

Accounting Principles Committee (APC)
TASSCUBO Conference
Monday, July 8, 2019
7:15 a.m. – 8:15 a.m.
La Cantera Resort & Spa
Meeting Room: La Cantera I & IV
San Antonio, Texas

Agenda

- Welcome & Introduction
- Comptroller Presentation (20 minutes)
- GASB 83, Certain Asset Retirement Obligations, effective FY 2019 (5 minutes)
- GASB 87, Leases, effective FY 2021 (10 minutes)
- Perkins Entries and Closeout Process Discussion (5 to 10 minutes)
- Expenditure Study Best Practices Working Group Update (5 minutes)
- Upcoming GASB Pronouncements (5 minutes)
- General Discussion (5 to 10 minutes)

Agenda Items with Details

- Welcome & Introduction

- Comptroller Presentation (20 minutes)
 - Michael Hensley, Financial Reporting Analyst, Fiscal Integrity Team for Texas
Comptroller of Public Accounts
 - Topics:
 - GASB 84, Fiduciary Activities
 - OPEB Update

- GASB 83, Certain Asset Retirement Obligations, effective FY 2019 (5 minutes)
 - Summary (From Texas Comptroller Questionnaire)
 - GASB 83 defines an Asset Retirement Obligation (ARO) as a legally enforceable liability associated with the retirement of a tangible capital asset (that is, the tangible capital asset is permanently removed from service). The retirement of a tangible capital asset encompasses its sale, abandonment, recycling or disposal in some other manner; however, it does not encompass the temporary idling of a tangible capital asset.
 - AROs result from the normal operations of tangible capital assets, whether acquired or constructed, and include legally enforceable liabilities associated with all of the following activities:
 1. Retirement of a tangible capital asset
 2. Disposal of a replaced part that is a component of a tangible capital asset
 3. Environmental remediation associated with the retirement of a tangible capital asset that results from the normal operation of that capital asset.
 - Notes from Previous TASSCUBO APC Discussions:
 - Obligations to decommission certain tangible assets, nuclear reactors, wind turbines, sewage treatment plants and/or removal x-ray machines, etc.
 - Complex calculation, FASB schools are calculating now, samples are available.
 - Creates a new liability and deferred outflow, along with a restatement for FY2019.
 1. Institution is required to amortize the deferred outflow, decommission plans are often a lot of staff time. For amortization, pick the largest asset's useful life to determine time period to amortize deferred outflow.
 - Recommended to work with risk management office. They can help with determining the estimated liability for decommissioning and retirement.

- GASB 87, Leases, effective FY 2021 (10 minutes)
 - Joint Subcommittee with Asset Management Committee on GASB 87
 - First Meeting:
 1. Monday, July 8, 2019
 2. 5:00 PM to 6:00 PM
 3. San Lorenzo Conference Room
 - Purpose:
 1. The purpose of this subcommittee is to help develop general guidelines for institutions to help implement GASB 87. Also, the subcommittee will help communicate with the Comptroller on reporting requirements needed for higher education institutions.
 - Summary
 - Establishes a single model for lease accounting (eliminates long-term operating leases)
 - Requires lessee to recognize a lease liability and intangible right-to-use lease asset
 - Requires lessor to recognize a lease receivable and deferred inflows of resources
 - Requires additional disclosures for both lessee and lessor
 - Helpful Resources:
 - [Project Page Link](#)
 - [GASB Implementation Guide Exposure Draft](#) (Final is Forthcoming):
 - [Deloitte Response to Exposure Draft](#)
 - Notes from Previous TASSCUBO APC Discussions:
 - Need to start now, by pulling together all possible leases (contracts) since all operating leases will convert to capital like accounting.
 - Amortization schedules will be required for each lease.
 1. 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 due to calculations and audit requirements.
 1. PeopleSoft calculates present value
 2. Some finance advisors use software for their bond leases
 3. No software specific to this GASB requirement. Ricoh working on one and did a demo for UT.
 - GASB did state the Comptroller's Office could provide us with a materiality threshold by type of asset (this would help with copiers and laptops). This is on their list to look at.

