


West Virginia Department of **EDUCATION**

## Financial Statements & Year-End Closing

July 13, 2016

WVDE Office of School Finance  
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## YEAR-END CLOSING




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## Year-End Closing

- Year-end closing entries are needed to record activity for the fiscal year that occurred after June 30<sup>th</sup> or to adjust for subsequent fiscal year activity that occurred during the current fiscal year.
- Fund financial statements are prepared using the "current financial resources measurement focus" and the "modified accrual basis of accounting."
  - Revenue is recognized when "measurable and available"
    - Revenue is available for all LEAs, RESAs, and MCVCS if received within 60 days after year-end.
    - Revenue is "measurable" when the amount of the transaction can be determined.
  - Expenditures are generally recorded when the related fund liability is incurred, except:
    - Unmatured principal and interest on general long-term debt,
    - Claims and judgments, and
    - Compensated absences




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## Year-End Closing (Revenue)

- Since revenues must be recognized when collected within 60 days after year-end, LEAs must keep track of all receipts collected during July and August, but that relate to the most recent fiscal year-end.
- Tracking the subsequent collections of year-end revenues allows you to calculate the total amount of deferred inflows.




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## Year-End Closing (Revenue)

- Revenue recognition – grants received in advance:
  - Nonexchange transactions – two types common to school boards:
    - Government-mandated - a government at one level provides resources to a government at another level and requires the recipient to use the resources for a specified purpose
    - Voluntary – legislative or contractual agreements, other than exchanges, entered into willingly by the parties to the agreement
  - Eligibility requirements must be met to recognize revenue:




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## Year-End Closing (Revenue)

- Eligibility requirements:
  - Required characteristics of recipients as specified by the provider
  - Time requirements (the period when the resources are required to be used or when use is first permitted)
  - Reimbursements – expenditure-driven grants where the recipient must incur allowable costs
    - Federal awards are generally expenditure-driven; therefore, revenue is only recognized when the other eligibility requirements are met AND allowable costs have been incurred
    - State awards generally are NOT expenditure-driven; therefore, revenue is recognized as soon as the other eligibility requirements are met
  - Contingencies – Receipt of funds is contingent upon specified actions of the recipient and that action has occurred




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## Year-End Closing (Revenue)

- Purpose restrictions – eligibility requirements DO NOT include purpose restrictions (GASB 33, par. 62)
  - Cannot be met unless a transaction has occurred
  - Only affect fund balance categories

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## Year-End Closing (Revenue)

- Revenue recognition under GASB 33
  - Grant funds received in a period BEFORE the grant period begins
    - Time requirement not met
    - Funds received should be recorded as deferred inflows of resources
  - Grant funds received AFTER the grant period begins but before the end of the grant period
    - Time requirement met
    - Funds received are immediately recognized as revenue
      - Not as purpose restrictions are met (reimbursements)
      - Applies to multiple-year grant awards

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## Year-End Closing (Revenue)

- Example (Food Svc): Total Food Service billings for FY16 were \$250,000. Collections through June 2016 totaled \$150,000 and collections during July and August 2016 totaled \$25,000.
  - Assuming all balances are collectible, the total deferred inflows of resources at June 30, 2016 is calculated as follows:
 

• Total billings for FY16:	\$250,000
• Less Collections through June:	(150,000)
• Less Collections through August:	( 25,000)
• Total Deferred Inflows:	\$ 75,000
  - The \$75,000 balance of deferred inflows of resources is considered to be "unavailable" under the current financial resources measurement focus. Therefore, it is not reported in current year revenue. However, it is still included in accounts receivable at year-end.

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### Year-End Closing (Revenue)

- Using the example from the previous slide, the total revenue recognized for FY16 and the remaining receivable balance at year-end are:
  - FY16 Revenue Recognition:
    - Total billings for FY16: \$250,000
    - Less unavailable receivables: (75,000)
    - Total FY16 Revenue recognized: \$175,000
  - June 30, 2016 Accounts Receivable:
    - Total billings for FY16: \$250,000
    - Less billings through June 30<sup>th</sup>: (150,000)
    - Accounts Receivable at June 30<sup>th</sup>: \$100,000




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### Year-End Closing (Revenue)

- The year-end WVEIS closing entry for the example on slide 9 would be:
 

dr. 11..00153.001	Other A/R	\$100,000
cr. 11..00601.006	Deferred Inflows	\$75,000
cr. 11..01989.001	Revenue – E-rate	\$25,000
- Remember that the \$150,000 of collections made through June 30, 2016 should already be recognized in revenue at the time the month of June was closed (beginning of July).




