



# Welcome to the 2023 Annual Financial Reporting (AFR) Workshop

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TERESA EDWARDS, CPA

CONTROLLER

TEXAS A&M UNIVERSITY SYSTEM OFFICE



# Welcome

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- Meeting to discuss prior year AFR, new year requirements, AFR module reminders, upcoming reporting changes
- We are seeing turnover and new employees
- Want to move through topics at a different pace
- Clarify acronyms

# Agenda-Day 1

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- Current and Future Reporting...**Teresa**
- Panel from the State Comptroller Financial Reporting Team...**Megan Toliver, David Haecker and Lisa Parks**
- Financial Reporting Updates...**Tracy**
- Telling Your Story Through Financial Statements...**Teresa**
- Federal and State Pass-through Confirmations...**Janet Killion**
- Capital Asset Reporting..**Tracy**
- Tuition Discounting Calculation Future Changes...**Cris Sowden and Teresa**

# Agenda-Day 2 (half day)

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- Welcome Back
- FAMIS Year-End Processes & Update...**Melissa Ray**
- Local Cash & Investments Overview...**Tracy**
- System Office Treasury and Panel from Wells Fargo...**Julie Perry and Amy Blayney**
- USAS 101...**Kristina Humphreys and Teresa**
- Closing Comments



**Do you have:**

**Ten years of  
experience**

**OR**

**One year's  
experience  
ten times**



# TAMUS STRUCTURE

Blended  
Component  
Unit-  
Research  
Foundation

TAMUS Board of Regents

Twelve  
Institutions

- TAMU
- TAMUG
- TSU
- TAMUT
- PVAMU
- WTAMU
- TAMUCT
- TAMUCC
- TAMIU
- TAMUC
- TAMUK
- TAMUSA

Eight  
Agencies

- AgriLife Extension
- AgriLife Research
- TVMDL
- TTI
- TFS
- TEEX
- TEES
- TDEM

Health  
Institution

HSC

System  
Office &  
SSC

The central  
management and  
coordination of  
TAMUS, issues  
*Policies and  
Regulations* for all  
A&M members

