

Office of Statewide Reporting and Accounting Policy  
State of Louisiana  
Division of Administration

JOHN BEL EDWARDS  
GOVERNOR



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COMMISSIONER OF ADMINISTRATION

June 07, 2018

**MEMORANDUM OSRAP 18-25**

**TO:** Fiscal Officers  
All State Entities

**FROM:** Afranie Adomako, CPA  
Director of Management and Finance

**SUBJECT:** Implementation of Governmental Accounting Standards Board (GASB) Statement 85, *Omnibus 2017*

In March 2017 the GASB issued Statement 85 to clarify some issues that have been identified during implementation and application of certain GASB Statements. The GASB Statement 85 addresses a number of topics, as listed below, including those relating to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits or OPEB). GASB Statement 85 will improve the consistency in the application of reporting requirements and it will improve the usefulness of the State's financial statements for the users of the financial statements.

Topics Addressed in GASB 85

**BLENDING COMPONENT UNITS**

**Blending a component unit in circumstances in which the primary government is a business-type activity (BTA) that reports in a single column for financial statement presentation.**

For a primary government that is a business-type activity (BTA) and uses a single column for financial statement presentation, a component unit of the BTA may be blended only if the component unit meets the criteria for blending in paragraph 53 of GASB Statement 14, *The Financial Reporting Entity*, as amended. The criteria for blending supports a relationship where the component unit of a BTA is so close to the

BTA that the component unit is reported as though they are part of the BTA (primary government).

## **GOODWILL AND NEGATIVE GOODWILL**

### **Reporting amounts previously reported as goodwill and “negative” goodwill**

For acquisitions that occurred prior to December 15, 2013:

- a. Paragraph 39 of Statement 69 should be applied for circumstances in which consideration provided exceeded the net position acquired and
- b. “Negative” Goodwill should not be reported.

A government should include any existing negative goodwill balances as part of the restatement of net position in the earliest period, and not by reducing the values of non-current assets (other than financial assets) associated with the existing negative goodwill or recognizing a special item. Amounts reported as goodwill resulting from acquisitions prior to the effective date of GASB Statement 69 should be reclassified as deferred outflows of resources. Amounts reported as negative goodwill resulting from acquisitions prior to the effective date of GASB Statement 69 should be included as part of the restatement of net position.

## **FAIR VALUE MEASUREMENT AND APPLICATION**

### **Classifying real estate held by insurance entities**

Each unit of account of real estate held by insurance entities should be classified either as an investment or as a capital asset, based on whether the unit of account meets the definition of an investment in GASB Statement 72, *Fair Value Measurement and Application*.

Prior to the issuance of this statement, requirements for the classification of certain real estate assets held by insurance entities were included in GASB Statements No. 10 and 62, which required that real estate be classified as an investment or as a capital asset based on the asset’s predominant use. GASB Statement 72 requires that classification of an asset for financial reporting purpose consider the unit of account (the level at which an asset or a liability is aggregated or disaggregated). GASB Statement 85 amends GASB Statements 10 and 62 to clarify that each unit of account of real estate should be classified either as an investment or as a capital asset based on whether the unit of account meets the definition of an investment in Statement 72.

### **Measuring certain money market investments and participating interest earning investment contracts at amortized cost**

The money market investments and participating interest-earning investments contracts described in GASB Statement 72 paragraph 69c may be measured at amortized cost to the extent permitted by GASB Statement 31 *Accounting and Financial Reporting for Certain Investments and For External Investments Pools*, paragraph 9. This statement clarifies that the use of amortized costs to measure those investments continues to be permitted but is not required.

## **EMPLOYER ACCOUNTING AND REPORTING FOR PENSIONS AND OTHER POST EMPLOYMENT BENEFITS (OPEB)**

### **Timing of the measurement of pension or OPEB liabilities and expenditures recognized in financial statements prepared using the current financial resources measurement focus**

Measure the liability to employees for defined benefit pensions or defined benefit OPEB as of the end of the reporting period. All expenditures, including amounts payable to a pension or OPEB plan should be measured for the reporting period.

### **Recognizing on-behalf payments for pensions or OPEB in employer financial statements**

Prior to the implementation of GASB Statement 85, there was no explicit guidance regarding recognition of on-behalf payments for pensions or OPEB by employers in financial statements prepared using the current financial resources measurement focus. This Statement clarifies that employers should recognize pension or OPEB expenditures to reflect contributions (or benefit payments) made on behalf of the employer, as well as revenue for the financial support of the nonemployer contributing entities in both the current financial resources and economic resources measurement focus.

In financial statements prepared using the current financial resources measurement focus, an employer should recognize expenditures for on-behalf payments for pensions or OPEB equal to the total of:

- a. Amounts paid during the reporting period by non-employer contributing entities to the pension or OPEB plan (or the benefits as they come due), and
- b. The change between the non-employer contributing entities' beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

Both a. and b. include amounts payable to a pension or OPEB plan.

In financial statements prepared using the current financial resources measurement focus, an employer should recognize revenue equal to the amount of expenditures determined.