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### Year-End Closing (Revenue)

- Accrued Property Taxes – some of the independent auditors have contacted the Office of School Finance (OSF) to express concerns over differing methods among LEAs for recording year-end WVEIS entries related to property taxes
  - OSF's official guidance on year-end property tax entries can be found at: <http://wvde.state.wv.us/finance/workshops/2015/july-all-quiet-on-the-finance-front/>. Then select the property tax year end entries handout
  - All LEAs are expected to utilize OSF guidance when such guidance has been made available
  - However, auditors should consider the methods used by each county to determine whether those methods are appropriate and whether those methods materially misstate the financial statement balances related to property taxes




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## Year-End Closing (Revenue)

- Examples of deferred inflow year-end entries are:
  - Property taxes
  - Food service collections
  - E-Rate
  - Medicaid
  - Federal reimbursements/drawdowns
  - Bank interest income
- You can review examples of select deferred inflow year-end WVEIS entries at: <http://wyde.state.wv.us/finance/workshops/2015/july-all-quiet-on-the-finance-front/>. Then select the "Sample GAAP Entries – Summer Conf 15.pdf" file.

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## Year-End Closing (Expend.)

- Types of year-end closing entries for expenditures:
  - Prepaid Expenditures/Expenses – Cash paid prior to year-end for a cost relating to a subsequent period
  - Liabilities – Cash paid after year-end for a cost incurred prior to year-end
  - Liabilities – Invoices received and unpaid for costs incurred prior to year-end
  - Non-cash accruals

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## Year-End Closing (Expend.)

- Common examples of prepaid expenditures/expenses are:
  - Insurance premiums relating to a subsequent period (i.e. flood, liability, vehicle, etc.)
  - Workers' compensation premiums paid in advance of the coverage period

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## Year-End Closing (Expend.)

- To record a prepaid expenditure, you must calculate the amount of the payment that relates to the subsequent period.
- Example: Workers' Comp. premium paid in March 2016 (\$300,000) with a coverage period of April 2016 through September 2016.
  - Of the 6 month policy period, only 3 months related the current fiscal year. Therefore, the other 3 months are prepaid.
  - Since exactly one half of the policy period relates to a subsequent period, half of the premium must be recorded as prepaid expenditure.

• Dr.11..00183.001	Prepaid workers' comp	\$150,000	
• Cr.	11..XXXX.261 Workers's Comp. Exp.		\$150,000

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## Year-End Closing (Expend.)

- Since many of the invoices relating to costs incurred during FY16 will be received after June 30<sup>th</sup>, LEAs must make manual adjustments within WVEIS to recognize those invoices as expenditures and liabilities
- Analysis of July and August checks can be a good way to ensure all invoices related to the fiscal year being closed have been accrued to accounts payable at June 30<sup>th</sup>
- Please note that you must also accrue liabilities for any invoice relating to the fiscal year being closed whether paid within 60 days or not
  - If you are aware of the invoice/incurred expenditure at the time the financial statements are prepared, you should accrue the expenditure as a liability at June 30<sup>th</sup>

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## Year-End Closing (Expend.)

- LEAs must also make expenditure adjustments at year-end for non-cash accruals such as:
  - Accrued OPEB liability
  - Food service sponsor contribution transfer
  - Indirect cost transfers
  - Tools for Schools allocation
  - Unfunded retirement allocation
  - Retainage payable on current construction contracts
  - Reclassification of deferred pays to cash
  - Accrued interest payable

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### Year-End Closing (Fund Balance)

- The final entries you will need to make in WVEIS are to adjust the ending balances of your various fund balance accounts:
  - Non-spendable
  - Restricted
  - Committed
  - Assigned

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### Year-End Closing (Fund Balance)

