

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
 - We know have a contact list that anyone can join. Please contact Aaron LeMay to be added or update university member information.

- Comptroller Presentation (20 minutes)
 - Slides from presentation are below.
 - GASB 84, Fiduciary Activities
 - **Paragraph 19 exception** – Allows Business Type Activities (BTA) and Enterprise Funds ONLY to report activity in the BTA Statement of Net Position, when receipts are normally expected to be held for three months or less.
 - GASB implementation guide 2019-2, Q 4.45 and Q 4.46 clarification – Normal expected holding period for a recurring receipt can be established by best practice rather than making the assessment each time a resource is received.
 - In other words, what is normally expected
 - Comptroller has decided that each reporting entity can implement and determine how to interpret and apply the paragraph.
 - **Materiality Threshold** – State of Texas materiality threshold for fiduciary activities will be anything \$100,000 and above in total by specific type of activity
 - GASB implementation guide 2015-1, Q 7.4.1 clarifies fiduciary activities to base materiality on professional judgement and qualitative factors, then quantitative factors as necessary.
 - The Comptroller will be establishing criteria for agency funds and putting out guidance
 - GASB 75, OPEB Update
 - Will be implementing employer specific adjustments this year.

- GASB 83, Certain Asset Retirement Obligations, effective FY 2019 (5 minutes)
 - Comptroller noted that GASB 83 applies to any agency where it costs money to retire the asset, at the agency's best estimation.

- GASB 87, Leases, effective FY 2021 (10 minutes)
 - Everyone should already be looking at GASB 87, both lessee and lessor.
 - Last week everyone got an email on the difference between GASB 87 & 88 from CPA. It will be important to know the lease to determine how to account for it.
 - UT is considering Ricoh as a vendor. Also looked at PeopleSoft, which has a module but not lessor side and disclosures.
 - There is now a subcommittee with the Asset Management Committee to help with guidance on the implementation. We are trying to get contacts with the Comptroller to help with guidance from the state.

- Perkins Entries and Closeout Process Discussion (5 to 10 minutes)
 - Eric Fisher, Chief Accounting Officer & Controller, spoke about some lessons learned at Texas Tech University when going through the closeout process with the Department of Education.
 - When you submit intent to liquidate, you have 45 days to submit everything.
 - Involve business office now – student financial aid, bursars office, etc.
 1. Ensure present value calculation supports liquidation.
 - Get all documentation together to upload data into the Perkins loan assignment system.
 1. Can take 30-45 days to get access to the system, so request access now
 - Assess any kind of servicer/vendor agreements and make sure that there's an early termination of the contract in the servicer agreement
 - NACUBO has guidance on this process as well.
 - Also, liquidation entries for the federal portion need to be made in FY2019 if they were not made in FY2018.

- Expenditure Study Best Practices Working Group Update (5 minutes)
 - No discussion on topic, informational only.

- Upcoming GASB Pronouncements (5 minutes)
 - GASB 89
 - Note to communicate to CFOs and other stakeholders that this will increase interest expense and may create a variance on the financials.
 - GASB 84
 - Recommend doing a review of agency funds to determine if the institution should continue to have those agency operations.

- General Discussion (5 to 10 minutes)
 - Nothing to note.

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?

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GASB Stmt. No. 84 & GASB Stmt. No. 75

July 8, 2019

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Statewide Fiscal Oversight, Financial Reporting Section
Texas Comptroller of Public Accounts

GASB Stmt. No. 84 Paragraph 19 Exception

- Allows Business Type Activities (BTA) and Enterprise Funds ONLY to report activity in the BTA Statement of Net Position, when receipts are normally expected to be held for three months or less
 - GASB Impl. Guide 2019-2, Q 4.45 and Q 4.46 further clarifies the meaning of paragraph 19
 - Normal expected holding period for a recurring receipt can be established by best practice rather than making the assessment each time a resource is received
 - In other words, what is “NORMALLY expected”
 - Each reporting entity will determine and apply

GASB Stmt. No. 84 Materiality Threshold

- State of Texas materiality threshold for fiduciary activities will be anything \$100,000 and above in total by specific type of activity
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GASB Stmt. No. 75 Employer Specific Adjustment

(1) Change in Employer's Proportion (GASB 75 para. 64):

