

Agenda
Accounting Principles Committee (APC)
2017 TASSCUBO Winter Conference
Monday, July 10, 2017
JW Marriott Hill Country Resort & Spa
Exhibit Hall A
San Antonio, Texas

4:00 pm – 5:30 pm
Exhibit Hall A

- Preparing for **2017** Annual Financial Reporting Season
 - Review the deadlines
 - Capital Asset Transfers, new object codes for cash activity related to capital assets between state agencies/institutions
 - SEFA Note 3-Student Loans and Note 8-Disaster Grants updated
 - SEFA web application open August 1st
 - Lapse Program for AY 2015 will run August 21st
- Legislative Changes
 - 2017
 - House Bill 2, Section 26 Governor’s Hiring Freeze,
 1. Post as lapses in our main appropriation, GR
 2. Need to gather documentation from our budgeting team for the totals to be lapsed
 3. Comptroller’s Office allowing to post in FY 2017 or FY 2018, will institutions recommend these are posted in FY 2017?
 - 2018
 - For University of Texas Members and Texas A&M Members, Insurance Code 16.01 has changed to allow Group Insurance costs required by the Affordable Health Care Act can now be charged to General Revenue
 1. We are modifying our programs to be ready to implement September 1st
 2. This will simplify our APS011 Calculation for AY 2018
- GASB 60 Service Concession Agreements-for higher ed these are most often Parking, Student Housing, Bookstores or Food Services which have been outsourced
 - GASB 60 Paragraph 4, This Statement establishes guidance for accounting and financial reporting for SCAs. As used in this Statement, an SCA is an arrangement between a government (the transferor) and an operator in which all of the following criteria are met:
 - a. The transferor conveys to the operator the right and related obligation to provide public services through the use and operation of a capital asset (referred to in this Statement as a —facility) in exchange for significant consideration, such as an up-

front payment, installment payments, a new facility, or improvements to an existing facility

b. The operator collects and is compensated by fees from third parties

c. The transferor determines or has the ability to modify or approve what services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services (this is usually the criteria that fails for most Service Concession Agreements)

d. The transferor is entitled to significant residual interest in the service utility of the facility at the end of the arrangement.

- Which institutions report these on their AFR?
- Open Discussion on the process, any challenges?
- APS011 Benefits Proportional by Fund
 - No changes have been made to the APS011 Calculation for 2017
 - The GAA now includes references from the 2016 instructions
 - Keep each other updated if there are changes
- NACUBO Updates
 - Year-Round Pell-newly reinstated year-round Pell awards effective 2017-2018 award year; help students maintain their academic progress in the summer
 - Overtime Rules-Labor Department indicated they would be requesting a new round of public comments for Obama administrations overtime rules. They understand the overtime exemption moving from \$23,660 to \$47,476 was too drastic.
 - Any additional items?
- Council On Governmental Relations (COGR) Updates-They have submitted templates requesting all institutions submit a letter to the White House, Office of Management & Budget and US DHHS discussing the opposition to the 2018 budget proposal for NIH proposed reduction to the NIH budget by \$7.2 billion and restrict F&A costs to 10%
 - Significant impact if reduced to 10%
 - Did any institutions issue letters?
- Comptroller's Office Expenditure Audit-a few audit findings, open discussion
 - Direct bill by the hotel and/or credit card payments if state funded, and seek reimbursement; the alt vendor is the credit card company, not the traveler. Comptroller's Office has stated the traveler data is required on the entry. We believe this is not the accounting event; we are paying the credit card company. We have travel vouchers with the detailed charges by travelers.
 - Any other institutions have this finding?
 - Service departments, we are allowed to have them and can seek reimbursement from state funds; however, when we are seeking reimbursement, we must have a unique TINS number (mail code)
 - Condition code of Assets being analyzed, need to ensure property managers are providing guidance on the condition when departments are inventorying the assets. Ensure if older than one year, not listed as 'new'. Also required per new Uniform Guidance.
 - Any other items institutions are receiving?

- Internal Audit Questions
 - Student Receivables-auditors are analyzing each institutions write off policies, fiscal office provides the entries and what is expected, but not percentages or timeframes...what do others do? What is reasonable? Based upon individual institutions experience?
 - When writing off the account from the student system? 5 years or permanent?
 - When writing off the debt on the AFR? 1-3 years?
 - Travel cards being used with institutional funds; require being in travel status? Statutes have changed. Potentially we will have a one-card solution. Auditors still reviewing this issue.
- Upcoming GASB Pronouncements
 - **GASB 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB) for all entities, effective FY 2018**
 - No changes, waiting on guidance from the Comptroller's Office
 - For institutions who are not self-insured and are insured through ERS, these liabilities will be place on the institution's balance sheet for the first time
 - Currently the entry is fairly simple credit Non-Current Liability-OPEB and debit new operating statement line item 'Net Change in OPEB' in operating expenses
 1. UT System and A&M System have placed in the Institutional Support NACUBO Function
 2. Indiana University does not list as a separate natural classification line item
 3. Reporting Requirements will be developed and updated
 4. Difference in methodologies:
 - Pension expenses are spread by function by salaries and wages or contributions; will OPEB expense change and follow the same methodology?
 - Will it be different for self-funded institutions vs. others?
 - **GASB 81 Irrevocable Split-Interest Agreements-FY 2018**
 - Questionnaire by the Comptroller's Office, due July 31st
 - Irrevocable split-interest agreements where the institution is the intermediary
 - Might be recorded in Annuity and Life Income Funds, analyze activity and balances
 - **GASB 84 Fiduciary Activities Estimated FY 2020**
 - Agency Fund Balances/Activities being analyzed
 - Potentially issue different types of statements for agency fund activity
 - Four Types of Fiduciary Activities Listed
 1. Pensions (TRS manages Texas institutions pensions)
 2. Investment Trust Funds are used to report fiduciary activities from the external portion of investment pools and individual investment accounts that are held in a trust that meets the criteria in paragraph 11c (1).

11 (c) The assets associated with the activity have one or more of the following characteristics:

(1) The assets are (a) administered through a trust in which the government itself is not a beneficiary, (b) dedicated to providing benefits to recipients in accordance with the benefit terms, and (c) legally protected from the creditors of the government.

3. Private Purpose Trust Funds are used to report all fiduciary activities that (a) are not required to be reported in pension (and other employee benefit) trust funds or investment trust funds and (b) are held in a trust that meets the criteria in paragraph 11c(1).

4. Custodial Funds (agency funds) are used to report fiduciary activities that are not required to be reported in pension (and other employee benefit) trust funds, investment trust funds, or private-purpose trust funds

○ **GASB 87 Leases-FY 2020**

- This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.
- Subleases will be included
- Audit issue due to volume of leases, financial ratio impact the viability and other debt ratios and the CFI
- Consider investing in a lease accounting software package

○ **Financial Reporting Model-FY 2022**

- BTAs will be reviewed
- Role of the Cash Flow Statement
- Examining the operating revenue/expense

- Other Committee business?
- Thank you for your participation