- Non-spendable fund balance – consists of items that are not spendable in form or are legally required to remain intact:
  - Inventories
  - Prepaid expenditures (including TDC forfeitures)
  - Endowment
  - Often understated or missed completely
  - Very easy to check balance for reasonableness since it is tied directly to asset balances
- Restricted fund balance – consists of balances containing use constraints that are externally enforceable.
  - Pass-through entity restrictions such as WVDE or feds
  - Restrictions due to laws or regulations of other governments

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### Year-End Closing (Fund Balance)

- Committed fund balance – Use constraints placed on funds by the highest decision-making body within the government (local board)
  - Must have required action by the Board to restrict the funds
  - Must also require Board action to remove those restrictions
  - Board action must have taken place prior to the end of the reporting period
- Assigned fund balance – Use constraints placed on funds by others within the government (superintendent or treasurer)
  - Does not require direct Board action to add or remove use constraints
  - Less formal action necessary
  - Action can take place after the end of the reporting period

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### Year-End Closing (Fund Balance)

- Valid WVEIS account codes for fund balances are:
  - Non-spendable – XX..00751.007
  - Restricted – XX..00752.007
  - Committed – XX..00771.007
  - Assigned – XX..00753.007
  - Unassigned – XX..00772.007
- You should adjust non-spendable, restricted, committed, and assigned fund balances to their known year-end balances by adjusting the residual balance of the unassigned category.

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### Year-End Closing

- Once you are comfortable that all year-end closing-entries have been posted in WVEIS you should:
  - Close out the 13<sup>th</sup> or 14<sup>th</sup> month and submit the data file to WVDE (same due date as financial statement submission to WVDE).
  - Run WVEIS reports to use in preparation of the annual financial statements

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### Year-End Closing

- Common year-end WVEIS reports to utilize during financial statement preparation:
  - Balance sheet for each fund being maintained by the Board
  - Revenue by source report for each fund
  - Revenue by project for all funds
  - Expenditure by function report for each fund
  - Fixed asset listing and depreciation report
    - Note that you must ensure that all fixed asset activity for the reporting period must be updated within the WVEIS capital asset module
    - This report will be used for the governmental conversion

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## FINANCIAL STATEMENT PREPARATION

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## First Things First!

- MD&A template has been rolled to FY16
  - Still cannot find a fix for the linked revenue and expenditure pie charts
  - Will cover how to correct those charts manually
- Note disclosures template has been rolled to FY16
  - Medicaid interim cost report data should be available in the coming weeks to estimate your FY15 interim cost settlement

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## First Things First!

- Excel template is being rolled to FY16:
  - Revisions to GASB 68 conversion entries are underway, but incomplete
  - Completion of the GASB 68 conversion entries will allow us to release the templates so you may begin preparing your financial statements
  - I strongly suggest that you use the FY16 templates when they are released rather than rolling your own files, but it is ultimately your decision

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## GASB 68 Audited Schedules



- Waiting on status update from CPRB
- Nothing available at this time (promised by June 30<sup>th</sup>)
- We will communicate to you the timeline once we have an update from CPRB

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## GASB 68

- Things to expect for FY16:
  - Revised conversion entries to help make the GASB 68 conversion easier to follow and to account for second year reporting of proportionate share of collective pension amounts
  - New column headings on the audited Schedule of Pension Amounts by Employer
  - **Not getting any easier!**

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## Financial Statement Prep.

- Always refer to OSF official instructions (included in conference handouts)
- Key dates:
  - September 15, 2016 - Due date for RESA and MCVV financial statements
  - September 28, 2016 – Due date for LEA financial statements and WVEIS data file submission

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## Financial Statement Prep.

- Documents due with submission to OSF:
  - MD&A
  - Government-wide statements
  - All applicable fund basis statements, including fiduciary funds (i.e., school funds)
  - Reconciliation schedules
  - Budgetary comparison schedules for each fund
  - All applicable notes to the financial statements
  - WVEIS special projects worksheet, by fund
  - Schedule of excess levy revenues and expenditures
  - Schedule of encumbrances outstanding at year-end
  - Encumbrance distribution spreadsheet

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## Financial Statement Prep.

- The following additional schedules must be prepared and retained at the central office:
  - List of expenditures in excess of \$250
  - Schedule of salaries paid to each board member and the superintendent
  - Schedule of all debts owed by the board

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## Financial Statement Prep.