	Collective Amt at 8/31/18	4.80511114%	6.14425740%	Change in Proportionate Share	
		Proportionate share 8/31/18 (a)	Proportionate share 8/31/19 (b)	Debit Balances (b) - (a)	Credit Balances (b) - (a)
Collective Deferred Outflows of Resources	10,087,881	484,734	619,825	135,091	
Collective Deferred Inflows of Resources	7,533,706,314	362,002,961	462,890,308		100,887,347
Collective Net OPEB Liability	34,073,011,733	1,637,246,083	2,093,533,545		456,287,462
Total of changes in the Employer's beginning reported balances				135,091	557,174,809
Amount to be recognized for the effect of the change in proportion on beginning reported balances				557,039,718	
Total of amounts recognized for the change in proportion				557,174,809	557,174,809

(2) Difference between Employer's Contributions & Proportionate Share of Contributions (GASB 75 para. 65):

	Collective Amt 8/31/19	Proportionate Share %	Subsequent to Measurement Date	Difference (b) - (a)
		8/31/19 (a)	8/31/18 (b)	
Employer contributions	\$ 323,613,731	19,883,661	16,585,270	(3,298,391)

(3) Net effect of (1) and (2):

	Deferred Outflows/(Inflows) of Resources	OPEB Expense	
Change in proportion [from (1) above]	457,568,340	99,471,378	
Contribution difference during the measurement period [from (2) above]	(2,709,393)	(588,998)	
Net amount recognized	454,858,947	98,882,380	Check Figure: 0
		553,741,327	

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GASB Stmt. No. 75 Employer Specific Adjustment

SCHEDULE A1 - Amortization of change in proportion and contribution difference.					Deferred Outflow of Resources	Deferred Inflow of Resources	Total	CK
The purpose of this schedule is to track amortization for employer specific adjustment. The employer specific adjustment is not accounted for in the actuary report. Future years will be added as applicable.								
CAFR Fiscal Year	2019	2020	2024	Total				
Total Amount	553,741,327							
Average Remaining Service Lives	5.60							
Year Ended 8/31:								
2019	98,882,380			98,882,380	98,882,380	0	98,882,380	0
2020	98,882,380			98,882,380	98,882,380	0	98,882,380	0
2021	98,882,380			98,882,380	98,882,380	0	98,882,380	0
2022	98,882,380			98,882,380	98,882,380	0	98,882,380	0
2023	98,882,380			98,882,380	98,882,380	0	98,882,380	0
2024	59,329,427			59,329,427	59,329,427	0	59,329,427	0
2025	0.00			0	0	0	0	0
2026	0.00			0	0	0	0	0
Total	553,741,327	0	0	553,741,327	553,741,327	0	553,741,327	0

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GASB Stmt. No. 75 Employer Specific Adjustment

				Difference between Expected and Actual Experience	Changes of Assumptions	Difference between Projected and Actual Investment Return	Effect of Change in Proportion & Contribution Difference (Employer Specific Adjustment)
Deferred outflows/(inflows) amount				(57,491,112)	(363,988,557)	496,856	553,741,327
Amortization period				5.60	5.60	5	5.60
Amortization amount				(10,266,270)	(64,997,957)	99,371	98,882,380
Outstanding deferred outflows and deferred inflows at 8/31/2019:							
				Deferred Outflows of Resources	Deferred Inflows of Resources		
Difference between expected and actual experience				0	66,716,281		
Changes of assumptions				0	638,134,895		
Net difference between projected and actual investment return				862,354	0		
Effect of change in proportion and contribution difference				454,858,947			
Contributions subsequent to the measurement date				0			
Total				455,721,301	704,851,176	Net Balance (249,129,875)	
Year ended August 31:							
				Employer Specific Adjustment - Schedule A1			Total to Report in AFR
	Actuary Report						
2020	(179,264,473)			98,882,380			(80,382,093)
2021	(179,264,473)			98,882,380			(80,382,093)
2022	(179,264,473)			98,882,380			(80,382,093)
2023	(121,036,868)			98,882,380			(22,154,488)
2024	(45,158,535)			59,329,427			14,170,892
Thereater	0			0			0
Total	(703,988,822)			454,858,947			(249,129,875)