SSC=shared  
services center

# Topics

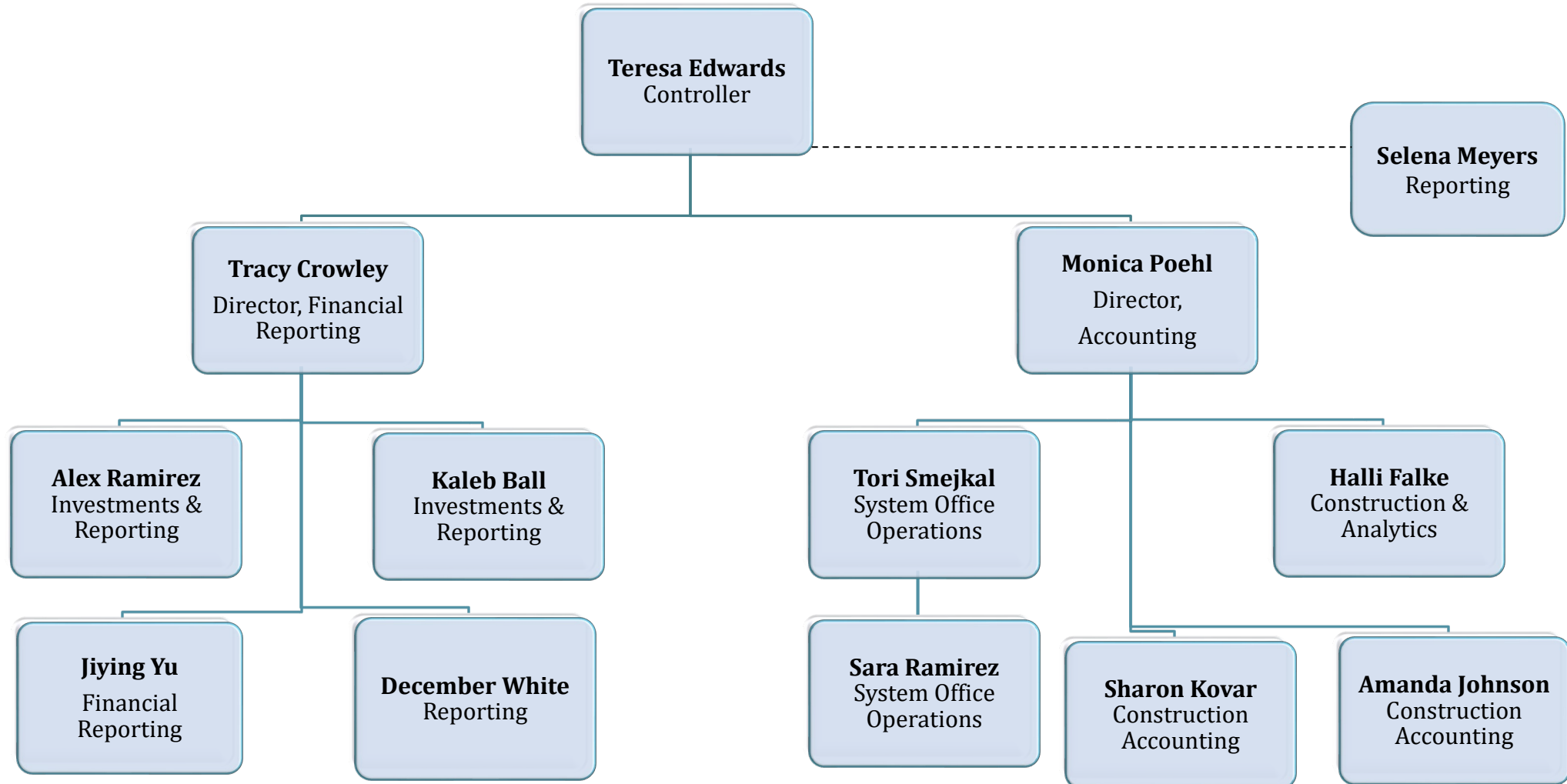
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- Introduce System Office Accounting Team
- 2022 Financial Highlights
- Preparing for 2023 AFR Season
- Preparing for future reporting changes
  - Tuition Discounting
  - GASB 101 Compensated Absences
  - UBIT
  - GASB New Reporting Model
- Questions



# SOBA – 2023 Accounting Team





# 2022 AFR

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- Excellent AFR Submissions
- Implemented GASB 87-Leases
  - Brought on \$208 million in Right-to-Use assets plus Lease Liabilities
  - Brought on \$107 million in Accounts Receivable for revenue lease contracts
- Fiduciary Statements improving each year, this is our 4<sup>th</sup> year
- Appreciate every one's continued help and goal to issue **quality** financial statements

# Internal Audit Team

- 2024 Audit Plan will be submitted to the Board
- Completed HEERF Audits
- Learning Mgmt. Audits
- Financial Mgmt. Services Audits
  - Data Analytics
  - Problematic Transactions identified
    - Gift card purchases
    - PayPal
    - Venmo
    - Business meals
    - Reconciliations





# Audits/Reviews

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- SAO Audits
  - Auditing Major Federal Program-TDEM
  - Follow-up on Single Audit at TAMU, TSU & TAMUCC
  - Net Capital Assets...TAMUS numbers will be reviewed
- SACS Review
  - TAMUC in 2023
  - TAMIU and TAMUK coming up in 2024
- Comptroller's Office Post Payment Audits
  - TAMUSA
  - TAMUG
  - WTAMU

