

Accounting Principles Committee (APC)
TACUBO Summer Conference
Tuesday, July 16, 2024
7:15 a.m. – 8:15 a.m.

- **Welcome (Leanna Odom/Leslie Fluharty)**
Updating roster for our use and scan QR code for CPE credit.
- **GASB Implementations – Looking Back (Leanna):**

GASB 87 (Leases) & GASB 96 (SBITAs) - what tools are you using to maintain the contracts and amendments? How does this ensure year-end impact is timely?

When we implemented, we had to establish processes to ensure the completeness of the population. How are you monitoring to ensure the completeness and ensure AFR accuracy post implementation (Leanna Odom, Lamar State Colleges)?

U of H, Leslie Fluharty - noticed the notification is not occurring by the contract department for amendments or changes. It can cause a restatement issue. What is the best way to keep up with changes to ensure AFR completion?

Christy Journey, A&M Agrilife – our System Office created a checklist to assist with the effort. It helps us enter information into LeaseQuery.

April Barnes – UNT System – we use our requisition workflow for GASB 87 and GASB 96. Any commodity code that could remotely trigger an 87 or 96 issue. We make sure it goes to the right category code. We also evaluate the thresholds. You have to work with your contracts team if you are the landlord for 87 (lessor side). We work with our contracts team on a quarterly basis for these.

- **GASB Implementations – fiscal 2024 Impact:**

GASB Statement No. 99 Omnibus – effective fiscal **2024**.

Amends GASB 70 from 2014. Exchange or Exchange-Like Financial Guarantees component that goes into effect in fiscal **2024** – information is fund under “Specialized Accounting” tab of Comptroller site under fmx.cpa.texas.gov/fmx/pubs/. See reporting requirements if this applies. (More likely than not is 51%.) Expanded Note 30 – Financial Guarantees. (Leanna)

Amends GASB 53, Accounting and Financial Reporting for Derivative Instruments. Added an “other derivative instrument” – a derivative instrument that was intended to be a hedge but does not meet the hedge effectiveness criteria is neither an investment derivative instrument nor a hedging derivative instrument. Comptroller looking into if any new codes are needed. Third line will need to be separated in investment revenue and in notes. Note 7 – Derivative Instruments for more information.

GASB Statement No. 100, Accounting Changes and Error Corrections – effective fiscal **2024**. (Replaces “prior period adjustment.”) For more information, see Note 14 – Adjustments to Fund Balances and Net Position. (Leanna)

- **GASB Implementations – Looking Forward: (Leanna)**

GASB Statement No. 101, *Compensated Absences*, effective fiscal **2025**. GASB 101:

- Updates the recognition and measurement guidance for compensated absences by:
 - Aligning the recognition and measurement guidance under a unified model
 - Amending certain previously required disclosures
- Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability
- Supersedes GASB 16

Things to consider (from past notes and current):

- Sick leave is a challenge; it is calculating to be twice as much as vacation payouts.
- Review all earned balances; determine what percentage is being used. If 60%, then this will be the current and non-current liability.
- Per GASB, other institutions have already been recording sick leave in their liability balances, so this standard is bringing our financials in line with others.
- NACUBO stated it is accelerating the sick leave expense.
- Need to communicate with the budgeting team for planning purposes.
- Is it going to be “more than likely used”? Page 40 under B/Appendix C. There’s some language that speaks to us.
- Remember the catastrophic leave pool in the calculation.
- State does not require restatement of FY 2024. An external audit would require it.
- Document any assumptions (caps in the estimates etc.).

We continue to reiterate this for the AFR, and we build upon the past conversations as noted above. Any early implementers (Leanna)? Craig Ott had shared in the past. We are continuing to look as the UT System from the consistency standpoint. It is effective in FY 2025. Changes in principles would cause some restatement issues that falls under GASB Statement No. 100. We have Deloitte working with us (Craig). If you have audited financial statements, you will likely need to restate. We have hired Grant Thornton to review our estimate (Leslie, U of H).

Anyone trying to calculate the liability? Share on the Teams Channel (Leslie).

We tried calculating it, but it is a huge number. We struggled with large balances of sick time that do not make sense. We would not allow some to be off for three years. We capped it at 2 (or 2 ½) times FMLA. It is still a very large number. We aggregated the OASI.

GASB Statement No. 102, *Certain Risk Disclosures*, effective fiscal **2025 (fiscal years beginning after June 15, 2024. Earlier implementation is encouraged)**. GASB 102:

- The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not often provided. The disclosures will provide users with timely information regarding certain concentrations or constraints and related events that have occurred or have begun to occur that make a government vulnerable to a substantial impact. As a

result, users will have better information with which to understand and anticipate certain risks to a government's financial condition.

