

Finance Policy #620 GASB Statements

Purpose:

The Board recognizes the need to implement the required accounting and financial reporting standards stipulated by the PA Department of Education. These regulations are summarized in GASB (Governmental Accounting Standards Board) Statements.

Guidelines:

GASB Statement 34 - The primary objective of implementing the GASB Statement 34 is to assure compliance with state requirements, and properly account for both the financial and economic resources of the district.

GASB Statement 45 requires the reporting of OPEB "other" post-employment benefits, other than pensions including:

- Retiree health coverage – which usually generates the biggest OPEB costs,
- Other retiree benefits like dental, vision and life insurance coverage, and
- Termination benefits that must be used for health coverage (such as payments to a health savings account).

Liability starts at zero in the first year you comply with GASB 45. Each year it increases by the Annual OPEB Cost, offset by cash contributions and benefit payouts.

An OPEB evaluation is required every two years if you have 200 or more people, every three years if not.

If employees really pay the full cost of their own coverage, there's no liability. In most cases, however, retirees pay the same premiums as active employees. Surprisingly, this generates an OPEB liability.

Some common exceptions to OPEB are:

- Accounting is on a cash basis, rather than the accrual basis,
- Retirees are not allowed in the health plan,
- Everyone in the plan pays age-related premiums for health insurance,
- They participate in a "community rated" medical plan where premiums are unrelated to age (i.e. member premiums are the same as all other employers in the plan), or
- Early retirees pay on a different basis than active employees (not permitted in Florida, Iowa, Indiana, Minnesota and some other states).

GASB Statement 52 "Required Supplementary Information." The CEO shall prepare the required Management Discussion and Analysis (MD&A) The MD&A shall be in the form required by GASB Statement 34.

GASB Statement 54 classifies fund balances based on the relative strength of the constraints that control the purposes for which specific amounts can be spent. Beginning with the most binding constraints, fund balance amounts shall be reported in the following classifications: The CEO or designated employee shall be responsible for the implementing of the necessary procedures to establish and maintain a fixed asset inventory, including depreciation schedules. Depreciation shall be computed on a straight-line basis over the useful life of the asset. Normal maintenance and repairs shall be charged as an expense, major renewals and improvements that materially extend the useful life, or increase the value of an asset shall be capitalized. A schedule

of accumulated depreciation shall be consistent from year to year. The basis for depreciation shall be submitted annually to the district's independent auditors for review. In order to associate debt with acquired assets, and to avoid net asset deficit, any asset that has been acquired with debt proceeds shall be capitalized, regardless of the cost of the asset. The asset life of these assets shall be considered relative to the time of the respective debt amortization.

For all other assets not acquired by debt proceeds, the dollar value of any single item for inclusion in the fixed assets accounts shall be not less than \$1,500 and have an estimated useful life of one year or more.

Any assets should:

1. Retain its original shape, appearance and character with use.
2. Not lose its identity through incorporation or fabrication into a different or more complex unit or substance.
3. Be more feasible to repair than replace when a failure occurs.

The capitalization threshold shall be set at a level that will capture at least 80% of all fixed assets.

The assets listed below, as individual items will not normally meet the capitalization threshold criteria:

1. Library books.
2. Classroom texts
3. Computer equipment.
4. Classroom furniture.

However, these asset category costs can be capitalized and depreciated as groups when that group's acquisition cost exceeds the capitalization threshold in any given year.

To estimate useful life, the members of the group may be based on the average life of the group as a whole. Periodically the district shall review the estimated life of groups of assets and adjust the remaining depreciation life of the group.

Delegation of Responsibility:

The CEO is responsible to ensure this policy is followed.

TO THE EXTENT THAT ANYTHING IN THIS POLICY COULD BE CONSTRUED TO CONFLICT WITH APPLICABLE STATE AND/OR FEDERAL LAWS, THE APPLICABLE STATE AND/OR FEDERAL LAWS CONTROL. THIS POLICY IS NOT INTENDED TO CONFLICT WITH CHARTER REQUIREMENT.