# 2022 Consolidated AFR-Balance Sheet



- **Recurring Material Impacts**

- TAMUS Non-General Revenue Other Post Employment Benefit-OPEB liability **increased** \$310 million to 2022 reported liability of \$2.700 billion from 2021 \$2.390 billion
  - Only allowed to use government bond interest rates...less fluctuation with the market
- Pension liability **decreased** by \$367 million from \$712 million to \$345 million based upon TRS actuary reports with increase in investment returns and change in pension assumptions
  - TRS is using last year's investment returns which where significantly higher then 2022
- Bonds payable, notes/loans payable and notes from direct borrowings **decreased** by 1% or \$53 million in 2022, totaling \$5.12 billion
  - A percentage of the Revenue Finance Debt Service is provided by the state
  - The Permanent University bonds are funded by land grant funding

# 2022 Consolidated AFR- Net Position

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- A&M System's **net position** totaled \$7.71 billion, a \$780 million **decrease** from 2021, which was \$8.49 billion
  - A **decrease** in Cash and Cash Equivalents of \$113 million, plus a **decrease** in Noncurrent Investments of \$717 million with an offsetting increase for Deferred Outflows of \$114 million.
  - An **increase** in Liabilities and Deferred Inflows of \$412 million, OPEB increased by \$310 million.
  - An **increase** in Capital Assets, net, of \$209 million, \$100 million related to GASB 87-Lease implementation.
  - A **decrease** in Interfund Receivables of \$56 million, related to PUF debt

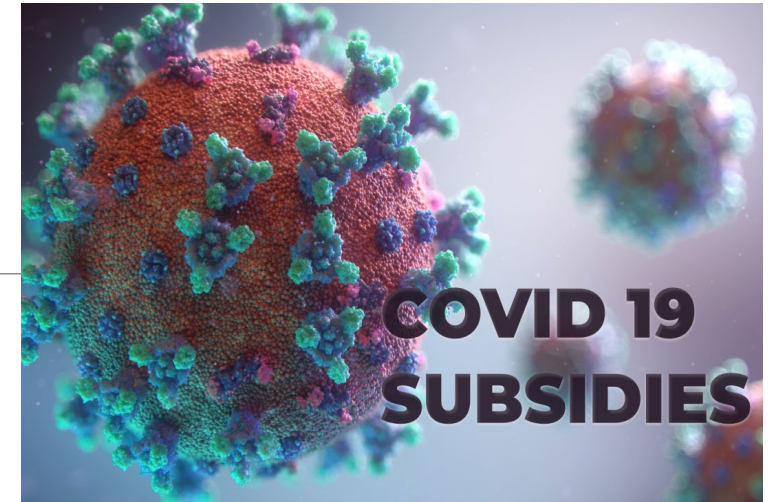
# 2022 Consolidated AFR- Dramatic **Decrease** Investments 2022 Economic Outlook



- Dramatic **Decrease** in 2022, \$1.8 billion decrease from 2021
  - Investment income was \$830 million loss
  - Equity and fixed income markets declined over the past twelve months as investors grew concerned about the slowing global economy and higher inflation
  - The Federal Reserve shifted and significantly increased the federal funds rate
  - In response, market interest rates escalated and borrowing rates have increased
- Commodity prices rose, driven by continued supply issues as well as Russia's invasion of Ukraine
- COVID-19 fears have diminished due to wide availability of vaccines and anti-viral treatments

# 2022 Consolidated AFR- Operating Statement

- Pandemic subsidies..has impact
  - Federal and State Revenue **decreased** by \$4.6 billion
  - Operating Expenses **decreased** by \$4.2 billion
  - Increase in Auxiliary revenue of \$109 million as students returned to campuses
- TDEM...continuing to receive and disburse aid funding
  - Received \$3.8 billion Federal/State Revenue
  - Paid \$3.7 million in public service expenses