- See GASB No. 102 for the evaluation criteria and other disclosure examples.
- Example disclosure: The Airport Fund accounts for the City's airport operations and reports \$X million of revenue bonds outstanding on June 30, 20X0. The bond indentures state that the revenue generated by airport operations is pledged as the sole source of repayment for the bonds. XX percent of the Airport Fund's revenues are associated with a single airline customer who has notified the City that it plans to terminate its lease and discontinue service to the City's airport by December 31, 20X0. A loss of revenue from that airline could adversely affect the Airport Fund.

Since it is a risk disclosure (Craig Ott), recall there are three criteria that must be met.

GASB Statement No. 103, *Financial Reporting Model Improvements*, effective fiscal **2026** (fiscal years beginning after June 15, 2025. Earlier implementation is encouraged). GASB 103:

- The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.
 - MD&A, unusual and infrequent items, operating vs nonoperating revenue, major component unit information, and budget comparison as RSI are addressed in this Statement.
 - See GASB No. 103 for detailed information.
- **Other Topics:**
- **Comptroller Changes – see 2024 Updates Table for all changes:** fmx.cpa.texas.gov/fmx/pubs/afrrptreq/index.php. (Leanna) A few of the changes noted are:
 - **GR Reconciliation process** – see Accounting Policy Meetings materials dated June 13, 2024. *The Comptroller has taken on this process. We can no longer see the data. The consensus is that we require a three-way reconciliation/tie-out internally. We need access to the data. We have no access now or later. We definitely need access at our IHEs.*
 - **SPTR Certification process** – no initial certification; deadline is September 28. See Accounting Policy Meetings materials dated June 13, 2024. *It is a different look.*
 - **SEFA Certification process** – initial certification process opened July 1, 2024 - updates to notes to SEFA. See Accounting Policy Meetings materials dated June 13, 2024.
 - **GASB Questionnaires** – added a new GASB 70 and 99 questionnaires Financial Guarantees (superseding last year's GASB 70 questionnaire) and added a new GASB 94 questionnaire Public-Private and Public-Public partnerships and Availability Payment Arrangements.
 - **Federal Guidance changes issued on April 22, 2024 (Leslie)** (comment from Teresa Edwards 7/8/2024) The modified total direct costs (MTDC) based and capitalization thresholds have not been modified materially for years (maybe decades).
[Federal Register: Guidance for Federal Financial Assistance](#)

- Issued April 22, 2024
- Summary of changes provided and effective date October 1, 2024
- Explanations are provided on the website.

[2024-07496.pdf \(govinfo.gov\)](#)

- Page 2, increased single audit threshold from \$750,000 to \$1,000,000
- Page 2, increase for equipment definition from \$5,000 to \$10,000 by 2025 (up to \$10,000)
- Page 15 & 60, adjust the exclusion of subawards from \$25k to \$50k

[2 CFR 2024 Redline \(cfo.gov\) Version](#)

Comments on 7/16/2024:

I think we have been hearing about the federal guidance changes. The major concern was the capitalization threshold. Lots of questions. The Comptroller's office has not changed anything. Still questions. The modified total direct cost had some changes as well. It is unclear since these are effective October 1, 2024. It depends on where you are in your F&A cycle. Asking for clarification. It may be FY 2026. The equipment threshold is up to \$10,000. Your IHE would have to change their policy. We just finished our negotiations. They would not allow us to change it. They said we would have to change it on the next one.

- **NACUBO Accounting Principles Committee (Leslie)** – Pledged revenues or deferred item on balance sheet/statement of net position. GASB is researching changing endowment pledge reporting. They will either be recognized as revenue or a Deferred Inflow. They can't decide which would be more appropriate.
- **Current expected credit losses (Leslie)** – During our recent affiliated organization audits (Foundation/Alumni), the auditors mentioned a change to CECL (current expected credit losses) which could impact our bad debt calculations in FY25. *Toni Burton, A&M Commerce - just curious if anyone has encountered this with their auditors. Anyone had this issue yet? No. It is coming.*
- **Tuition Discounting – NACUBO Update (Leslie)**

Background: The annual Tuition Discounting Study measures institutional tuition discount rates and other indicators of institutionally funded scholarships awarded to undergraduates attending private, nonprofit (independent) colleges and universities. Tuition Discounting changes to move away from the Alternative Approach.

10/6/2023 - 2023 Tuition Discounting Study - Data collection for the 2023 NACUBO Tuition Discounting Study (TDS) begins in October 2023. Final results will be posted in May 2024. No discussion in Summer APC.

Join Tuition Discount subcommittee from 1:00 – 3:30 today for discussion (UT Dallas, Greg Argueta and Matthew Geis, UT Dallas).

- **Travel software (what is being used and do you like it)?** *U of H uses Concur. Others use Concur. One IHE switching to Chrome River.*

- **Any audits of accounting relevance?** *None noted.*
- **Anything else?**
 - *Christy Jones shared that a new comp object from the Comptroller is coming - tuition remissions they are going implement one.*
 - *Anyone receiving federal grants and how do you handle the UEI? Does your System have their own UEI? TSUS, James Webb, stated that TSUS has their own UEI and to start early in the process to obtain one.*
- **Adjourn**