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GASB

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Implementation Guide of the Governmental Accounting Standards Board

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INTRODUCTION

1. The objective of this Implementation Guide is to provide guidance that clarifies, explains, or elaborates on GASB Statements.

IMPLEMENTATION GUIDANCE

Applicability of This Implementation Guide

2. The requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer.

3. This Implementation Guide amends *Implementation Guide No. 2015-1,* Questions 1.65.4, 2.14.1, 5.97.2, 5.192.1, 7.9.2, 7.24.7, and 9.24.4, and Implementation Guide No. 2016-1, *Implementation Guidance Update—2016,* Question 4.77. In addition, instructions in paragraphs C1 and C2 clarify the use of the term *trust* (or variations) for purposes of applying certain requirements in Implementation Guide 2015-1, Implementation Guide 2016-1, and Implementation Guide No. 2017-1, *Implementation Guidance Update—2017.*

New Questions and Answers

4. Questions and answers in this paragraph are new Category B guidance.

Pensions—Employer Accounting and Reporting

4.1. Q—Does the answer in Question 5.142.20 (single or agent employers) or Question 5.183.20 (cost-sharing employers) in Implementation Guide 2015-1 mean that the number of employees that should be included in the denominator of the calculation of the average of the expected remaining service lives of employees for purposes of measuring (collective) pension expense should incorporate weighting by probabilities of receiving benefit payments?

A—No. Each individual that is a plan member at the measurement date should be counted as one in the denominator for purposes of determining the average.

Postemployment Benefits Other Than Pensions—Plan Reporting

4.2. Q—How should the effects of an ad hoc postemployment benefit change for inactive plan members be classified in the schedule of changes in the net other postemployment benefits (OPEB) liability that is required by paragraph 36a of Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans,* if the effects of the change were not included in the present value of projected benefit payments as of the OPEB plan's prior fiscal year-end because the postemployment benefit change was not determined to be substantively automatic?

A—The effects of such an ad hoc postemployment benefit change should be classified as a change of benefits in the schedule of changes in the net OPEB liability.

The Statistical Section

4.3. Q—If a government retired the remaining outstanding debt of a particular type, such as tax-backed debt or special assessment debt, should it continue to report that type of debt in the relevant debt capacity schedules in the statistical section?

A—Yes. A government should report all types of debt that were outstanding during the 10-year period covered by the statistical section, even if that type of debt is no longer outstanding as of the date of the financial statements.

Other Implementation Guidance

Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements

4.4. Q—A utility elects to apply the regulated operations guidance in paragraphs 476–500 of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* and develops a comprehensive rate plan that includes all expected costs of operations. The plan and subsequent amendments identify certain period costs (for example, postemployment benefits and conservation program costs of providing assets, such as low-flow shower heads, to customers or reimbursing customers for part or all of the costs of installing conservation assets, such as efficient washing machines) that are proposed for recovery in future rates. The rate plan and amendments are submitted for approval by the utility's rate regulator. The regulator is empowered by statute to establish rates that bind the customers. Costs of utility operations that are identified in the rate plan and subsequent amendments for recovery in future rates are not subsidized; therefore, the rates are designed to recover those costs. It is anticipated that those costs can be charged to and collected from the utility's customers. Should those costs be reported as a regulatory asset rather than as expenses?

A—Yes, the utility should report the period costs proposed for recovery in future rates as a regulatory asset if (a) the utility meets all of the requirements to apply the guidance for regulated operations, including meeting all of the criteria in paragraph 476 of Statement 62, and (b) the identified period costs meet all of the requirements to be capitalized as a regulatory asset, including meeting both of the criteria in paragraph 480 of Statement 62.

4.5. Q—Can a utility subject the costs of only some programs to the regulatory process and report those costs as a regulatory asset under the regulated operations guidance of Statement 62?

A—No. Paragraph 476b of Statement 62 requires that regulated rates be "designed to recover the specific regulated business-type activity's costs of providing the regulated services." Rate setting that is designed to recover a utility's costs of providing regulated services inherently considers all of the eligible costs of those services. Paragraph 477 states, "If some of a business-type activity's operations are regulated and meet the criteria of paragraph 476 and the entity elects to apply paragraphs 476–500, those provisions should be applied to only that portion of the business-type activity's operations." However, utilities generally are regulated based on a line of operation (such as an electricity operation or a water operation) rather than on an individual program (such as a conservation program).