The Texas A&M University System
Annual Financial Reporting WebEx Meeting
Day 1 – Thursday, August 12th

• The presentation will begin at 8:30am

• Sound checks will take place at 5 and 10 minutes before the presentation begins

• Audio Tip: Difficulty with audio? Try calling instead of using computer audio

• All attendees are muted

• Use the Chat panel to submit questions during the presentation, send to everyone or all panelists to help us monitor the chat

• CPE will be provided...there will be polling questions periodically, press Submit Button after selecting a response
Introduction & Accounting Update

Teresa Edwards, CPA
Controller
Texas A&M System Office
Welcome-2nd Year Held Virtually

• Hope to meet in person next year
• Meeting to discuss prior year AFR, new year requirements, AFR module reminders, upcoming reporting changes
• This year focus on COVID impacts, CARES Act funding
• SAO Audits
  o 2021 SAO-AFR Process
  o 2021 SAO asked for estimates of our Capital Assets
• SACS Review
  o 2021 TAMU/TAMUG/HSC
# TAMUS Structure

## TAMUS Board of Regents

<table>
<thead>
<tr>
<th>Twelve Institutions</th>
<th>Eight Agencies</th>
<th>Health Institution</th>
<th>System Office &amp; SSC</th>
</tr>
</thead>
<tbody>
<tr>
<td>TAMU</td>
<td>AgriLife Extension</td>
<td>HSC</td>
<td>Blended Component Unit-Research Foundation</td>
</tr>
<tr>
<td>TAMUG</td>
<td>AgriLife Research</td>
<td></td>
<td></td>
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<tr>
<td>TSU</td>
<td>TVMDL</td>
<td></td>
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<tr>
<td>TAMUT</td>
<td>TTI</td>
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<tr>
<td>PVAMU</td>
<td>TFS</td>
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<tr>
<td>WTAMU</td>
<td>TEEX</td>
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<td>TAMUCT</td>
<td>TEES</td>
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<tr>
<td>TAMUCC</td>
<td>TDEM</td>
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<td>TAMIU</td>
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<tr>
<td>TAMUC</td>
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<tr>
<td>TAMUK</td>
<td></td>
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<tr>
<td>TAMUSA</td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

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

SSC=shared services center
Polling Question

• How many in-person meetings or conferences have you attended this year?

a. 0 meetings/conferences
b. 1-3 meetings/conferences
c. 4-8 meetings/conferences
d. Over 8 meetings/conferences
Topics

• Overview of 2020 AFR
• Upcoming Audits
• 2020 Consolidated AFR Highlights
• Upcoming GASB Pronouncements
  o Lease Accounting
  o GASB 94-P3s
  o GASBs Under Development
• CARES Act Funding/HEERF/CRRSAA
• State Reporting Changes or Reminders
  o USAS
  o Drones
  o GR Reconciliation
  o APS 011 Benefits Proportional by Method of Finance
2020 AFR Member Performances

• Excellent AFR Submissions
• Tackled the Fiduciary Statements very well
  o Restatement Challenges on Operating Statement and Cash Flow Statement
  o New statements to present
• SEFA changes on lost revenue received late
• Late APS011 Changes related to the 5% Reduction
• Appreciate every one’s endurance
• This year, we have gold and silver stars
2020 Members Point Logs

• This was a good year, but we had our challenges related to the new fiduciary schedules, restatements and SEFA/5% budget reduction instructions coming out late
  o **Five members** had zero points, achieved perfection
  o **Seven members** had 1 point, excellent job
  o **Five members** had between 2 points
  o **Six members** had between 3-8 points

• Thank you for your time and endurance in 2020
FY 20 AFR Reports – Gold and Silver Stars

5 Members with Zero Points

TAMUCC  TAMUC
TAMURF  Ag Ext. Serv.
Shared Service Center

12 Members with 1-2 Point

TTI  TTI
TVMDL  TSU
TAMUK  TEES
TAMUSA  HSC
TEEX  TAMU
Ag Research  TAMUCT
TFS  System Office
Audits/Reviews

• SAO Audits
  o Follow-up Federal Financial Aid Audits-TAMU and TAMUCC
  o SEFA-R&D Cluster-TAMU
  o SEFA-HSC
  o 2020 APS011-TAMUC
  o *New* TRS 2021 Pension plan audit-TFS, and TSU
  o Disaster Funding and Relief Funds-TDEM
  o 2021 AFR Process
  o Estimates of Capital Assets...TAMU numbers will be reviewed

• SACS Review
  o 2021 TAMU, TAMUG and HSC
Upcoming Internal Audit Plan for 2022

• APS011 2020 and 2021
  ○ Asking for 2020 workpapers now

• THECB Construction Audit Reporting

• Learning Management

• Health and Safety

• NCAA

• System Offices
  ○ IT
  ○ Workday HCM
  ○ Contract Administration
Polling Question

• Will your institution or agency be audited by the Comptroller’s Office or internal audit this year?

