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DEPARTMENT OF STATE TREASURER  
STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

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**Memorandum #2010-1**

TO: Local Government Officials and Certified Public Accountants  
FROM: Sharon Edmundson, Director, Fiscal Management Section  
SUBJECT: Sample Journal Entries for OPEB Accounting  
DATE: July 13, 2009

The purpose of this memo is to provide sample journal entries for units implementing GASB Statements No. 43 and 45 for Other Postemployment Benefits (OPEB). The attached appendices cover various scenarios for the initial year of implementation and common entries that might occur in following years. The scenarios include pay-as-you-go, fully and partially funded OPEB liability for both a General Fund and a Water and Sewer Fund, and transactions within an OPEB trust fund. Under GASB Statements No. 43 and 45, Phase II units have implemented in the fiscal year that began after December 15, 2007 and Phase III units will be implementing in the fiscal year that began after December 15, 2008. As a side note, illustrations of OPEB Note Disclosure required by GASB Statements No. 43 and 45 are discussed in our Memorandum #1107. These note disclosures are presented for the government as a whole.

Accounting for OPEB transactions begins at the fund level and should be allocated across funds and activities using a reasonable method; e.g. number of full-time or full-time equivalent positions per fund, and then must be applied consistently. Accounting for governmental expenditures should be posted, at a minimum, to the various functions; e.g. General Government, Public Safety, Human Services, etc. Since in many cases proprietary funds account for only one function, an allocation below the fund level is optional.

Next, it must be determined if your local government has a qualified trust fund for OPEB. According to paragraph 4 of GASB Statement No. 43, a **qualified trust fund** is a fund in which the employer contributions to the plan are irrevocable; plan assets are dedicated to providing benefits to their retirees and their beneficiaries in accordance with the terms of the plan (the agreement between the employer and its plan members and beneficiaries); and plan assets are legally protected from creditors of the employer or the plan administrator.

If your government funds their single employer plan, but **does not** meet the qualifications of a qualifying trust, then retiree health accounting and liabilities will *only* be reported in the governmental and proprietary funds and not in a trust fund. In this case, GASB Statement No. 45 will not give you credit for funding your plan and the end result will be pay-as-you-go accounting treatment with larger fund balances or designations for OPEB; but the OPEB liability will remain. If your government **has established** a qualifying trust, it would account and record transactions in the governmental and/or proprietary fund(s) and in the qualifying trust fund.

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Premium payments to retirees will be reported both as an expenditure/expense in the fund statements and as deductions from the OPEB trust. Please note that State law makes the State Treasurer's OPEB Trust Fund an irrevocable trust.

OPEB payments in governmental funds should be recognized when paid using the modified accrual basis of accounting. Therefore, only amounts using expendable, available resources should be recognized in the governmental funds. OPEB expenses for proprietary and fiduciary funds should be recognized on the accrual basis of accounting and recorded in the fund statements. Since government-wide statements are prepared on the full accrual basis of accounting, an adjustment for the transactions recorded in the governmental funds will be made to move from modified to full accrual reporting in the government-wide statements. If a unit of government decides to fund any portion of its OPEB liability, these expenditures and/or expenses need to be budgeted in both the governmental and proprietary funds. The illustrative journal entries will help provide guidance for recording entries in the appropriate funds on the appropriate basis.

If you have any questions on accounting for OPEB, please contact Melinda Canady at 919-807-2384 or via email at [melinda.canady@nctreasurer.com](mailto:melinda.canady@nctreasurer.com), Amy Szalaj at 919-807-2385 or via email at [amy.szalaj@nctreasurer.com](mailto:amy.szalaj@nctreasurer.com); or Sara Shippee at 919-807-2356 or via email at [sara.shippee@nctreasurer.com](mailto:sara.shippee@nctreasurer.com).

## APPENDICES – OPEB SAMPLE JOURNAL ENTRIES

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**Assumptions:**

The City of Dogwood provides healthcare benefits as a single-employer defined benefit plan to cover retirees of the City who participate in the NC Local Governmental Employees' Retirement System and who have at least 15 years of creditable service with the City. The City obtained an annual actuarial report on the retiree health care plan; however, they have chosen not to fund the net OPEB obligation and only pay retiree premiums as they come due to the Insurance provider. Retiree health premiums are paid from the same fund with which the employee's salary was paid as an active employee. For purposes of the example, the City has retirees in the General Fund and the Water and Sewer Fund. Since the City did not fund their net OPEB obligation, the City did not set aside any OPEB investments to earn interest to offset OPEB expenses.