# 2022 Consolidated AFR-Fiduciary Statements

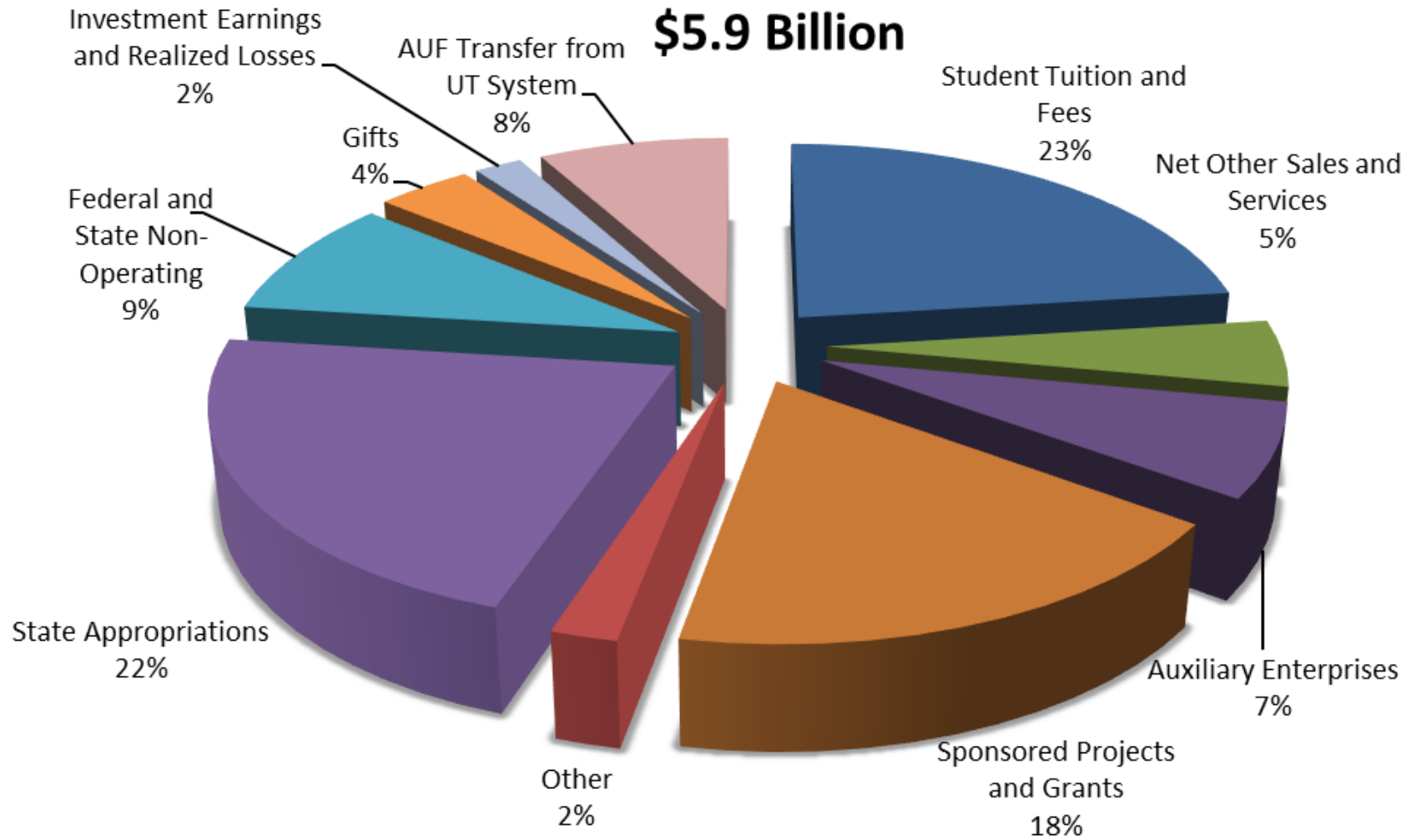
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- Investments were \$417 million, which was a **decrease** of \$122 million
- Ending *Restricted for Other Individuals, Organizations and Other Entities* net position of \$498 million which was a decrease of \$105 million
- Contributions from various entities accounted for \$38 million
- Midwestern University became a member of the Texas Tech System and removed their investments, totaling \$49.4 million