a. Yes
b. No
c. Not sure
2020 Consolidated AFR-Balance Sheet

- Recurring Material Impacts
  - TAMUS Non-General Revenue **OPEB liability** increased $171 million to 2020 reported liability of $2.023 billion from 2019 $1.852 billion
  - State Appropriations increased by $200 million totaling $1.4 billion..slight increase
  - Pension liability decreased by $26 million to $686 million based upon TRS actuary reports decrease between actual and expected experiences and increase in investment returns
  - Bonds payable, notes/loans payable and notes from direct borrowings increased by 3.45% or $166 million in 2020
2020 Consolidated AFR-Investments

• Recurring Material Impacts
  o Investment income was $584 million which was a $296 million increase from 2019
  o Investment income includes unrealized gain/loss which increased by $333.2 million, interest income which decreased by $35 million and realized gains which decreased by $2.2 million
  o Global equity markets were up over the past year at fiscal year-end, despite significant market volatility due to the COVID-19 pandemic
  o Our Treasury team has amazing at what they do
2020 Consolidated AFR-Balance Sheet

- New Items in 2020
  - Impacts of COVID-19
    - Federal Revenue increased $163 million for task order to produce COVID-19 vaccine
    - CARES Act Funding/HEERF/CRRSA $63.4 million, $42.6 million student aid
    - Decrease $34 million Auxiliary revenue decrease students on campus
  - Fiduciary Statements reported for the first time
    - Reported $473.6 million restatement, ending net position $513 million
    - Total Additions of $100.3 million, new contributions $12.4 million, net interest earnings $40.9 million, other additions $46.9 million ($31.3 million P3 additions)
    - Total Deductions $60.4 million ($33.5 P3 deductions)
  - TDEM first AFR with us...significant impact
    - Received $785 million in CARES Act funding
    - Received $525 million Federal public assistance
2020 Consolidated AFR-Operating Stmt

• Operating revenues increased
  o Federal Revenue increased $163 million for task order to produce COVID-19 vaccine
  o CARES Act Funding/HEERF/CRRSAA $63.4 million, $42.6 million student aid
  o Received $785 million in CARES Act funding

• Operating expenses increased
  o Materials and Supplies expense increased by over $900 million, due to institutions and agencies purchasing cleaning supplies, personal protective equipment (PPE), COVID test kits, transitioning employees to work from home and improving ventilation in the classrooms
  o TDEM sent over $446 million in disaster payments to state agencies, cities, counties and other governmental entities.
2020 Revenues and Transfers
$7.8 Billion

- Student Tuition and Fees: 16%
- Federal and State Non-Operating: 22%
- Net Other Sales and Services: 4%
- Auxiliary Enterprises: 4%
- Sponsored Projects and Grants: 19%
- Other: 1%
- State Appropriations: 17%
- AUF Transfer from UT System: 8%
- Gifts: 2%
- Investment Income: 7%
NACUBO Function
2020 Operating Expenses
$6.9 Billion

- Public Service: 29%
- Instruction: 18%
- Research: 16%
- Student Service: 3%
- Academic Support: 7%
- Institutional Support: 5%
- Operation & Maintenance: 5%
- Auxiliary: 6%
- Scholarships & Fellowships: 4%
- Scholarships & Fellowships: 4%
- Depreciation & Amortization: 7%
- Scholarships & Fellowships: 4%
<table>
<thead>
<tr>
<th>NACUBO Function</th>
<th>2020</th>
<th>2019</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>18.5%</td>
<td>25.0%</td>
<td>27.3%</td>
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<tr>
<td>Research</td>
<td>15.8%</td>
<td>18.0%</td>
<td>18.0%</td>
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<tr>
<td>Public Service</td>
<td>29.1%</td>
<td>5.8%</td>
<td>7.5%</td>
</tr>
<tr>
<td>Academic Support</td>
<td>6.9%</td>
<td>9.3%</td>
<td>8.9%</td>
</tr>
<tr>
<td>Student Service</td>
<td>3.3%</td>
<td>4.2%</td>
<td>4.3%</td>
</tr>
<tr>
<td><strong>Institutional Support</strong></td>
<td><strong>4.5%</strong></td>
<td><strong>5.6%</strong></td>
<td><strong>5.6%</strong></td>
</tr>
<tr>
<td>Operation &amp; Maintenance</td>
<td>5.1%</td>
<td>6.7%</td>
<td>6.6%</td>
</tr>
<tr>
<td>Scholarships &amp; Fellowships</td>
<td>4.3%</td>
<td>5.8%</td>
<td>5.1%</td>
</tr>
<tr>
<td>Auxiliary</td>
<td>5.8%</td>
<td>9.7%</td>
<td>8.6%</td>
</tr>
<tr>
<td>Depreciation &amp; Amortization</td>
<td>6.8%</td>
<td>10.0%</td>
<td>8.1%</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
<td><strong>100.0%</strong></td>
</tr>
</tbody>
</table>
Polling Question

• What were the 2021 changes within your department?
  a. Caused team members to coordinate more since they were not all in the same location
  b. Concerns regarding student involvement on campus
  c. Taking inventory of assets was challenging
  d. Both a and c
  e. All of the above
  f. None of the above
AFR Reporting

