

# Accounting for Length of Service Award Programs (LOSAP)

Division of Local Government and School Accountability



New York State Comptroller  
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## Authority to Establish a LOSAP

- Authorized by General Municipal Law (GML)
  - Article 11-A for volunteer firefighters
  - Article 11-AA and 11-AAA for volunteer ambulance workers
  - Article 11-AAAA for supplemental awards for volunteer firefighters or ambulance workers
- Provides “pension-like” benefits for volunteer firefighters or ambulance workers.

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## Authority to Establish a LOSAP

- Generally funded by a political subdivision, referred to as the “sponsor.”
- Adoption of plan requires the following:
  - Vote of at least 60 percent of the governing board of the political subdivision.
  - Approval of a referendum by a majority of all eligible voters in the political subdivision.
- Plans are generally administered by the political subdivision, a designated program administrator, or the State Comptroller’s designee.

## Establishment of a LOSAP Trust

- All program assets are held in trust for the exclusive purpose of providing benefits to the participants.
- Often referred to as a “Rabbi” Trust.
  - Created to support the non-qualified benefit obligations of a sponsor to the plan participants.
  - Assets, once placed in the trust, are generally irrevocable and outside the control of the sponsor.
  - Once established, the structure of the trust typically cannot be changed by the sponsor once established.

## **GASB 73: Governmental Nonemployer Contributing Entities**

- GASB 73 establishes requirements for defined contribution or defined benefit pensions that are not within the scope of GASB 68, Accounting and Financial Reporting for Pensions, as well as for the assets accumulated for purposes of providing those pensions.
- Pursuant to GASB 73, assets may not be legally protected from creditors of the sponsor, and therefore does not meet the criteria of GASB 68.
- Therefore, with respect to LOSAP, which are “pension-like” plans, OSC will apply GASB 73.

## **GASB 73: Governmental Nonemployer Contributing Entities**

- Typically, a political subdivision (e.g., Town, Fire District) is the sponsoring entity of a LOSAP and is defined as a “Non-employer Contributing Entity” for purposes of GASB 73.
  - Beneficiaries are volunteer firefighters or ambulance workers.

## GASB 84: Fund Determination

- GASB Statement 84 provided additional clarification on evaluating and reporting of LOSAP assets.
- LOSAP assets of the sponsor, which meet the criteria described in Statement 84 and GASB Statement 73 of being accumulated for “pension-like” purposes, for purposes of accounting, **should be reported as a governmental fund.**

## GASB 84: Fund Determination

- LOSAP contributions made by the sponsor become restricted plan assets upon investment (i.e., restricted investments).
- Account code 461 – Service Award Program Assets
  - Total LOSAP assets, whether held by the sponsor or trustee, should be recorded in the governmental fund.
- Account code 713 – Service Award Program Payable
  - The current portion of the LOSAP Total Liability is recorded in the Governmental Fund, and
  - The long-term portion of the LOSAP Total Liability is recorded in the Schedule of Non-current Governmental Liabilities (W schedule).
- Account code 895 – Restricted for Service Award Program

# Sample Journal Entries

## Budgeting

### Funding of Annual LOSAP Contributions (Restriction of Plan Resources)

Account and Description	Subsidiary	Debit	Credit
A510 Estimated Revenues		\$XX,XXX	
Subsidiary Accounts	\$XX,XXX		
A960 Appropriations			\$XX,XXX
Subsidiary Accounts	\$XX,XXX		
A962 Other Budgetary Purposes - Service Award Program			\$XX,XXX

- Defined Benefit Plans – Determined by actuarial calculations
- Defined Contribution Plans – Determined by adopted plan documents

**Note: Based on the type of sponsor, budgeting/accounting may be in the sponsor's General Fund (A) or Fire Protection Fund (SF).**

# Budgeting

## Annual Expenditures Related to Plan Disbursements

Account and Description	Subsidiary	Debit	Credit
A599 Appropriated Fund Balance - Service Award Program		\$XX,XXX	
A960 Appropriations			\$XX,XXX
A9025.4 Local Pension Fund, Employee Benefits	\$XX,XXX		
A9025.8 Local Pension Fund, Employee Benefits	\$XX,XXX		