For on-behalf payments that are not legally required to be made by a non-employer contributing entity for defined contribution pensions or defined contributions OPEB, an employer should apply the revenue recognition requirements of paragraph 8 of Statement 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance*.

GASB Statement 24, paragraphs 9-12, as amended, should not be applied to on-behalf payments for pensions or OPEB.

## **REPORTING BY OPEB PLANS**

### **Presenting payroll-related measures in required supplementary information for purposes of reporting by OPEB plans and employers that provide OPEB.**

For single-employer defined benefits OPEB plans (single-employer OPEB plans) and cost-sharing multiple-employer defined benefit OPEB plans (cost sharing OPEB plans), the measure of payroll should be covered payroll.

For employers that provide OPEB through OPEB plans that are administered through trusts that meet the criteria in GASB Statement 75, paragraph 4 the measure of payroll should be one of the following, as applicable:

- a. Covered payroll, if contributions to the OPEB plan are based on a measure of pay.
- b. Covered-employee payroll, if contributions to the OPEB plan are not based on a measure of pay.

Employers that provide OPEB through plans that are not administered through trusts that meet specified criteria should continue to present measures of “covered-employee payroll.”

Covered-employee payroll is defined as the payroll of employees that are provided with benefits through the OPEB plan (total pay) and covered payroll is defined as the payroll on which contributions to a OPEB plan are based. The OGB plan is not considered a cost sharing plan since it does not have a funded OPEB trust; therefore, employers that participate in the OGB plan should continue to present measures of covered-employee payroll in the required supplementary schedules.

### **Classifying employer-paid member contributions for OPEB**

For consistency, the requirements for employer-paid member contributions should be the same for all post-employment benefits, both pensions and OPEB. Payments made by employers in accordance with the plan terms for plan member contribution requirements should be classified as plan member contributions for GASB Statement 74, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans*

purposes and as employee contributions for GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* purposes.

### **Simplifying certain aspects of the alternative measurement method for OPEB**

The following specific modifications may be incorporated into the application of the alternative measurement method in accordance with GASB Statement 74 or GASB Statement 75 paragraph 225.

- a. Expected point in time at which plan members (employees) will exit from active service
- b. Turnover

If the alternative measurement method is used, the following should be recognized as expense in the current reporting period as described in GASB Statement 75.

- a. The change in proportion (paragraphs 64, 102, 121, 178, 196, or 208)
- b. The difference between (1) contributions during the measurement period and (2) the proportionate share of contributions (paragraphs 65, 103, 122, 179, 197, or 209)

### **Accounting and financial reporting for OPEB provided through certain multiple-employer defined benefit OPEB plans.**

GASB Statement 85, paragraphs 19-25 address defined benefit OPEB provided through a cost-sharing OPEB plan that meets the criteria in GASB Statement 75, paragraph 4 and that:

- a. Is not a state or local government OPEB plan,
- b. Is used to provide defined benefit OPEB both to employees of state or local governmental employers and to employees of employers that are not state or local governmental employers, and
- c. Has no predominant state or local governmental employer, either individually or collectively with other state or local governmental employers that provide OPEB through the OPEB plan.

OPEB expense should be recognized in an amount equal to the employer's required contributions to the OPEB plan for the reporting period and a payable should be reported for unpaid required contributions at the end of the reporting period. OPEB expense also should be recognized for separate liabilities to the OPEB plan that arise in the reporting period, and a payable should be reported for unpaid amounts at the end of the reporting period.

OPEB expenditures should be recognized in an amount equal to the employer's required contributions to the OPEB plan that are associated with pay periods within the

reporting period. In addition, for separate liabilities to the OPEB plan, OPEB expenditures should be recognized equal to the total of:

- a. Amounts paid by the employer in relation to the payable, and
- b. The change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.

A payable should be recognized to the extent it is normally expected to be liquidated with expendable available resources.

### **Postemployment Benefits - What should be Disclosed in the Notes to the Financial Statements**

GASB Statement 85, paragraphs 23-25, delineates the note disclosure and RSI requirements for each cost-sharing OPEB plan that has the characteristics described in GASB Statement 85, paragraph 18 through which the employer provides OPEB. As previously mentioned, the OGB plan is not considered a cost sharing plan. It is a multiple employer plan.

The requirements of this Statement are effective for reporting periods beginning after June 15, 2017, which includes the reporting period for Fiscal Year 2018. Changes adopted to conform to the provisions of this Statement should be applied retroactively by restating the financial statements, if practicable, for all prior periods presented. If restatement for prior periods is not practicable, the cumulative effect, if any, of applying GASB Statement 85 should be reported as a restatement of beginning net position or fund balance or fund net position, as applicable for the earliest period restated.

GASB Statement 85 can be found on GASB's website at the following web address: <http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Tonia Jackson at (225) 342-8090 or via email at [Tonia.Jackson@la.gov](mailto:Tonia.Jackson@la.gov) with any questions regarding GASB Statement 85.

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