

West Virginia Department of **EDUCATION**

Implementing GASB Statement No. 68 and 71

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What is GASB Statement No. 68?

- **Objective** - To improve accounting and financial reporting by state and local governments for pensions.
- **Applicability** - Applies to all state and local government employers whose employees are provided with pensions through pension plans that are administered through trusts and to nonemployer contributing entities that have a legal obligation to make contributions directly to such pension plans.
- **Effective** - For fiscal years beginning after June 15, 2014. We must implement GASB 68 for the FY15 financial statements.

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Defining Each Entity's Role

- **State of West Virginia** – Non-employer contributing entity (special funding situations)
- **County School Boards (LEAs)** – Cost-sharing LEA employer contributing entities
- **Others** – Cost-sharing non-LEA employer contributing entities (i.e. Colleges, Universities, WVDE)
- The designation between LEA and non-LEA employer contributing entities is made in order to properly allocate certain amounts between the two different types of employers in accordance with how the State funds each group in the TRS Special Funding Situation.

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Special Funding Situations

- Special Funding Situations are circumstances in which a nonemployer entity is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity or entities and either of the following conditions exist:
 - 1) The amount of contributions for which the nonemployer entity is legally responsible is not dependent upon one or more events or circumstances unrelated to the pensions.
 - 2) The nonemployer entity is the only entity with a legal obligation to make contributions directly to a pension plan.

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TRS Special Funding Situation

- CPRB has determined that the TRS system does have a special funding situation in accordance with GASB 68's definition.
- This is based on the requirements of the Public School Support Program (PSSP) of WVC 18-9A-6(b) and 18-9A-6(c) in which the current retirement contributions for employees are sent directly to CPRB in lieu of payments from the county boards of education and in which the Legislature is required to make payments to eliminate the unfunded TRS pension liability over a 40 year period beginning in 1994.

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Fund-Level Financial Statements

- In governmental fund financial statements, the cost sharing employer's proportionate share of the collective net pension liability is required to be recognized to the extent the liability is normally expected to be liquidated with expendable available financial resources.
- Pension expenditures should be recognized equal to the total of (1) amounts paid by the employer to the pension plan and (2) the change between the beginning and ending balances of amounts normally expected to be liquidated with expendable available financial resources.
- Essentially, there are no changes to the fund level financial statements.

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District-Wide Financial Statements

County Boards of Education will record their proportionate share (adjusted for the special funding situation) of the following for TRS as determined by CPRB through their audited allocation schedules:

- Net pension liability (NPL)
- Deferred outflows/inflows of resources
- Pension Expense

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Footnote Disclosures

The footnotes must disclose the following information (list is not comprehensive):

- Descriptive information about the pension plans through which the pensions are provided.
- Discount rate and assumptions made in the measurement of the employer's proportionate share of NPL.
- Information about how the contributions to the pension plan are determined.

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Footnote Disclosures

- Due to the special funding situation, the footnotes will also have to include not only the county board's proportionate share of the NPL, but also the State's proportionate share of NPL associated with that county board.
- WVDE OSF, in collaboration with CPRB's auditors, has developed a calculation that county boards will be able to utilize to calculate the amount for the footnotes. All numbers utilized in the calculation come from the CPRB audited allocation schedules.

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RSI – Schedule of Proportionate Share of the Net Pension Liability

- GASB 68 requires cost-sharing employers to present required supplementary 10 year schedules containing:
 - Employer's proportionate share of NPL as a %
 - Employer's proportionate share of NPL in \$
 - State's proportionate share of NPL associated with the Employer in \$
 - Subtotal of (2) and (3)
 - Employer's covered employee payroll
 - Proportionate share of NPL as a % of covered payroll
 - Plan net position as a % of TPL
- The information gradually builds up to 10 years and then is presented for a rolling 10-year period. For FY15 financials, only one year will be presented.
- This schedule is as of the measurement date for TRS, not the fiscal year end of the county board.