- All files required to be submitted to OSF should be sent via e-mail to the OSF coordinator assigned to your county
  - Sam Pauley ([sepauley@k12.wv.us](mailto:sepauley@k12.wv.us)) – Barbour to McDowell
  - Kristen Lanham ([Kristen.Lanham@k12.wv.us](mailto:Kristen.Lanham@k12.wv.us)) – Mercer to Wyoming

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## Order to Complete Templates

- The financial statement templates should be completed in the following order:
  - Excel file
  - MD&A (Word) and note disclosures (Word)
- Many items in the Excel file link directly to the notes and MD&A, so it is important to complete it first.

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## Excel Template

- Due to the vast number of formulas and linked values within the Excel file, each tab has been locked to only allow editing in yellow highlighted cells
- This helps to prevent accidental deletion of links and formulas
- The current year password to unprotect the worksheets is "BOE2016"
- The password is typed in **red/bold** font in the top of every protected worksheet.

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## Steps to Complete Excel Template

1. Enter WVEIS balance sheet amounts for each fund into the yellow highlighted cells within the "Gov Funds – Bal Sheet" worksheet
  - Source: WVEIS Balance Sheet report for each fund maintained by the board
  - Ensure each category total (i.e., total assets, total liabilities) agrees between the template and the WVEIS report

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### Steps to Complete Excel Template

1. Continued
  - The only individual balance sheet account that you **WILL NOT** enter on the worksheet is the unassigned fund balance, which is a calculated field
  - Also note that you **WILL NOT** manually enter adjustments within the reconciliation section at the bottom of the balance sheet
    - Reconciling adjustments will build from the conversion entries "JE" tab and various note disclosure tabs
    - Reconciliation **WILL NOT** work until ALL conversion entries and note disclosure tabs are completed

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### Steps to Complete Excel Template

2. Enter WVEIS revenue amounts for each fund into the yellow highlighted cells within the "Gov Funds - Rev-Exp" worksheet
  - Source: WVEIS revenue by source report for each fund maintained by the board
  - Enter other financing sources in the appropriate section (revenues entered as negatives):
    - Proceeds from bond issuance
    - Proceeds from sale of property
    - Transfers in
  - WVEIS report total should agree to template revenues plus credits to other financing sources

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### Steps to Complete Excel Template

3. Enter WVEIS expenditure amounts for each fund into the yellow highlighted cells within the "Gov Funds - Rev-Exp" worksheet
  - Source: WVEIS expenditure by function report for each fund maintained by the board
  - Enter transfers out under the other financing sources section (enter as positive numbers)
  - WVEIS report total should agree to template expenditures plus debits (positive amounts) in the other financing sources section

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### Steps to Complete Excel Template

4. Enter beginning fund balances within the "Gov Funds – Rev-Exp" worksheet
  - Source: Prior year audited financial statements
5. Enter adjustments to beginning fund balances for prior period adjustments, if any
  - None expected for FY16

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### Steps to Complete Excel Template

6. Verify that fund level statements are now in balance
  - Check that the total in cell L53 of the "Gov Funds – Bal Sheet" tab equals zero
  - This check figure WILL NOT equal zero until all balance sheet, revenue, expenditure, other financing sources, and beginning fund balances have all been entered
  - **DO NOT move on to the next step until the fund statements are in balance**

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### Steps to Complete Excel Template

7. Complete the "Fiduciary Funds Net Position" tab
  - Source: Sum of individual schools' accounts/year-end school account balances
  - Ensure statement balances
8. Complete the "Changes in School Funds" tab in the OSI section of the template
  - Sources:
    - Beginning cash balances should come from the ending balances from the prior year audit
    - Revenues and expenditures will come from year-end schools' financial reports (from TRA SFO for most counties)

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### Steps to Complete Excel Template

9. Complete yellow highlighted cells within the "Capital Assets" note disclosure tab

- Sources:
  - Beginning balances should be entered directly from the prior year ending audit balances
  - Additions are typically entered from invoices accumulated throughout the year
  - Deletions are typically entered from sales/receipt records or disposal reports
- Reconcile schedule to WVEIS capital outlay account balances and WVEIS capital asset module reports