• Glad 2020 and 2021 are behind us...who’s tired?
• Submitted outstanding, high quality 2020 AFRs
• Thank you, this is an amazing group of professionals
• For 2022
  o Reviewing all of our lease contracts in preparation for 2021 and we expect this will improve our operating lease reporting
  o Implement LeaseQuery, posting monthly lease entries in FAMIS
  o Implement AFR solution OneStream
FY 2021 GASB Statement Implementations

• None for 2021
  o No new GASB’s Statements
Lease Accounting

**2022**
GASB 87-Leases changes the definitions for Leases
  - The foundational principle is leases are considered financing agreements...no longer operating and capital leases
  - There will be right to use assets reported on the statement of net positions
  - This standard impacts both the lessee and the lessor accounting events

**2023**
GASB 96-Software Leases changes the definitions for Leases
  - Some members already have software reported in their Note 2
  - Others will bring on software for the first time
  - Similar to GASB 87
    - RTU-Software
    - Lease Liability
Upcoming GASB Standard 94

• GASB 94 Public-Private, Public-Public Partnerships (PPPs) and Availability Payment Arrangement (APA)

• Applicable for FY 2023

• GASB 94 requires if a P3 is a lease then follow GASB 87, if the existing assets of the institution are not required to be improved by the operator

• SCA definition remains the same as defined in GASB 60
  o GASB 60 did not include all types of SCAs; so the Board determined GASB 94 was needed

• The Board believes SCAs and leases should be treated similarly
GASB 94 Public-Private, Public-Public Partnerships (PPPs)

• PPP is defined as an arrangement in which a government (the transferor) contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction.

• This definition contains several characteristics that the Board believes describe transactions in which a government is doing more than purchasing or financing a nonfinancial asset or entering into an arrangement to purchase services:
  - The operator is providing a public service, thus more reporting is required.
GASB 94 Public-Private, Public-Public Partnerships (PPPs)-Impact to A&M Entities

• If PPPs meet the definition of Service Concession Agreements (SCA)
  o Not applicable for our members since P3s do not normally meet the SCA definition
  o Fine tuning entries with CIP examples

• If PPP does not meet SCA, because PPP has authority to set rates
  o During construction no entry, but place contract details in the note disclosure
  o Asset placed into service, record **Receivable** for estimated carrying value of the asset at the end of the arrangement and a **Deferred Inflow of Resources**, amortize over the contract term and record revenue
  o At the end of the contract, eliminate the **Receivable** and record the estimated carrying value of the **Capital Asset**, these should be equal
GASB 94-Availability Payment Arrangement (APA)

- Corporation builds an asset and operates plus collects the revenue then remits 100% to the A&M entity
- The A&M entity remits fees to the corporation a certain sum upfront and/or periodically
- A&M Entity
  - If funds are given in advance, report an asset; Prepaid Expense
  - Once the asset is built, remove Prepaid Expense, record Capital Asset, with the present value of payments less any fees defined in the contract then depreciate asset plus record contract liability for payments due to the corporation
Future Reporting Enhancements

• GASB is meeting on new Ideas
  o Calling these the ‘Big Three’, inter-related standards
    ▪ Financial Reporting Model
    ▪ Revenue and Expense Recognition
    ▪ Note Disclosures

• NACUBO considering modifying Tuition Discounting
  o Modifying the alternative method
  o Concerns related to the Revenue/Exp Recognition standard
COVID-19 CARES Act Reporting

• Report in the Restricted Fund Group, mostly scholarship and fellowship function...could have other functions

• Can have indirect cost related to ‘member discretion’ funding

• Impact on the Schedule of Expenditure of Federal Awards
  o Comptroller’s Office is adding a flag in the SEFA application

• Has a specific CFDA numbers

• Student Assistance Funding
  o Record as a grant 6018-Individual Grant
  o Function Scholarship & Fellowship
COVID-19 CARES Act - Lost Revenue

• Draw federal funds in Restricted fund group

• For Auxiliaries - record specific type of revenue as a debit in the Restricted fund group and the credit in the original account

• For the 5% GR Reduction - record 0728-Reimb as a debit in the Restricted fund group and Other in Designated
  o Steering away from impacting E&G fund group

• Recommend spending the funds
  o Consider fund switch

• Recommend being able to identify how this funding was spent
  o Not required now, but could be required in the future
Polling Question

- Was there an increase or decrease in research at your institution/agency based upon the COVID-19?
  a. Increase
  b. Decrease
  c. Not sure
USAS Usage Overview

• USAS-Daily, Monthly, and/or Quarterly Processes
  o Definition and Usage
  o Integration with TAMUS Systems
  o Releasing USAS Batches Daily
  o Balancing FAMIS and USAS Monthly
  o APS018 Encumbrance and Payables Cert.-Quarterly Deadline

• Annual State Requirements
  o Lapse Funding
  o APS011 Benefits Proportional by MOF and GR Recon Entries
  o AFR State Requirements
    ▪ Financial Reporting Surveys
    ▪ Texas Comptroller’s Office AFR Websites
Drones=Aircraft

