NOTE 22: CHANGES IN FINANCIAL ACCOUNTING AND REPORTING

CHANGES RESULTING FROM ADOPTION OF NEW ACCOUNTING PRINCIPLES

For the fiscal year ended June 30, 2015, the State implemented the following pronouncements issued by the Governmental Accounting Standards Board (GASB):

- Statement No. 68, *Accounting and Financial Reporting for Pensions–an Amendment of GASB Statement No. 27*,
- Statement No. 69, *Government Combinations and Disposals of Government Operations*, and
- Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date–an Amendment of GASB Statement No. 68*.

Statement No. 68 replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures*, as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 68 requires governments that participate in defined benefit pension plans to report in their statement of net position a net pension liability (or asset) and to more comprehensively and comparably measure the annual costs of pension benefits. The net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the pension plan's fiduciary net pension (mostly investments reported at fair value). The Statement requires that most changes in the net pension liability be included in pension expense in the period of change. Changes in the net pension liability not included in pension expense are required to be reported as deferred outflows of resources or deferred inflows of resources and included in pension expense over the current and future periods. Statement No. 68 requires single-employers and cost-sharing employers to record a liability, expense, as well as deferred outflows of resources and deferred inflows of resources. Cost-sharing employers are required to record amounts equal to their proportionate share of the collective net pension liability, collective pension expense, and collective deferred outflows of resources and deferred inflows of resources related to pensions for the cost-sharing plan. In specific circumstances called special funding situations, the Statement requires governments that are nonemployer contributing entities to recognize in their own financial statements their proportionate share of the other governmental employers' net pension liability, pension expense, as well as deferred outflows of resources and deferred inflows of resources related to pensions. The existing standards for governments that provide defined contribution pensions are largely carried forward in Statement No. 68. These governments recognize pension expense equal to the amount of contributions or credits to employees' accounts, net of forfeited amounts. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI).

Statement No. 71 modifies the transition guidance provided in Statement No. 68, *Accounting and Financial Reporting for Pensions*, as it relates to employer contributions made subsequent to the measurement date of the beginning net pension liability, but before the start of the government's fiscal year. Specifically, the revised guidance clarifies that such amounts would always be treated as a deferred outflow of resources, regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions. Consequently, in the government-wide and proprietary fund financial statements, net position was restated to record the beginning balance of the net pension liability and the deferred outflow of resources for employer contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year. Beginning balances for other deferred outflows of resources and deferred inflows of resources related to pensions were not reported since it was not practical to determine such amounts.

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Statement No. 69 did not result in any significant changes to the financial statements.