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### Steps to Complete Excel Template

10. Enter depreciation expense by function into the "Notes - Cap Assets & Dep." tab

- Source: WVEIS capital asset module depreciation report

11. Complete "long term debt" tab

- Sources:
  - Compensated absences report
  - Lease statements from financing companies
  - Municipal Bond Commission reports
- Beginning balances should always be entered from the prior year audited financial statements
- Future debt service balances should be given for each of the next 5 years with all remaining years aggregated in 5 year increments (GASB 38)

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### Steps to Complete Excel Template

12. Complete "Notes - OPEB trend" tab

- Sources:
  - RHBT other post-employment benefits report for current year balances, and
  - Prior year audit reports for PY balances

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### Steps to Complete Excel Template

13. Complete "Notes – Fund Balance" tab

- Sources: WVEIS (see slides 20-22)
- TBD – DO NOT leave "TBD" as a category of committed and/or assigned fund balance
  - If the Board did not take action to restrict funds for a specific purpose by June 30<sup>th</sup>, then the funds are either assigned or unassigned
  - If management did not make the decision to assign balances for a specific purpose by the time the financials are being prepared, then the funds are unassigned.
  - Several audits issues in recent years which still include "TBD" as a component of fund balance.




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### Steps to Complete Excel Template

14. Complete yellow highlighted sections of each budgetary comparison schedule

- Sources:
  - Proposed budget reports
    - Revenues – Budget by revenue source
    - Expenditures – Budget by function
  - Final budget reports
    - Revenues – Budget by revenue source
    - Expenditures – Budget by function




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### Steps to Complete Excel Template

14. Budget Schedules (Continued)

- The scope of the budgetary comparison schedules within RSI is strictly limited to the general fund and each major special revenue fund
  - RSI:
    - General Fund
    - Major Special Revenue Funds
  - OSI:
    - Non-major Special Revenue Funds
    - All other funds with legally adopted annual (or biennial) budgets, regardless of fund type
    - All funds maintained by the Board are legally adopted; therefore, budgetary comparison schedules should be reported for all funds
    - Several audits issued in recent years that still included all budgetary comparison schedules within the RSI section




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### Steps to Complete Excel Template

#### 14. Budget Schedules (Continued)

- The budgetary comparison schedules must show the original budget, the final budget, actual results, and a variance column that compares actual results of operations for the year to the final budget
- Adjustments column included to account for regulatory basis adjustments

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West Virginia Department of **EDUCATION** 50

### Steps to Complete Excel Template

#### 14. Budget Schedules (Continued)

- Historically, budgetary comparison schedules for most county boards of education have shown unfavorable variances due to unbudgeted amounts for accrued other post-employment benefits (the OPEB Annual Required Contribution beyond the pay-as-you-go portion which is expended under object code 217).
- Because there is no revenue source for the expenditures coded to object 217 and because funds are not remitted to the Retiree Health Benefit Trust for those expenses, county boards of education are instructed in the annual budget instructions to exclude those expenditures from their budgets

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West Virginia Department of **EDUCATION** 51

### Steps to Complete Excel Template

#### 14. Budget Schedules (Continued)

- County boards should only include the amounts coded to object code 217 within the adjustments column to arrive at regulatory basis actual expenditures
- Some county boards of education may have other adjustments necessary due to non-cash for/on behalf transactions (such as unfunded retirement) being excluded from their budgets
- However, please note that county boards of education are instructed to include in their budgets expenditures related to the unfunded retirement liability allocation (object 235), so adjustment should be unnecessary

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West Virginia Department of **EDUCATION** 62

### Steps to Complete Excel Template

15. Complete the "Excess Levy Rev & Exp" tab

- Source – WVEIS project reports (if excess levy is tracked in a local project), or WVEIS fund 12 reports
- Should include a category for each line item on the levy call
- New rows should be inserted if necessary (will need to unprotect the worksheet)

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West Virginia Department of **EDUCATION** 63

### Steps to Complete Excel Template

16. Complete the revenue allocation on the "Rev Alloc" tab

- Source: WVEIS revenue by project report aggregated for ALL funds
- Key in the project codes, project descriptions, and amounts within columns A, B, and C, respectively
- Enter "class codes" into column E (see class code key at the bottom of the worksheet)
- Only use "revenue classification" codes in column E