• Do we talk about drones every year? Yes
• The Comptroller’s Office added a new drone object code
• Now drones over $5,000, all members can use state funding if needed
  o Lauri Deviney and her team pushed this issue in May and the change occurred around the same time
  o Big thank you to Lauri and her team
  o Updated the object code roll up to roll to the new code
GR Reconciliation Reminders

- 5% reduction
  - Reflect as a negative budget increase
  - Transfers will be recorded based upon our 012/018 entries from our main appropriation
  - Post elimination entry in the GR Website
  - Post elimination entries in USAS 462R/456R by AGL

- Lapses will be related to debt service or funding returns
APS011 Benefits Proportional by MOF

• Goal of APS11 is to ensure benefits are proportional to the revenue received
  o Internal audit required to review 2020-2021
  o SAO randomly selects institutions...TAMUC was selected for FY 2020

• Requirements are defined in Accounting Policy Statement (APS) 11

• System Office has issued a White Paper

• Deadline to Comptroller’s Office Nov. 19th

• Do not back date the TRS payment ‘T’ doc
APS011 System Office White Paper Updates

• Updated legislation references new session
• Revenue section on the form has a new layout
• Other Funds
  o License Plate Revenue fund 0802-place the revenue received in the first column and exclude 100% in the exclusion column...place in ‘other’....required for agencies and higher education
• 5% reduction place in the exclusion column
  o Will impact our benefit appropriation calculation this year
APS011 System Office White Paper Updates

• For agencies, GIP expenses can be charged to the main appropriation
  o Rider was updated in SB1 for 2022-2023 years

• TRS expenses for fund 02xx, must post an entry to match expenses even if we have not received the credit from TRS yet

• Any time we amend APS011, send copies to all of the oversight agencies, SAO, LBB and the Comptroller’s Office
Polling Question

• Did your agency receive requests from our ACO to update your 2020 APS011 calculation?
  a. Yes
  b. No
  c. Not Sure
Questions

• We continuing to multi-tasking like never before
• We are here to help
• Ready to start the new year
Tax Update

Cliff Ussery, CPA
Manager, Tax Compliance and Payroll
Texas A&M System Office
August Tax Update 2021

- IRS Audit Update
- Unrelated Business Income Reporting
  - New timetable for UBI Worksheets
  - Contracts
- Sales Tax Issues
IRS Audit Update

- Prairie View A&M audit is complete.
- Commerce audit is complete.
UBIT UPDATE

- Time table for UBI Worksheet is being moved up due to Crowe LLC moving up their processing deadline.
  - Worksheets will be sent out in November 2021 and will be due back to System tax Feb. 4, 2022

- Contracts are instrumental in determining the amount of UBI that will be taxable.
  - Revenue must be based on Gross Revenue.
  - Exclusivity contracts are not necessarily UBI.

4
Making sales out of state, do we collect sales tax for other states?
Out of state vendors collecting sales tax on Texas A&M purchases.
Do any states have reciprocal sales tax exemption agreements? (Florida)
Remember that Texas Sales Tax Exemption is for what we purchase in Texas not for what we sale, examples are books and clothing.
Financial Reporting Updates

Tracy Crowley, CPA
Associate Director, Financial Reporting
Texas A&M System Office
Overview

• FY 2021 AFR Reporting Changes
• Resources
• Important Dates
• Supplemental Package
• Cash & Investments
• AFR Package – What’s Required?
• AFR Review Process
Changes for 2021

- Minor changes to reporting instructions
- Fluctuation analysis added for Fiduciary financial statements
- New Query – IDC Revenue/Expense Comparison
  - Saved in TAMUS Shared AFR Review Queries folder
  - Review activity to be sure entries are in balance by line item

<table>
<thead>
<tr>
<th>Revenue/Expense/Transfer Group</th>
<th>SubCode</th>
<th>SubCode Desc</th>
<th>Revenue Actuals</th>
<th>Expense Actuals</th>
<th>Variance</th>
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<tbody>
<tr>
<td>Federal Pass Through Revenue</td>
<td>0321</td>
<td>Indirect Cost Rev - Fed Pass Thru</td>
<td>110,640</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>0329</td>
<td>Idc Rev-Fed Pass Thru-Tamus</td>
<td>738</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9615</td>
<td>Indirect Cost - Federal Pass Thru</td>
<td>0</td>
<td>110,640</td>
<td></td>
</tr>
<tr>
<td></td>
<td>9619</td>
<td>Idc-Federal Pass Through - Tamus</td>
<td>0</td>
<td>738</td>
<td></td>
</tr>
<tr>
<td>Federal Pass Through Revenue</td>
<td></td>
<td>Subtotal:</td>
<td>111,378.35</td>
<td>111,378.35</td>
<td>0</td>
</tr>
</tbody>
</table>
APS011
License Plate Revenue

- License Plate Revenue, fund 0802, revised instructions for APS011 form
- No impact to calculation
- Include in Other Funds column 2, exclude in column 3
- Add exclusion legal cite to the footnote