Description	Active Employees	Retired Employees	Amount	Annual OPEB Cost
General Fund	14	4	\$400 Premium	\$ 50,700
Water and Sewer Fund	4	1	\$400 Premium	14,300
Total	18	5		\$ 65,000

**Journal Entries:**

Account Name	Debit	Credit	Account Name	Debit	Credit
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**Journal Entry #1- Entry to record payment of monthly premium to Insurance Provider for Retiree Health Plan.**  
 Entry is normally recorded in the fund (and function for governmental funds) for which employee retired.

<u>General Fund</u>			<u>Water and Sewer Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 400		Retiree Health Care Exp.	\$ 400	
Retiree Health Care Exp.- Public Safety	800		Cash		\$ 400
Retiree Health Care Exp.- Transportation	400				
Cash		\$ 1,600			
<i>[number of retirees x monthly premium= 4x\$400]</i>			<i>[number of retirees x monthly premium= 1x\$400]</i>		

**Journal Entry #2- Entry to record annual OPEB cost and liability at year-end.**

<u>General Fund</u>	<u>Water and Sewer Fund</u> ◆◆
[N/A on governmental fund level]	Retiree Health Care Exp. \$ 9,500
	OPEB Liability \$ 9,500
	<i>[water and sewer fund's portion of ARC less payments made during year = \$14,300-(12x1x\$400)]</i>

**Journal Entry #3- Workpaper entry to convert modified accrual fund statements to full accrual government-wide statements at year-end.**

<u>Governmental Activity</u> ◆◆	<u>Business-type Activity</u>
Retiree Health Care Exp.- General Govt \$ 4,725	
Retiree Health Care Exp.- Public Safety 5,355	
Retiree Health Care Exp.- Transportation 17,892	[N/A currently at full-accrual]
Retiree Health Care Exp.- Econ. Dev. 818	
Retiree Health Care Exp.- Enviro. Prot. 977	
Retiree Health Care Exp.- Cultural & Rec 1,733	
OPEB Liability \$ 31,500	
<i>[general fund's portion of ARC less payments made during the year = \$50,700-(12x4x\$400)]</i>	

**Key:**

- ◆ The annual OPEB cost has been adjusted as required by the statement for interest and ARC adjustments. However in the first year, the annual OPEB cost will equal the ARC.
- ◆◆ The sum of the OPEB Liability entries should equal that which is presented in the note disclosure for the government as a whole.



<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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**Journal Entry #3- Entry to record the remaining commitment to fund 100% of the annual OPEB cost.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 252,915		Retiree Health Care Exp.	\$ 218,220		Cash	\$ 1,779,951	
Retiree Health Care Exp.- Public Safety	318,624		Cash		\$ 218,220	Employer Contribution- GF		1,561,731
Retiree Health Care Exp.- Transportation	43,198					Employer Contribution- WSF		218,220
Retiree Health Care Exp.- Econ. Dev.	58,234		<i>[WSF's portion of 100% of the annual OPEB cost less premium payments made during year = \$491,820-\$273,600]</i>					
Retiree Health Care Exp.- Human Serv.	730,298							
Retiree Health Care Exp.- Cultural & Rec	158,462							
Cash		1,561,731						
<i>[record funding contribution from commitment to fund 100% of the annual OPEB cost less premium payments made during the year = \$2,569,731-1,008,000= \$1,561,731.]</i>								

**Assumptions:**

Carolina County provides health care benefits as a single-employer defined benefit plan to cover retirees of the County who participate in the NC Local Governmental Employees' Retirement System and have at least 15 years of creditable service with the County. The County obtains an annual actuarial report on the retiree health care plan. The County has previously set up an irrevocable trust. The County has a beginning net OPEB liability. Actual cash payments of the premiums for retirees are paid from the General Fund. For purposes of this example, Carolina County has retirees in the General Fund and the Water and Sewer Fund. In the fiscal year ended 2009, the County has chosen to partially fund 50% of the annual OPEB cost. In fiscal year ended 2010, the County's Board decides to fully fund the annual OPEB cost for the 2010 fiscal year and provide an additional \$100,000 to help offset liabilities generated from prior years' underfunding.