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West Virginia Department of **EDUCATION** 64

### Steps to Complete Excel Template

16. Revenue Allocation (Continued)

- Ensure the check figure at the bottom of column C equals zero
- Key in functional allocation codes for:
  - Charges for Services
  - Operating Grants & Contributions
  - Capital Grants & Contributions
- If functional allocation codes are not entered into columns V, X, and Z, the template will allocate the revenues automatically on the "rev check" tab

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West Virginia Department of **EDUCATION** 65

### Steps to Complete Excel Template

16. Revenue Allocation (Continued)

- Please be consistent with how the functional allocation codes are handled (if you used functional allocation codes on the "Rev Alloc" tab last year, continue to use them this year and going forward)
- Review check figures at the bottom of columns AQ, BG, and BW to ensure they are zero
  - If not zero, likely an issue with broken formulas or linked cells

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West Virginia Department of **EDUCATION** 66

### Steps to Complete Excel Template

17. Review "Rev Check" tab to ensure all revenue has been appropriately allocated for district-wide presentation

- Check figure at the bottom of column Q must equal zero
- Note that the revenue allocation does not use expenditures from food service, community service, interest, or unallocated depreciation expenses for the basis of calculating the allocation percentages in column C of the "rev check" (that is why the allocation percentages for those categories are hard-keyed as zeros)

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West Virginia Department of **EDUCATION** 67

### Steps to Complete Excel Template

18. Fill in yellow highlighted cells of the "GASB 68 Calculations" tab

- Sources:
  - Current year and prior year GASB 68 audited schedules
  - Unfunded retirement contribution allocation from OSF schedule
- Tab is currently incomplete
- More information and instructions will come once GASB 68 audited schedules are issued
- Fiscal agents, RESAs, and MVCs should have improved functionality within the template this year

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West Virginia Department of **EDUCATION** 58

### Steps to Complete Excel Template

19. Fill in yellow highlighted cells of the “Ret Contr Input) tab

- Source: WVEIS expenditure by function report for objects 231 and 233 for FY16 and FY15
- Ensure that totals on the WVEIS reports agree to totals in the “totals for conversion entries” section at the bottom
- May need to add rows



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West Virginia Department of **EDUCATION** 59

### Steps to Complete Excel Template

20. Conversion entries:

- Needed because the *district-wide statements* are prepared using the *economic resources measurement focus* and the *full accrual basis of accounting*.
- Revenues are recorded when earned
- Expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows are received
- Revenues and expenses resulting from exchange and exchange-like transactions are recognized when the exchange takes place;
- Revenues and expenses resulting from non-exchange transactions, such as property taxes, federal and state grants, state aid to schools, and donations, are recognized in accordance with the requirements of GASB Statement 33.
- Property taxes are recognized in the fiscal year for which the taxes are levied;
- State aid to schools is recognized in the year for which the legislative appropriation is made;
- Grants and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.



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West Virginia Department of **EDUCATION** 60

### Steps to Complete Excel Template

20. Conversion entries (continued):

- Complete yellow highlighted cells within the “JEs” tab
- Total debits and credits should equal
- No negative amounts should be entered
- Any manual changes completed within the “JEs” tab must be manually linked to the trial balance tab
- Cells that are not highlighted in yellow are linked from various other tabs within the template



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West Virginia Department of **EDUCATION** 61

### Steps to Complete Excel Template

21. Review check totals on the "TrialBal" tab

- Journal entry check at bottom of tab ensures that debits and credits posted to the conversion entries section of the trial balance are in balance
  - Uses "SUMIF" formula to total debits and credits for each entry using the journal entry numbers entered into column G of the trial balance
  - Amounts listed in the "out of balance" column could be due to 2 issues:
    - Incorrect JE numbers entered into column G of the trial balance
    - Amount posted to the conversion entries section of the trial balance are linked incorrectly
- Other check totals



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West Virginia Department of **EDUCATION** 62


### Steps to Complete Excel Template

22. Enter beginning net position in yellow cell on the "DW St of Activities" tab

- Source: Prior year audited financial statements

23. Review remaining check totals:

- District-wide Statement of Activities
  - Balancing of ending net position
  - Net position check
- District-wide Statement of Net Position
  - Balancing of ending net position