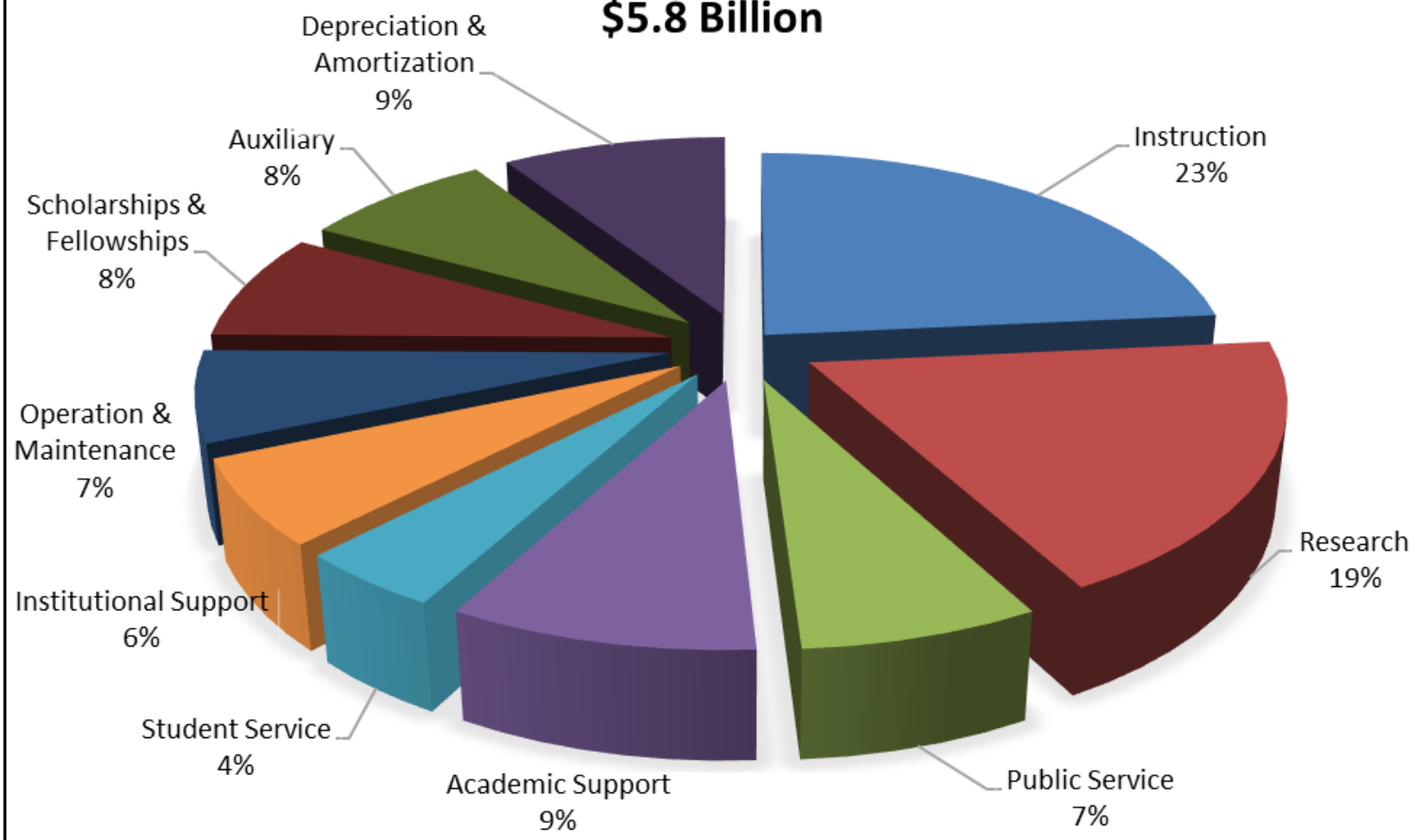


## 2022 Revenues and Transfers (excluding TDEM)

**\$5.9 Billion**



**NACUBO Function**  
**2022 Operating Expenses (excluding TDEM)**  
**\$5.8 Billion**





# Onto the 2023 AFR Season

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- GASB 94 Public Private and Public-Public Partnerships and Availability Payment Arrangements
- GASB 96-Subscription-Based Information Technology Arrangements
- OneStream AFR Reporting Tool
- NEW: Unrelated Business Income Taxes-IRS rules have changed

# FY 2023 GASB 96 Implementation

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- Reducing our Professional Fee/Service, Repair and Maintenance and Rental/Lease Expenses
  - Many object codes are used for software subscriptions
- Increasing Amortization expense for the SBITA asset
- Reducing our Net Position in Current Funds for the increase in the liability
- Increasing our Net Position in Plant funds for the increase in RTU Assets
- NonOperating Interest Expense Increases
- LeaseQuery Implemented last year...adding SBITA leases
- Tracy will walk us through these details



# Texas A&M System GASB 96 SBITA Lease Implementation-New \$500k Threshold

<b>TAMUS GASB 96 Determination Summary</b>				<b>Materiality Threshold at \$100K</b>		<b>Materiality Threshold at \$500K</b>	
<b>Mbr.</b>	<b>Mbr. Short</b>	<b>Date Submitted</b>	<b>Contracts reported</b>	<b># of GASB 96</b>	<b>EST PMT AMT</b>	<b># of GASB 96</b>	<b>EST PMT AMT</b>
<b>Total</b>			<b>1869</b>	<b>96</b>	<b>69,116,243.52</b>	<b>26</b>	<b>53,188,704.52</b>



# GASB 94-P3s and APAs

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- Analyzed 68 contracts
  - 7 qualifying arrangements with TAMU and PVAMU in the scope of GASB 94 and
  - 9 grounds leases with HSC, PVAMU, SO, and TAMU in the scope of GASB 87



# 2025 and Beyond

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# Tuition Discounting Calculation

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- The A&M institutions have met on this topic during the Spring semester 2023