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RSI – Schedule of Contributions

- GASB 68 requires cost-sharing employers to present required supplementary 10 year schedules containing:
 - Contractually required contribution
 - Contribution in relation to the contractually required contribution
 - Covered employee payroll
 - Contributions as a percentage of covered-employee payroll
- The information gradually builds up to 10 years and then is presented for a rolling 10-year period. For FY15 financials, only one year will be presented.
- This schedule is as of the fiscal year end date for the county board of education.

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GASB Statement No. 71

- Effective Date: Simultaneous with GASB 68
- GASB 71 amends paragraph 137 of GASB 68 to require that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The beginning balances for other deferred outflows and inflows of resources related to pensions should only be reported at transition if it is practical to determine all such amounts.
- Because the measurement date used by CPRB for TRS is June 30, 2014, we will have additional year-end entries on the district-wide statements to take our current year pension payments out of expense and put them into deferred outflows of resources.

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Let's Get Down to Business!

- CPRB Audited Allocation Schedules – Issued November 16, 2015.
- Revised LEA Financial Statement Templates:
 - Lots of changes to implement GASB 68 & 71
 - All revisions are highlighted in yellow within each revised template
 - Will be provided at conclusion of this presentation

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Changes to Fin. Stmt. Templates

- MD&A Revisions:
 - Updated tables to link to new Excel template
- New tabs within the Excel template:
 - Workpapers section:
 - GASB 68 Calculations
 - Ret Contr Input
 - RSI section:
 - Prop Share of NPL
 - Schedule of District Contrib
 - Notes section:
 - Restatement of Beg Net Position
 - NPL Assoc. w LEA
 - Pension Deferred In_outflows
 - Amort. Of Def. Amounts
 - Sensitivity Analysis

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Changes to Fin. Stmt. Templates (Cont.)

- New account added to Excel template:
 - Net pension liability – proportionate share
- New reconciling items added to both reconciliation schedules in Excel template:
 - Balance sheet:
 - Net pension liability – proportionate share
 - Deferred outflows of resources related to pensions
 - Deferred inflows of resources related to pensions
 - Income Statement:
 - District pension contributions
 - Cost of benefits earned net of employee contributions

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Changes to Fin. Stmt. Templates (Cont.)

- Additions to Notes to the Financials:
 - Wording changes in Note 1.U.
 - Note 2 – added for Changes in Accounting Principles
 - Note 10 – added new language and tables as required by GASB 68 & 71
 - RSI Note C – added language and table for actuarial revisions

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LEA Steps for Completing GASB 68 Conversion Entries in New Excel Template

1. Fill in all yellow cells of the "GASB 68 Calculations" tab.
 - You will need:
 - Audited GASB 68 Schedules
 - Retirement Allocation schedule for FY2014 (prepared by WVDE OSF)
2. Fill in all yellow cells of the "Ret Contr Input" tab.
 - You will need:
 - WVEIS expenditures by function reports for object codes 231 and 233 for both FY2014 AND FY2015

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LEA Steps for Completing GASB 68 Conversion Entries in New Excel Template (Cont.)

3. Check "JEs" tab to ensure entries "V" and "W" balance. If not, adjust for rounding in the yellow cells. (Entry "U" self-balances.)
4. See if rounding adjustments are needed on the "Amort. Of Def. Amounts" tab.
5. Fill in all yellow cells of the "Prop Share of NPL" and "Schedule of District Contrib" RSI tabs.
6. Ensure that all reconciliations still work. Make note that there is a new pension expense reconciliation at the bottom of the "JEs" tab (just outside the print area).
7. Fill in all unlinked amounts in the Employee Retirement System footnote (designated with a "\$_____").
8. Ensure linked tables in Notes and MD&A update with the changes. (May need to relink pie charts in MD&A)

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Inputting Your Other Financial Info.