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West Virginia Department of **EDUCATION** 63

### Steps to Complete Excel Template

24. Enter prior year ending balances in the 4 MD&A tabs from the prior year audit report

- MD&A DW-Net Position,
- MD&A DW-Act,
- MD&A Cap Assets, and
- MD&A Gen Obligation



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West Virginia Department of **EDUCATION** 64

### Steps to Complete Excel Template

25. Complete Encumbrance Distribution tab

- Added to template last year
- Needed in order to see appropriate allocation of encumbrances across all fund balance categories

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West Virginia Department of **EDUCATION** 65

### Steps to Complete Excel Template

AND YOU'RE DONE!

Almost

Now for MD&A and Notes

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West Virginia Department of **EDUCATION** 66

### Completing the MD&A Template

- In order to preserve the links between the Word and Excel files, they must have been each downloaded into the same file folder on your network or local drive
- Only 4 tables within the Excel file link directly to the MD&A (see list on slide 63)
- Read through each page of the MD&A, providing information for all blanks and items in red font

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West Virginia Department of EDUCATION 67

## Completing the MD&A Template

- Pie charts:
  - These do not appear to link properly each year
  - A manual copy/paste of the charts seems to be the only option to update them
  - Please review the pie charts in the Word file against the charts in the Excel file prior to submitting the financial statements to OSF

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West Virginia Department of EDUCATION 68

## MD&A Requirements

- The purpose of the MD&A is to furnish an *objective* and easily readable *analysis* of the county's financial activities
- It should contain:
  - A discussion of the basic financial statements
  - Condensed comparative data
  - An analysis of the government's overall financial position and results of operations
  - An analysis of the balances and transactions of individual funds
  - An analysis of budgetary variations
  - A description of capital assets and long-term debt activity
  - A discussion of infrastructure (n/a for the school boards)
  - A discussion of currently known facts, decisions, or conditions of future significance

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West Virginia Department of EDUCATION 69

## Note Disclosure Highlights

- Changes made from the final FY15 template have been highlighted in yellow
- Some of the amounts reported in the Notes template are using FY15 data because FY16 data remains unavailable at this time
  - MBC and BTI amounts in Note 1
  - TDC section of retirement note
- If the underlying entities' financial statements have been issued prior to the issuance of the district's financials, these amounts should be updated to FY16 amounts
- Exception: TRS section of the retirement note – should continue to report FY15 amounts since the GASB 68 entries use a measurement date of June 30, 2015

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West Virginia Department of **EDUCATION** 70

## Note Disclosure Highlights

- Note 1.E. – Cash & cash equivalents
  - Table is not linked to an underlying Excel template file (key directly into Word table)
  - Delete sections dealing with MBC and BTI if the district does not have balances held by those entities
- Note 1.F. – Fill in total allowance for uncollectible food service accounts, if applicable

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West Virginia Department of **EDUCATION** 71

## Note Disclosure Highlights

- Note 1.K. – Deferred Outflows
  - If amounts are reported in the aggregate on the face of the financial statements, you must detail out the individual balances making up the total
    - Most counties report in the aggregate
    - If not, delete the discussion regarding aggregated amounts

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West Virginia Department of **EDUCATION** 72

## Note Disclosure Highlights

- Note 1.O. – Deferred Inflows
  - If amounts are reported in the aggregate on the face of the financial statements, you must detail out the individual balances making up the total
    - Most counties report in the aggregate
    - If not, delete the discussion regarding aggregated amounts

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West Virginia Department of **EDUCATION** 73

## Note Disclosure Highlights

- Note 1.U. – Newly Adopted GASB Statements
  - Added this section to the template in recent years, but many auditors have always included it in the audits
  - Has been updated to discuss GASB Statements that are required to be implemented for FY16
  - OSF has completed the conclusion on each GASB Statement with the assumption that the Statement's requirements will not apply to the average county
  - Please read each GASB Statement within the section and make sure the conclusions are accurate

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West Virginia Department of **EDUCATION** 74

