose of implementation of Statement 34 - those with total annual revenues of $10 million or more but less than $100 million - are required to implement this Statement in financial statements for periods beginning after December 15, 2007

May 3, 2011: Accreditation Committee Approved for inclusion in the Accreditation Manual
April 26, 2010: Accreditation Committee Approved for inclusion in the Accreditation Manual
December 10, 2009: Finance Committee approved for inclusion in the Accreditation Manual
Prepared by James Marta CPA, ARM
Phase 3: for Governments that were phase 3 for the purpose of implementation of Statement 34 - those with total annual revenues of less than $10 million are required to implement this Statement in financial statements for periods beginning after December 15, 2008.
GASB STATEMENT 50

PENSION DISCLOSURES – AN AMENDEMENT OF GASB STATEMENTS NO. 24 AND NO. 27.

Issued – May 2007

This statement more closely aligns the financial reporting requirements for pensions with those for other postemployment benefits (OPEB) and, in doing so, enhances information disclosed in notes to financial statements or presented as required supplementary information (RSI) by pension plans and by employers that provide pension benefits. The reporting changes required by this Statement amend applicable note disclosure and RSI requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 27, Accounting for Pensions by State and Local Governmental Employers, to conform with requirements of Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, and No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.

This Statement amends Statements 25 and 27 to require defined benefit pension plans and sole and agent employers present the following information related to note disclosures or RSI:

- Notes to financial statements should disclose the funded status of the plan as of the most recent actuarial valuation date. Defined benefit pension plans also should disclose actuarial methods and significant assumptions used in the most recent actuarial valuation in notes to financial statements instead of in notes to RSI.

- If the aggregate actuarial cost method is used to determine the annual required contribution of the employer (ARC), notes to financial statements should disclose the funded status of the plan, and a schedule of funding progress should be presented as RSI, using the entry age actuarial cost method. Plans and employers also should disclose that the purpose of doing so is to provide information that serves as a surrogate for the funded status and funding progress of the plan.

- Notes to financial statements should include a reference linking the funded status disclosure in the notes to financial statements to the required schedule of funding progress in RSI.

- If applicable, notes to financial statements should disclose legal or contractual maximum contribution rates. In addition, if relevant, they should disclose that the maximum contribution rates have not been explicitly taken into consideration in the projection of pension benefits for financial accounting measurement purposes.

- If an actuarial assumption is different for successive years, notes to financial statements should disclose the initial and ultimate rates.

May 3, 2011: Accreditation Committee Approved for inclusion in the Accreditation Manual
April 26, 2010: Accreditation Committee Approved for inclusion in the Accreditation Manual
December 10, 2009: Finance Committee approved for inclusion in the Accreditation Manual
Prepared by James Marta CPA, ARM
EFFECITIVE: for periods beginning June 15, 2007 except for requirements related to the use of the entry age actuarial cost method for the purpose of reporting surrogate funded status and funding progress information for plans that use the aggregate actuarial cost method, which are effective for periods for which the financial statements and required supplementary information contain information resulting from actuarial valuations as of June 15, 2007, or later.
GASB STATEMENT 54

FUND BALANCE REPORTING AND GOVERNMENTAL FUND TYPE DEFINITIONS

Issued - March 2009

For Joint Powers Authorities, this statement helps establish fund balance classifications. These classifications are easily understandable, and this statement makes the designation of the fund balances standard for governmental agencies. This statement also eliminates the reserved component of the fund balance in favor of a restricted classification. For JPA’s the new classifications are:

- Restricted fund balance – formerly “reserved fund balance” is intended to be used for a specific purpose stipulated by external parties, constitutional provisions, and enabling legislations.

- Committed Fund balance – is used only for the specific purpose imposed by the government itself, using its highest level of decision making authority.

- Assigned fund balance – formerly “Designated fund balance”, is intended to be used by the government for specific purposes. This is expressed by the governing body or an official authorized by the governing body.

- Unassigned fund balance – this account is a residual balance account. It contains all funds not contained in other classifications

Effective: This Statement is effective for financial statements for periods beginning after June 15, 2010