- Eliminating the NACUBO alternative method which we all use, there was no weighting of the discounts to place in the correct column
  - Tuition and Fee discounts are understated
  - Auxiliary discounts are overstated
- Loans and loan refunds are being included, we must remove
- **Cris will help us understand this change and share her journey**



## GASB 101-Compensated Absences Implementation-FY 2025

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- Vacation payout liability is around \$119 million
- Considerations for calculating liability
  - Sick hours multiplied by salary rate per employee...twice as much as vacation
    - Will add benefit costs
  - Consider how many hours employee can keep annually?
    - Not to calculate how many possible, but what is reasonable to be paid out
  - Three-year average **Earned** is around \$400 million but the usage is around **40%** equals **\$160 million**

# Unrelated Business Income Tax

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- Today...\$385,000 estimated payment will be made...the tax team is calculating the 2023 tax liability
- We are a state of Texas higher education agency, we are tax-exempt; and we are NOT taxed on revenue coming from an activity which is substantially related to our purpose (educational, religious, scientific, public service or other)
- But, some activities we undertake are **subject to tax**
  - If a nonprofit conducts an unrelated trade or business to generate income, the nonprofit may be subject to the unrelated business income tax (UBIT)
  - It does not matter if the income is used to support the entities' charitable efforts



# GASB New Reporting Model

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- The “Big Three” inter-related concepts and standards
  1. Conceptual Framework: Disclosure Framework and Recognition..Done
  2. Financial Reporting Model...In progress
  3. Revenue and Expense Recognition...Redesigning?





# Questions

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# Closing Comments

- AFR season is now
- Questions are welcome
- Introduce the Financial Reporting team at the Comptroller's Office