## Note Disclosure Highlights

- Note 1.U. – Recent Statements Issued by GASB
  - Updated to include all GASB Statements that have been issued as of the date of this presentation but not yet adopted
  - Should review the listing of GASB pronouncements before financials are issued to make sure no other pronouncements have been issued
  - Currently updated through GASB 82
  - <http://gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>

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West Virginia Department of **EDUCATION** 75

## Note Disclosure Highlights

- Changes in Accounting Principles note was removed this year since it will not be used
- Note 6 – Capital Assets
  - Links directly with Excel Template
  - Multiple functionality with such linking

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West Virginia Department of **EDUCATION** 76

## Note Disclosure Highlights

- Note 7 – Long-Term Debt
  - First table links to Excel file, others do not
  - Future debt service amounts should be entered from the data in the “long term debt” tab of the Excel template (not currently linked)
  - Bond issuance information must entered (Municipal Bond Commission), if applicable
  - Defeasance of Debt, if applicable

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West Virginia Department of **EDUCATION** 77

## Note Disclosure Highlights

- Note 9 – Retirement
  - Much of the TRS section is pending issuance of the audited GASB 68 schedules
  - Plan level TDC information is available for FY15, but should be updated to FY16 if it becomes available prior to the issuance of the county’s audit

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West Virginia Department of **EDUCATION** 78

## Note Disclosure Highlights

- Note 10 – OPEB
  - Plan level and per policy holder amounts have been updated for FY16
    - Source: [www.peja.com](http://www.peja.com) (Forms & Downloads > Financial Reports > RHBT Actuarial Reports > Other Documents > ARC Plan Year 2016)
  - Must complete the district's information for FY16
  - Prior year template inadvertently left section that breaks down liability between state aid eligible and non-state aid eligible employees
    - Has been removed in FY16 template
    - Not needed since liability for state aid eligible employees was moved to the State

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West Virginia Department of **EDUCATION** 79

## Note Disclosure Highlights

- Note 10 – OPEB (Continued)
  - Guidance for calculating OPEB Note amounts, including percentage contributed:
    - A. OPEB liability at July 1: This is the OPEB Liability from the prior year audited financial statements
    - B. Total OPEB Expense: This is the total of your object codes 217 & 218, plus the current year state credit from the attached schedule
    - C. Less:
    - D. State appropriation allocation: This is the amount of the state allocation for the year from the OPEB ARC Credits 16 schedule
    - E. Pay-as-you-go payments and other credits: This is the total coded to object code 218 for FY2016
    - F. OPEB liability at year end: The sum of all of the amounts above should agree to your OPEB Liability on the face of your fund level balance sheet
  - The contributed percentage for the fiscal year is the total of the pay-go amounts (including other credits) divided by the total OPEB expense from the table above (item "E" divided by item "B"). Also, the Annual OPEB Costs to be reported in the contributed percentages table is the total OPEB expense from item "B", above.

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West Virginia Department of **EDUCATION** 80

## Note Disclosure Highlights

- Note 13 – Fund Balances
  - Pulls directly from Excel template
  - Again, do not include "TBD" as a category
- Note 14 – Commitments, Contingencies, and Subsequent Events
  - Include encumbrances in total, and by fund
  - Will update Medicaid note to be consistent with the expected interim cost settlement

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West Virginia Department of **EDUCATION** 81

## Note Disclosure Highlights

- Notes to RSI & OSI:
  - Update to include budgetary deficits (expenditures exceeding budget) for each fund, by function
  - Actuarial revisions for TRS (RSI only) will be updated when GASB 68 audited schedules are released

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West Virginia Department of **EDUCATION** 82

### A Few Key Points in Summary

- Year-end closing entries completed during July and August
- Report an appropriate amount in "nonspendable" fund balance (should be at least your balance of prepaid expenditures and TDC forfeitures)
- Financial statement templates pending release of GASB 68 Schedules and updated Medicaid note
- GASB 68 conversion not expected to get any easier this year
- Additional GASB 68 guidance will be provided
- No major issues with required GASB adoptions this year
- "TBD" is not an appropriate type of fund balance
- Financial statements submission due dates:
  - LEAs - September 28, 2016
  - RESAs & MCVCs - September 15, 2016

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West Virginia Department of **EDUCATION** 83

### Questions, comments, or template problems?

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