- Perkins Entries and Closeout Process Discussion (5 to 10 minutes)
 - Liquidation Process Summary
 - Eric Fisher, Chief Accounting Officer & Controller, Texas Tech University
 1. Eric will speak for a few minutes on the process Texas Tech used to liquidate their Perkins Loan Program and benefits/costs of that process.
 - [Perkins Loan Program Close-Out Guidance](#)
 - NACUBO Guidance Updated November 2018
 - Institutions should recognize federal portion as a liability in FY2019, if they did not in FY2018.
 - UNT System institutions plan to use non-operating expense for the SRECNP impact and other non-current liability for the SNP. This is in line with the UT System institutions.
 - Two Options for Future:
 - Continue to service the outstanding loans without additional funding
 - Liquidate the portfolio

- Expenditure Study Best Practices Working Group Update (5 minutes)
 - Next Meeting:
 - Monday, August 5, 2019
 - 9:00 AM to 3:00 PM
 - POB Building at the UT Austin, Room 2.402

- Upcoming GASB Pronouncements (5 minutes)
 - **REMINDER:** GASB 89, Accounting for Interest Cost Incurred before the End of a Construction Period
 - Early implementing this standard for FY2019
 - No longer required to capitalize interest on CIP being financed
 - Comptroller's office reporting requirements are updated
 1. https://fmx.cpa.texas.gov/fmx/pubs/afrrptreg/cap_assets/index.php?section=treatment&page=acquisition
 - GASB 84, Fiduciary Activities, effective FY 2020
 - Summary
 1. Establishes criteria for identifying fiduciary activities of all state and local governments:
 - whether a government is controlling the assets of the fiduciary activity
 - the beneficiaries with whom a fiduciary relationship exists
 2. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities

- 1. Separate financial statements for some of our activities
 - 2. Analyze Agency Funds, Foundations, Investments Held on behalf of other Institutions
 - 3. Fiduciary funds will have net position
 - 4. Recommendation is to start now to evaluate what type of activity your institution has in agency funds.
 - 5. Some work on accounting system set-up if you are not already mapping agency to an equity account.
 - 6. Outstanding questions: Will some activity be moved to other fund groups? Designated, Restricted?
 - Helpful Resources:
 - 1. [GASB Implementation Guide](#) (06/2019):
 - 2. [NACUBO Response to Exposure Draft](#) (03/01/2019):
 - 3. [Deloitte Response to Exposure Draft](#) (02/28/2019):
- GASB 87, Leases, effective FY 2021
 - See Agenda Item above for details.
- Current GASB Projects (Not An Exhaustive List):
 - Financial Reporting Model
 - 1. Project Description (From GASB Project Page):
 - The objective of this project is to make improvements to the financial reporting model.... The objective of these improvements would be to enhance the effectiveness of the model in providing information that is essential for decision-making and enhance the ability to assess a government’s accounting and address certain application issues, based upon the results of the pre-agenda research on the financial reporting model.
 - 2. [Project Page Link](#)
 - 3. Helpful Resources:
 - [NACUBO Comments on Proposed SRECNP Format](#)

- Public Private Partnerships and Availability Payment Arrangements, including Reexamination of Statement 60
 1. Project Description (From GASB Project Page):
 - This project addresses accounting and financial reporting for public-private partnerships (PPPs) and availability payment arrangements (APAs). The project will consider (1) potential amendments to Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements, and potential amended or new implementation guidance to better address accounting and financial reporting for service concession arrangements (SCAs) within its scope, and (2) potential additional accounting and financial reporting guidance for other types of public-private partnerships not within the scope of Statement 60 or subject to the provisions of Statement No. 87, Leases, and (3) APAs.
 2. [Project Page Link](#)
- Subscription-Based Information Technology Arrangements
 1. Project Description (From GASB Project Page):
 - This project addresses accounting and financial reporting for subscription-based information technology arrangements (SBITAs), a type of information technology (IT) arrangement. The project will consider (1) potential accounting and financial reporting guidance for cloud computing arrangements that are not addressed in current guidance and (2) potential amendments to Statement No. 51, Accounting and Financial Reporting for Intangible Assets, and related questions and answers in the Comprehensive Implementation Guide.
 2. [Project Page Link](#)
 3. Helpful Resources:
 - [NACUBO Comments](#)
- General Discussion (5 to 10 minutes)
 - Any additional topics or issues to discuss?