- A9025.4 Local Pension Fund, Contractual
  - Used for applicable administrative fees
- A9025.8 Local Pension Fund, Employee Benefits
  - Used for beneficiary disbursements

# Defined Contribution/Benefit Plans - Governmental Funds

## Establishment of Total Liability (Long-Term Portion)

Account and Description	Subsidiary	Debit	Credit
W129 Total Non-Current Governmental Liabilities		\$XXX,XXX	
W713 Service Award Programs Payable			\$XXX,XXX

### To record long-term portion of Total Liability

- Defined Contribution Plans – equal to restriction of plan assets
  - Note: Total Liability will be updated annually based on net changes.
- Defined Benefit Plans – determined by actuarial calculations
  - Note: Total Liability will be calculated and updated annually based on actuarial assumptions and net changes.

# Defined Contribution/Benefit Plans - Governmental Funds

## Restriction of Plan Assets

Account and Description	Subsidiary	Debit	Credit
A461 Service Award Program Assets		\$XXX,XXX	
A895 Service Award Program Assets			\$XXX,XXX
<b>To record opening balance of Service Award Program (LOSAP)</b>			

- Note: Changes in gain/loss of plan investments are to be updated accordingly.
- A2401 Interest and Earnings
  - This may be negative in reporting due to loss on investment.
- Ensure fund balance changes are reflected post closing.

# Defined Contribution/Benefit Plans - Governmental Funds

## Recording of Plan Disbursements

Account and Description	Subsidiary	Debit	Credit
A522 Expenditures		\$XX,XXX	
A9025.4 Local Pension Fund, Employee Benefits	\$XX,XXX		
A9025.8 Local Pension Fund, Employee Benefits	\$XX,XXX		\$XX,XXX
A713 Service Award Program Payable			\$XX,XXX
<b>Recording of benefits disbursements (and/or administrative fees) and current portion of Total Liability</b>			

- Note: Timing and effects of net changes on long-term portion of Total Liability.

## Additional Entries

### As Determined by Accounting System

Account and Description	Subsidiary	Debit	Credit
A713 Service Award Program Payable		\$XX,XXX	
A461 Plan Assets			\$XX,XXX

#### Release of plan disbursements (payments made)

- Note: Conversion of plan assets to cash account may be necessary.

Account and Description	Subsidiary	Debit	Credit
A895 Service Award Program Assets		\$XX,XXX	
A522 Expenditures – related to program			\$XX,XXX

#### Closing of plan expenditures to Restricted Fund Balance at end of accounting period

- Note: Additional entry may be required if system does not close directly to restricted fund balance accounts.

## Annual Audit for Volunteer Firefighter LOSAPs

### Volunteer Firefighter defined benefit or defined contribution LOSAPs:

- The sponsor of a volunteer firefighter LOSAP, or designated program administrator of the volunteer firefighter LOSAP, must obtain an annual audit by an independent certified public accountant or independent public accountant (GML §§ 219-a[3]).
- Volunteer firefighter LOSAP audits must be completed within 270 days of the end of the sponsor's fiscal year.
- A copy of the audit must be given to the program sponsor and to the State Comptroller.

<https://www.osc.ny.gov/files/local-government/publications/pdf/losap.pdf>



# Audit of Volunteer Ambulance LOSAPs

## Volunteer ambulance defined benefit LOSAP:

- Pursuant to OSC regulations, volunteer ambulance service award programs must be audited annually by an independent certified public accounting firm of recognized standing in the industry.
- Financial statements shall include the status of investments, a valuation of each investment and a valuation of investment holdings in the aggregate (see, 2 NYCRR §150.17).

## Volunteer ambulance defined contribution LOSAP:

- Pursuant to OSC regulations, program records held by the administrator and the Program Trustee must be audited by an independent certified public accounting firm at the discretion of the State Comptroller, but at least once every five years (see, 2 NYCRR §152.25).

# Resources

- Local Government Helpline:
  - 1-866-321-8503 or 518-408-4934
- Publications:
  - <https://www.osc.ny.gov/local-government/publications>
- Training:
  - <https://www.osc.ny.gov/local-government/academy>
- More Fire District and related resources:
  - <https://www.osc.ny.gov/local-government/resources/fire-district-information>

# Thank You

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