



NORTH CAROLINA  
**DEPARTMENT OF STATE TREASURER**  
STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

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**Memorandum # 2015 - 19**

TO: Local Government Finance Officials and Their Independent Auditors

FROM: Sharon Edmundson, Director Fiscal Management Section

SUBJECT: GASB 68 Financial Reporting for the Firefighters' and Rescue Squad Workers' Pension Fund for Fiscal Year Ended June 30, 2015

DATE: June 30, 2015

On December 1, 2014, we published Memorandum #2015-06 which focused on the implementation of GASB Statement 68 and the four multi-employer cost-sharing defined benefit plans that enroll local governments and public authorities – the Teachers' and State Employees' Retirement System, the Local Governmental Employees' Retirement System, the Firefighters' and Rescue Squad Workers' Pension Fund (Fire and Rescue) and the Registers of Deeds' Supplemental Pension Fund. This document will focus on the local government's accounting and disclosures related to the implementation of GASB Statement 68 for Fire and Rescue.

As noted in Memorandum #2015-06, the Fire and Rescue plan is the only one of the four plans that has been determined to be a special funding situation. A special funding situation arises when a nonemployer entity (other than the employee) is legally responsible for making contributions directly to a pension plan that is used to provide pensions to the employees of another entity. The Fire and Rescue plan benefits employees of local governments; however, only the State is required to make contributions directly to the plan.

Local governments should consider materiality when determining whether or not to include the accounting treatment and disclosure information related to the Fire and Rescue plan in their financial statements.

**Accounting for local governments:**

Because local governments have no legal requirement to contribute to the plan, they have no proportionate share of the Fire and Rescue plan's net pension liability. As such, there will be no entries to record deferred inflows of resources related to pensions, deferred outflows of resources related to pensions, or a local government's proportionate share of the net pension liability (see paragraphs 92 and 93 of GASB Statement 68).

Local governments should record, if material to their financial statements, pension expense for the Fire and Rescue plan equal to the portion of the State's collective pension expense that is associated with the local government (see paragraph 94 of GASB Statement 68). In addition, local governments should record revenue in an amount equal to the State's total proportionate share of

the collective pension expense that is associated with the local government (see paragraph 95 of GASB Statement 68). In other words, the amount of revenue that will be recorded is equal to the amount of expense that will be recorded. Again, all of this is subject to materiality.

The amount of the revenue and expense that will be recognized and the net pension liability that will be disclosed is based on the number of active plan members who are **employees** of the local government. To determine the number of employees to which these amounts apply, the local government should obtain from each of its fire and rescue squad departments the number of employees who 1) have completed the required training as of the most recent calendar year-end (December 31, 2013) and 2) are participating in the plan at June 30, 2014. Due to the irregular manner in which employee contributions are made to the plan (members may make their contributions in advance or in arrears), it may be necessary to make a reasonable estimate as to the number of active plan members at June 30, 2014. Firefighters and rescue squad workers who are not entitled to receive a W-2 from a unit of government in a given year are not employees of that unit in that given year.

**For the fiscal year ending June 30, 2015, local governments will record, as a revenue and an expense, \$244 per eligible active Fire and Rescue plan member.** This amount was derived as the total pension expense of the plan for the fiscal year ending June 30, 2014 (the measurement date) divided by the estimated number of active members in the plan at June 30, 2014.

***Example:***

The City of Dogwood has eight eligible active members of the Fire and Rescue Plan at June 30, 2014. For the fiscal year ending June 30, 2015, the City of Dogwood will make the following entry:

Pension expense per member	\$ 244
Number of Fire and Rescue members at 6-30-2014	<u>8</u>
Amount to record at June 30, 2015	<u><u>\$ 1,952</u></u>

Journal Entry at June 30, 2015

	<u>debit</u>	<u>credit</u>
Pension expense	\$ 1,952	
Revenue - support from State		\$ 1,952

**Note disclosures and required supplementary information for local governments:**

The local government's requirements for Fire and Rescue plan note disclosures and required supplementary information are similar to its requirements for other cost-sharing plans. Please refer to GASB Statement 68, including Illustration 4, and also to the 2015 sample financial statements for the City of Dogwood that are posted on the State and Local Government Finance Division's website. The sample financial statements provide an example of the Fire and Rescue

disclosures and schedules that are required. In addition to the information provided in the sample financial statements, the local government will need to calculate and disclose the State's proportionate share of the Fire and Rescue plan's net pension liability that is associated with the local government.

**For the fiscal year ending June 30, 2015, the local government will disclose \$649 per eligible member as a net pension liability, which is the State's proportionate share of the Fire and Rescue plan's net pension liability that is associated with the local government per eligible Fire and Rescue plan member.** This amount was derived as the actuarially determined net pension liability at June 30, 2014 (the measurement date) divided by the estimated number of active members in the plan at June 30, 2014. Please note this is only a disclosure in the footnotes and not a liability that is recorded on the unit's financial statements.

***Example:***

The City of Dogwood has eight eligible members of the Fire and Rescue Plan at June 30, 2014. The City will disclose the State's total proportionate share of the net pension liability associated with the City as follows:

Per member amount associated with the City	\$ 649
Number of active members at 6-30-2014	8
Amount to disclose	<u>\$ 5,192</u>

Sample note language:

***“Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At June 30, 2015, the City reported no liability for its proportionate share of the net pension liability, as the State provides 100% pension support to the City through its appropriations to the Firefighters' and Rescue Squad Workers' Pension Fund. The total portion of the net pension liability that was associated with the City and supported by the State was \$5,192. The net pension liability was measured as of June 30, 2014. The total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the

projected contributions of all participating employers. As the City is not projected to make any future contributions to the plan, its proportionate share at June 30, 2014 and at June 30, 2013 was 0%.”

Sample RSI:

**Schedule of Required Supplementary Information**  
**SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF THE NET**  
**PENSION LIABILITY**  
**Firefighters' and Rescue Squad Workers' Pension Fund**  
 Last Fiscal Year\*

	<b>2015</b>
City's proportion of the net pension liability (asset)	0.00%
City's proportionate share of the net pension liability (asset)	\$ -
State's proportionate share of the net pension liability (asset) associated with the City	5,192
Total	\$ 5,192
City's covered-employee payroll	N/A
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	N/A
Plan fiduciary net position as a percentage of the total pension liability	93.42%

\*The amounts presented for the fiscal year ending June 30, 2015 were determined as of June 30, 2014

As noted earlier, the sample financial statements will reflect the GASB Statement 68 accounting and disclosure requirements for all of the cost-sharing defined benefit plans, including the Fire and Rescue Plan. There is a webpage dedicated to GASB Statements 67 and 68, [https://www.nctreasurer.com/slg/lfm/audit\\_acct/Pages/Pension-Standards.aspx](https://www.nctreasurer.com/slg/lfm/audit_acct/Pages/Pension-Standards.aspx), which can provide additional guidance and other helpful resources. If you have any questions, please contact Sharon Edmundson, [Sharon.edmundson@nctreasurer.com](mailto:Sharon.edmundson@nctreasurer.com) or (919) 814-4289, or Preeta Nayak, [Preeta.nayak@nctreasurer.com](mailto:Preeta.nayak@nctreasurer.com) or (919) 814-4291.