*Please note that the annual OPEB cost will not equal the ARC if there is a beginning OPEB liability. Therefore, the interest expense and ARC adjustment will be computed to determine the annual OPEB cost as part of the actuarial valuation.*

	Description	Active Employees	Retired Employees	Amount	Annual OPEB Cost	50% Annual OPEB Cost
2009:	General Fund	190	20	\$400 premium	\$ 2,157,800	\$ 1,078,900
	Water and Sewer Fund	53	4	\$400 premium	843,600	421,800
	Total	243	24		\$ 3,001,400	\$ 1,500,700
	Description	Active Employees	Retired Employees	Amount	Annual OPEB Cost	100% Annual OPEB Cost Plus \$100,000
2010:	General Fund	190	20	\$400 premium	\$ 2,213,800	\$ 2,292,800
	Water and Sewer Fund	53	4	\$400 premium	953,200	974,200
	Total	243	24		\$ 3,167,000	\$ 3,267,000

**Journal Entries:**

Account Name	Debit	Credit	Account Name	Debit	Credit	Account Name	Debit	Credit
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**Year 2009:**

**Journal Entry #2009-01- Entry to record monthly premium payments to health care provider.**

General Fund wrote the check and the expenditures/expense is normally recorded in the funds (and function for governmental funds) for which employee retired.

<u>General Fund</u>		<u>Water and Sewer Fund</u>		<u>OPEB Trust Fund</u>	
Retiree Health Care Exp.- General Govt	\$ 15,600	Retiree Health Care Exp.	\$ 22,800		
Retiree Health Care Exp.- Public Safety	16,400	Due to General Fund	\$ 22,800		[N/A]
Retiree Health Care Exp.- Transportation	2,400				
Retiree Health Care Exp.- Econ. Dev.	4,000				
Retiree Health Care Exp.- Human Serv.	40,800				
Retiree Health Care Exp.- Cultural & Rec	4,800				
Due from Water and Sewer Fund	22,800				
Cash					
	\$ 106,800				
[check written to healthcare provider for monthly coverage =267 employees x \$400 monthly premium]					

**Journal Entry #2009-02- Entry to record the year's OPEB premium payments within the OPEB Trust Fund.**

<u>General Fund</u>	<u>Water and Sewer Fund</u>	<u>OPEB Trust Fund</u>
[N/A]	[N/A]	Premiums Paid-GF \$ 1,008,000
		Premiums Paid-WSF 273,600
		Employer Contribution- GF \$ 1,008,000
		Employer Contribution- WSF 273,600
		[GF= \$106,800 x 12 months = \$1,008,000 and WSF= \$22,800 x 12 months = \$273,600.]

<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>	<u>Account Name</u>	<u>Debit</u>	<u>Credit</u>
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**Journal Entry #2009-03- Entry to record the portion of 50% funding of the 2009 annual OPEB cost less premium payments made during the year. Cash paid across funds.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 7,846		Retiree Health Care Exp.	\$ 148,200		Cash	\$ 219,100	
Retiree Health Care Exp.- Public Safety	22,348		Cash		\$ 148,200	Employer Contribution- GF		\$ 70,900
Retiree Health Care Exp.- Transportation	14,483		<i>[WSF's portion of 50% of the annual OPEB cost less payments made during year = \$421,800-\$273,600]</i>					
Retiree Health Care Exp.- Econ. Dev.	3,454					Employer Contribution- WSF		148,200
Retiree Health Care Exp.- Human Serv.	15,678							
Retiree Health Care Exp.- Cultural & Rec	7,091							
Cash		\$ 70,900						
<i>[record remaining funding contribution from commitment to fund 50% of the 2009 annual OPEB cost. General Fund's portion = \$1,078,900-1,008,000= \$70,900.]</i>								

**Journal Entry #2009-04- Entry to record the Water and Sewer Fund's remaining OPEB cost and liability for the 2009 year for full-accrual accounting.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
[N/A]			Retiree Health Care Exp.	\$ 421,800		[N/A]		
			OPEB Liability		\$ 421,800			
			<i>[Remaining 50% of WSF's annual OPEB cost]</i>					