License Plate Revenue Example

<table>
<thead>
<tr>
<th>COLUMN 1</th>
<th>COLUMN 2</th>
<th>COLUMN 3</th>
<th>COLUMN 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>OTHER FUNDS FINANCING SOURCES</td>
<td>FINANCING SOURCES AMOUNT²</td>
<td>EXCLUDE FUNDS WITH SALARY RESTRICTIONS¹</td>
<td>FUNDING SUBJECT TO PROPORTIONALITY REQUIREMENT</td>
</tr>
<tr>
<td>Other Funds (Appd Fund #0802)</td>
<td>1,274.37</td>
<td>1,274.37</td>
<td>0.00</td>
</tr>
</tbody>
</table>
Financial Reporting Resources

• State Comptroller Online Reporting Requirements
  o Home tab shows the Latest Updates
  o Links to the GASB Questionnaires
  o SEFA/SPTR Instructions (Pass-Through Activity tab)

• System Office Financial Reporting Resources
  o AFR Submission Deadlines
  o AFR Preparation Instructions
  o Review Checklist
  o Financial Reporting Contacts
State Comptroller

• A&M System’s Financial Reporting Analyst
  Michael Hensley
  michael.hensley@cpa.texas.gov

• August 18th – next Accounting Policy Meeting, agenda includes......
  o Top 10 Post-Payment Audit findings
  o SEFA Update
  o GASB Statement Updates
Review State Comptroller Interagency Contact List

• Identify agency contacts
• Review contact information for your agency

https://fmx.cpa.texas.gov/fm/contacts/

Contact Other State Agencies

- Property Manager List
- Interagency Transactions Contacts

• Submit updates using the Contact List Update Form
  o One online form for all updates
State Comptroller Web Applications

• Many are completed by the System Office based on the A&M System’s combined report

• System Members are required to complete the following:
  o SEFA - Federal Awards
  o SPTR – State Pass-Through
  o CANSS – Capital Assets
  o GR Recon – General Revenue
  o Decide now who will need access and work with your USAS security coordinator to establish access
# Federal and State Pass-Through’s (SEFA and SPTR Web Applications)

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>SEFA and SPTR Initial Certification (preliminary)</td>
</tr>
<tr>
<td>September 19&lt;sup&gt;th&lt;/sup&gt; - 27&lt;sup&gt;th&lt;/sup&gt;</td>
<td>Interagency Reconciliation Period</td>
</tr>
<tr>
<td>September 26&lt;sup&gt;th&lt;/sup&gt; (Sunday)</td>
<td>Interagency Activity must be entered in USAS Due To/From, Pass-Thru’s, Transfers – FMQuery reports (excludes Intra-System activity, except Legislative Transfers)</td>
</tr>
</tbody>
</table>
| September 28<sup>th</sup> | Final Pass-Through Certification  
SEFA (Federal) and SPTR (State)  
For SPTR, financial analyst must certify if there is Intra-System activity |
| November 1<sup>st</sup> | SEFA - Final Confirmation including Notes                                                                                           |
• Certification deadline **October 20**\(^{th}\)
  o Enter capital asset balances in USAS by **October 19**\(^{th}\)
  o Members with later AFR submission deadlines will need to certify before AFR review is completed

• Capital Asset Transfers – verify **both** asset and accumulated depreciation, and the asset category
  o Internal SPA agency – SPA entry
  o External agency (does not use SPA) – complete External Agencies Transfer In and Out (Excel) template on Comptroller’s website
USAS Entries – What’s Required?

<table>
<thead>
<tr>
<th>Deadline</th>
<th>Description</th>
<th>Entries</th>
</tr>
</thead>
<tbody>
<tr>
<td>09/26 (Sunday)</td>
<td>Interagency/Interfund Activity - Non-A&amp;M member activity</td>
<td>Pass-Through Revenue/Expense, Due To/From’s, and Transfers Legislative Transfers (including intra-system)</td>
</tr>
<tr>
<td>10/20</td>
<td>CANSS Certification Due</td>
<td>Enter Capital Asset Balances by 10/19</td>
</tr>
<tr>
<td>10/30</td>
<td>GR Recon</td>
<td>Post Legislative Appropriation and Revenue to balance to the GR Recon website</td>
</tr>
<tr>
<td>11/20</td>
<td>Cash in State Treasury</td>
<td>Ensure the net of 0045 CIST, 0047 Shared Cash and 0048 Legislative Cash match the true Cash in State Treasury balance</td>
</tr>
</tbody>
</table>

- Members are not required to zero out System clearing
- Members not required to submit USAS AFR Template and Certification Forms
Polling Question

Describe your mood today

a) Sunshine
b) Cloudy
c) Rainy
d) Thundery
e) Rainbow
Important Dates - August

- **August 15th**: Online GASB Surveys due to State Comptroller
- **August 20th**: FY 21 PCT’s must be completed and fully approved by midnight
- **August 27th**: Review USAS IT file, review/release batches
  Review USAS default funds (9000, 9001, 9016), should be zero
- **August 31st**: Deadline for FY21 State deposits
  USAS shuts down at 7pm (re-opens September 2nd)
**Important Dates - September**