- Due to the extensive changes that were needed in the Excel template, OSF suggests that you key your draft financial statements (prepared to meet the September deadline) into the new templates.
- However, if you did not use the FY15 version of the OSF F/S template, or you had to make significant changes to tailor the template to your county's specific needs, then you may copy the new tabs and footnote language, as described earlier, into your own template and update linking between the files.
- OSF will provide as much assistance as possible during this process.

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Change in Allocation Method for Unfunded Retirement Liability

- UAAL contribution is currently allocated to ONLY the 55 county boards of education.
- However, several other employers participate in the plan and receive benefit of the UAAL contribution.
- GASB 24, paragraph 9, states that:
 - "On-behalf payments to cost-sharing multiple-employer defined benefit pension plans and to other fringe benefit plans with cost-sharing features should be recognized in a manner that allocates the payment among the covered employers using a systematic and rational allocation method, consistently applied."
 - "The allocation method generally should be based on the ratio of an individual employer's covered payroll to the entire covered payroll related to the on-behalf payments."

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Change in Allocation Method for Unfunded Retirement Liability (Cont.)

- WVDE OSF has recalculated the FY15 allocation of the UAAL contribution to distribute the entire payment across all participating employers.
- The revised schedule is to be used to prepare the GASB 68 & 71 conversion entries.
- LEAs will also be required to adjust the previous UAAL allocation recorded in their FY15 fund level financial statement to the revised amount.
 - Will require an additional FY15 WVEIS closing entry
 - LEAs should resubmit their FY15 data files once the UAAL adjustment has been made.

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Walkthrough examples for LEAs

- Refer to packets titled:
 - “GASB 68 Calculations & Financial Statement Template Examples”
 - “Supporting Documentation Needed to Complete GASB 68 & 71 Conversion Journal Entries”

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RESA Considerations

- Because RESAs are not separate legal entities, their contributions are not separated out on the audited GASB 68 schedules.
- RESAs do not have State Aid eligible employees. Therefore, they receive no benefit of the subsidy funded by the State for current employees.

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RESA Considerations (Cont.)

- In order to record GASB 68 conversion entry “U,” each RESA must do the following:
 - Determine FY14 employer contributions to TRS
 - Divide the total RESA contributions by the total contributions on the FY14 audited GASB 68 Schedule of Employer Allocations to determine the allocation percentage for the RESA.
 - Apply the calculated allocation percentage to grand totals on the FY14 audited GASB 68 Schedule of Pension Amounts by Employer to determine amounts for JE “U”.
 - Do the same calculation for FY13 to determine the allocated beginning NPL amount needed for restatement of beginning Net Position (other half of JE “U”).

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RESA Considerations (Cont.)

- GASB 68 conversion entry "W":
 - RESAs receive no benefit of the Subsidy. Therefore, there is no entry needed to allocate a portion of the subsidy's Net Pension Expense to the RESA (for State support).
 - RESAs will use their FY2014 employer contribution total to allocate the pension expense attributable to the UAAL funding. This will follow the same calculation as the "Calculation of Expense Attributable to UAAL Special Funding" noted in the "GASB 68 Calculations" tab of the Excel template.
- GASB 68 conversion entry "V" is the same as for the LEAs

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MCVC Considerations

- Because MCVCs are not separate legal entities, their contributions are not separated out on the audited GASB 68 schedules.
- GASB 68 conversion entry "U" will follow the same calculation as noted for the RESAs
- GASB 68 conversion entry "V" is the same as for the LEAs.


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MCVC Considerations (cont.)

- GASB 68 conversion entry "W":
 - Use the FY2014 employer contribution total (from WVEIS) to allocate the pension expense attributable to the UAAL funding. This will follow the same calculation as that of the LEAs and RESAs.
 - MCVCs do receive benefit of the Subsidy. Therefore, the subsidy support must be allocated to the MCVC similarly to how the LEAs allocate it.
 - The MCVC will back out their UAAL support from the Retirement Allocation Schedule to arrive at the total needed for entry "W."

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Questions or comments?

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