**Journal Entry #2009-05- Workpaper entry to convert modified accrual fund statements to full accrual government-wide statements at year-end.**

<u>Governmental Activity</u>			<u>Business-type Activity</u>			<u>OPEB Trust Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 195,046		[N/A currently at full-accrual]			[N/A]		
Retiree Health Care Exp.- Public Safety	219,148							
Retiree Health Care Exp.- Transportation	43,283							
Retiree Health Care Exp.- Econ. Dev.	51,454							
Retiree Health Care Exp.- Enviro. Prot.	505,278							
Retiree Health Care Exp.- Cultural & Rec	64,691							
OPEB Liability		\$ 1,078,900						
<i>[Remaining 50% of GF's annual OPEB cost]</i>								

Account Name	Debit	Credit	Account Name	Debit	Credit	Account Name	Debit	Credit
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**Year 2010:**

**Journal Entry #2010-01- Entry to record monthly premium payments to health care provider.**  
**General Fund wrote the check and the expenditures/expense is normally recorded in the funds (and function for governmental funds) for which employee retired.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 15,600		Retiree Health Care Exp.	\$ 22,800				
Retiree Health Care Exp.- Public Safety	16,400		Due to General Fund		\$ 22,800			[N/A]
Retiree Health Care Exp.- Transportation	2,400							
Retiree Health Care Exp.- Econ. Dev.	4,000							
Retiree Health Care Exp.- Human Serv.	40,800							
Retiree Health Care Exp.- Cultural & Rec	4,800							
Due from Water and Sewer Fund	22,800							
Cash		\$ 106,800						
<i>[check written to healthcare provider for monthly coverage          =267 employees x \$400 monthly premium]</i>			<i>[monthly healthcare expense          paid by the General Fund]</i>					

**Journal Entry #2010-02- Entry to record the year's OPEB premium payments within the OPEB Trust Fund.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
		[N/A]			[N/A]			
						Premiums Paid-GF	\$ 1,008,000	
						Premiums Paid-WSF	273,600	
						Employer Contribution- GF		1,008,000
						Employer Contribution- WSF		273,600

**Journal Entry #2010-03- Entry to record the remaining commitment to fund 100% of the 2010 annual OPEB cost and an additional \$100,000.**

<u>General Fund</u>			<u>Water and Sewer Fund</u>			<u>OPEB Trust Fund</u>		
Retiree Health Care Exp.- General Govt	\$ 142,180		Retiree Health Care Exp.	\$ 700,600		Cash	\$ 1,985,400	
Retiree Health Care Exp.- Public Safety	404,975		Cash		\$ 700,600	Employer Contribution- GF		\$ 1,284,800
Retiree Health Care Exp.- Transportation	262,451					Employer Contribution- WSF		700,600
Retiree Health Care Exp.- Econ. Dev.	62,591							
Retiree Health Care Exp.- Human Serv.	284,106							
Retiree Health Care Exp.- Cultural & Rec	128,498							
Cash		\$ 1,284,800						
<i>[record funding contribution from commitment          to fund 100% of the 2010 annual OPEB cost and an          additional \$79,000 less premium payments made during          the year = \$2,292,800-1,008,000= \$1,284,800.]</i>			<i>[WSF's portion of 100% of the annual OPEB cost          and an additional \$21,000 less premium payments          made during year = \$974,200-\$273,600]</i>					

**Assumptions:**

This local government has previously set up an irrevocable trust, obtains an annual actuarial report on the retiree health care plan and has chosen to fund the annual OPEB cost. (Please note that the standards allow biennial and triennial valuations based on plan membership.)

**Journal Entries:**

<b><u>Account Name</u></b>	<b><u>Debit</u></b>	<b><u>Credit</u></b>
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***Journal Entry #1- Entry to record monthly interest, related to OPEB cash and investments.***

	<b><u>OPEB Trust Fund</u></b>	
Cash	\$ 100	
Interest Income		\$ 100

***Journal Entry #2- Entry to record administrative expenses for actuarial study.***

	<b><u>OPEB Trust Fund</u></b>	
Administrative Exp.	\$ 2,800	
Cash		\$ 2,800