<table>
<thead>
<tr>
<th>Date</th>
<th>Item</th>
</tr>
</thead>
<tbody>
<tr>
<td>September 1st</td>
<td>FY 21 Equity Transfers Due to System Office</td>
</tr>
<tr>
<td>September 3rd</td>
<td>FAMIS August Month-End Close (September 2nd for TAMRF)</td>
</tr>
<tr>
<td>September 20th</td>
<td>Confirm Capital Asset Transfers with Non-TAMUS State Agencies</td>
</tr>
<tr>
<td></td>
<td>(Reference Chapter 7 of SPA User Guide)</td>
</tr>
<tr>
<td>September 24th</td>
<td>Intra-System Due To/From Transfer and Intra-System Pass-Through</td>
</tr>
<tr>
<td></td>
<td>Schedules Due to System Office</td>
</tr>
<tr>
<td>Date</td>
<td>Member</td>
</tr>
<tr>
<td>------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Sept. 29&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TVMDL</td>
</tr>
<tr>
<td>Sept. 30&lt;sup&gt;th&lt;/sup&gt;</td>
<td>SSC</td>
</tr>
<tr>
<td>Oct. 1&lt;sup&gt;st&lt;/sup&gt;</td>
<td>TFS, TTI</td>
</tr>
<tr>
<td>Oct. 4&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TSU, TAMIU</td>
</tr>
<tr>
<td>Oct. 5&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TAMUT</td>
</tr>
<tr>
<td>Oct. 6&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TAMUG, PVAMU</td>
</tr>
<tr>
<td>Oct. 7&lt;sup&gt;th&lt;/sup&gt;</td>
<td>WTAMU</td>
</tr>
<tr>
<td>Oct. 8&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TAMUCT</td>
</tr>
<tr>
<td>Oct. 11&lt;sup&gt;th&lt;/sup&gt;</td>
<td>TEEX, TAMUCC</td>
</tr>
</tbody>
</table>

AFR Due Dates (submit to System Office)
Other Due Dates

- **November 1\textsuperscript{st}** GR Reconciliation (web application)
- **November 10\textsuperscript{th}** THECB Sources & Uses due to System Office
  - System Office sends out template as each member’s AFR is finalized
- **November 19\textsuperscript{th}** APS011Benefits Proportional
  - Adjusting USAS entries must be posted by this date
  - Submit to Comptroller, SAO, LBB, send copy to System Office
- **November 20\textsuperscript{th}** System Office submits Consolidated AFR to State Comptroller
AFR Preparation Process Overview (Member Perspective)

1. Post accruals and year-end adjustments
2. Prepare supporting work papers
3. Prepare Statement of Cash Flows
4. Review financial statements and fluctuation analysis
5. Submit AFR package to System Office
6. System Office locks campus and begins review
Supplemental Packet
Financial Statement Workpapers

• Workpapers sent to AFR listserv in August and September

• Specific instructions included with each workpaper, including:
  o Intra-system due to/from transfer and pass-through templates
  o Notes worksheet
  o Fluctuation analysis

• Member-specific items sent to primary/alternate AFR contacts
  o Cash flow template
  o Investments Held by System Reconciliation
Supplemental Packet Information for Year-End Entries

• Property Insurance Premium Accrual
• Reserve entry – FY22 Debt Service Payment
• Accrued Compensable Absences (ACAP)
• USAS Cash in State Treasury (CIST) balances
• Accruals related to Investments Held by System Office
Cash & Investments
Cash in State Treasury

Year-End Process

1. Complete all State bank reconciliations

2. Adjust State Banks to match CIST
   - Typically record payable to adjust for timing between FAMIS and USAS

3. Complete GR Reconciliation
   - Reclassify GR banks (Fund 0001) from C&CE to Legislative Appropriations
   - Debit account control 1115 and reduce Fund 0001 bank

4. Final check – AFR Cash Schedule Three-A
   - USAS Balances match CIST report by Fund
Cash & Investments - Assets Held by System Office

• AFR Instructions Chapter 4 provides detailed instructions

• System Office (Wanda Roof) sends out the Reconciliation of Assets Held by System mid-September
  o Also referred to as the “Asset Recon”
  o Provides adjusted year-end cash & investment balances
  o Each member must reconcile their accounting records to the balances provided

• Entries posted in Month13 to record income and year-end fair value adjustments
Cash & Investments – System Endowment Fund (SEF)

• 4th Quarter SEF reports
  o Automated entries will post income distribution in Month 13
  o Same as typical quarterly entries

• Year-End SEF Appreciation Reserve, Fair Value Adjustment and Net Position Summary
  o Record AFR Reversing Entries
    ▪ Fair value adjustment
    ▪ Appreciation reserve allocation
  o After entries, verify net position summary to the net position categories per Statement of Net Position
Cash & Investments – Cash Concentration Pool (CCP)

Year-End Process

• Record August monthly CCP investment income/fees in Month 13
• Analyze cash by Fund Group to determine how to allocate - both Proprietary and Fiduciary
• Record CCP Fair Value Adjustment
• Allocate CCP Balance by Fund Group
  • Current vs. NonCurrent (provided on Asset Recon)
  • Restricted vs. UnRestricted (member decides)
• After entries, verify “Assets Held by System” rows to Asset Recon
Example - Current CCP (Cash & Cash Equivalents)

| Reconciliation of Assets Held for Investment by System Office
| As of August 31, 2020 |

**System Members update GREEN cells to reconcile**
**System Office updates BLUE cells (do not change)**

<table>
<thead>
<tr>
<th>Assets Held by System - Cash and Cash Equivalents (Short Term)</th>
<th>Cash Concentration Pool (CCP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>8/31 Fund Ledger Balance</td>
<td>370,074,348.00</td>
</tr>
<tr>
<td>July Bank Charges</td>
<td>(977.37)</td>
</tr>
<tr>
<td>August Interest/Dividends</td>
<td>736,579.75</td>
</tr>
<tr>
<td>4th Quarter SEF Income Distribution</td>
<td>2,438,727.95</td>
</tr>
<tr>
<td>Concur Travel Equity Transfer for August</td>
<td>16,617.40</td>
</tr>
<tr>
<td>Concur Procard Equity Transfer for August</td>
<td>4,428.34</td>
</tr>
</tbody>
</table>

**Reconciling Items per Local Bank Reconciliations**
*Identify outstanding deposits and disbursements, add rows or update descriptions as needed.*

| Deposits in Transit                                         | 106,495.38                    |
| Outstanding Checks (Payroll & A/P)                         | (36,064.65)                   |
| Outstanding ACH Payments (Payroll & A/P)                   |                                 |
| Outstanding Equity Transfer                                 | 40,009.48                     |
| Other                                                       | (53,338.13)                   |

**Total Assets Held by System - Cash and Cash Equivalents (Short Term)**
373,326,826.15

- **Record Income in Month 13**
- **Enter Reconciling Items**
- **Adjust to book Balance**
Example - Non-Current Investments

- Year-End Unrealized Gain (Loss) by Fund Group – CCP and SEF
- Year-End Transfer for SEF Appreciation Reserve (workpaper provided by endowment)

<table>
<thead>
<tr>
<th>Reconciliation of Assets Held for Investment by System Office</th>
<th>CCP</th>
<th>SEF</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets Held by System (Long Term)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>8/31 Fund Ledger Balance</td>
<td>181,413,694.62</td>
<td>181,413,694.62</td>
<td></td>
</tr>
<tr>
<td>August Interest/Dividends</td>
<td>290,192.24</td>
<td>290,192.24</td>
<td></td>
</tr>
<tr>
<td>August Realized Gain (Loss)</td>
<td>550,776.72</td>
<td>550,776.72</td>
<td></td>
</tr>
<tr>
<td>August Gain (Loss) on Sale of Units</td>
<td>-</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>August External Manager Fees</td>
<td>(51,247.62)</td>
<td>(51,247.62)</td>
<td></td>
</tr>
<tr>
<td>4th Quarter Endowment Report - Book Value</td>
<td></td>
<td>170,974,872.39</td>
<td>170,974,872.39</td>
</tr>
<tr>
<td>Year-End Appreciation Reserve Allocation</td>
<td></td>
<td>20,306,301.65</td>
<td>20,306,301.65</td>
</tr>
<tr>
<td>Assets Held by System (Long Term) - Book Value</td>
<td>182,203,415.96</td>
<td>191,281,174.04</td>
<td>373,484,590.00</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>21,787,342.97</td>
<td>22,028,383.41</td>
<td>43,815,726.38</td>
</tr>
<tr>
<td>Total Assets Held by System (Long Term) - Market Value</td>
<td>203,990,758.93</td>
<td>213,309,557.45</td>
<td>417,300,316.38</td>
</tr>
<tr>
<td>Total Investments Held by System (Short Term and Long Term)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Book Value</td>
<td>555,530,242.11</td>
<td>191,281,174.04</td>
<td>746,811,416.15</td>
</tr>
<tr>
<td>Unrealized Gain (Loss)</td>
<td>21,787,342.97</td>
<td>22,028,383.41</td>
<td>43,815,726.38</td>
</tr>
<tr>
<td>Total Market Value</td>
<td>577,317,585.08</td>
<td>213,309,557.45</td>
<td>790,627,142.53</td>
</tr>
</tbody>
</table>

Allocate CCP book value and unrealized gain

Record Income in Month 13
Final Verification - Compare to AFR Reports

- “Assets Held by System” rows must match workpaper

<table>
<thead>
<tr>
<th>Assets held by System Office (Short Term)</th>
<th>Proprietary</th>
<th>Fiduciary</th>
<th>Reconciliation Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Schedule of Cash and Cash Equivalents</td>
<td>GL Acct Controls</td>
<td>Schedule Three-A</td>
<td>GL Acct Controls</td>
</tr>
<tr>
<td>Assets Held by System Office</td>
<td>1110</td>
<td>53,343,221.17</td>
<td>1110</td>
</tr>
<tr>
<td>Restricted Assets Held by System Office</td>
<td>1111</td>
<td>318,493,166.42</td>
<td>1111</td>
</tr>
<tr>
<td>Total Assets Held by System (Short Term)</td>
<td>371,836,387.59</td>
<td>1,490,438.56</td>
<td>373,326,826.15</td>
</tr>
</tbody>
</table>

Check formula, value must be zero

<table>
<thead>
<tr>
<th>Assets held by System Office (Long Term)</th>
<th>CCP/SEF/Other</th>
<th>Exhibit III</th>
<th>CCP/SEF/Other</th>
<th>Exhibit VI</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Net Position</td>
<td>1206 1207</td>
<td>198,648,228.26</td>
<td>1206 1207</td>
<td>181,885,838.57</td>
</tr>
<tr>
<td>Assets Held by System Office</td>
<td>1204 1210 1205</td>
<td>5,342,530.67</td>
<td>36,766,249.55</td>
<td></td>
</tr>
<tr>
<td>Restricted Assets Held by System Office</td>
<td>1204 1210 1205</td>
<td>213,309,557.45</td>
<td>380,534,066.83</td>
<td></td>
</tr>
<tr>
<td>Total Assets Held by System (Long Term)</td>
<td>203,990,758.93</td>
<td>417,300,316.38</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Check formula, value must be zero

| Total Assets Held for Investment by System Office | 575,827,146.52 | 214,799,996.01 | 790,627,142.53 |

Check formula, value must be zero
• Calculate check figures to verify Investments Held by System activity
Three sections

<table>
<thead>
<tr>
<th>Section</th>
<th>Instructions</th>
</tr>
</thead>
</table>
| 1 Net Increase/Decrease in Fair Value                                  | Exclude Agency portion
Exclude Fiduciary portion
Verify to Proprietary Statement of Changes                                           |
| 2 Realized Gain/Loss Sale of Investments                               | Same as Section 1                                                                            |
| 3 Statement of Cash Flows – Net Purch/Sales of Investments Held by System | Calculates change in NonCurrent Assets Held by System, exclude any purchases/sales for investments not held by System |
Cash & Investment Allocation

• Wait until most other entries are completed, any entries that will impact cash by fund group

• Use a spreadsheet to identify cash & investment balances by Fund Group and plan all entries before posting
  ○ Balance to Asset Recon before posting allocations

• Correct negative Assets or negative Net Position by fund group before posting allocation entries by recording a Due to/from or Transfer between funds

• Review System Office Sample Cash Allocation workpaper
More Year-End Entries

• Each member has their own list of year-end entries
• System Office provides information for specific entries

Hurry, hurry, so much to do!! Remember to BREATHE .....
Payroll Accrual Entries

• Manually post accruals for the last week of August
• After actuals post in September, estimate FY 21 portion to accrue
• Business objects query
  ○ TAMUS Shared/AFR Reports/Payroll Accrual
• Use year-end AFR accrual accounts
• Accrual entries required in both FAMIS and USAS
Service Center Analysis

• AFR Instructions Chapter 3 provides detailed instructions

• Analyze net income (loss) per Schedule IV-4 **by column**
  1. Review function for net loss, adjust if other than Institutional Support
  2. Net Income, reclassify as Revenue if over $25,000

• Adjusting Journal Entries
  ▪ Use a Designated account coded as Institutional Support
  ▪ Regular journal entries, *not* AFR reversing

• On Notes Worksheet, document adjusting entries and explain any negative balances
Schedule III-1 Unrestricted Net Position

• AFR Instructions Chapter 8 provides detailed line items descriptions and a list of FAMIS reserve codes

• Allocate Unrestricted Net Position into categories to analyze balances available
  1. Reserves (encumbrances, debt service payments)
  2. Allocations (set aside for specific programs), Future Capital Renewal Projects should include deferred maintenance reserves
  3. Allocated for Operations

• Remainder goes in Unallocated

• Review negative balances
Final Entries

- These entries should be some of the last entries, after all other entries have posted
  - Tuition Discounting
  - Service Center Elimination
  - Cash & Investment Allocations
  - Fund Balance Reserve Entries

- If fund balance changes or cash is moved between fund groups these entries may need to be adjusted
Statement of Cash Flows

• Template provided by System Office includes specific instructions
• Import files to pull in balance sheet and operating statement data
• Manual step - exclude Fiduciary
  o Run business objects query
  o Enter amount to exclude (CY 204 tab)
• Analyze activity and enter reclassification entries in the template
• Review check figures on the Summary tab
• Final step, enter manual entries in AFR module
• Instructions will be sent out with the Cash Flow template
Queries – Cash Flow Statement

- Business Objects TAMUS Shared/AFR reports folder, subfolder Fiduciary and Agency – Cash Flow
  1. **Agency Fund Activity** – review cash inflows and outflows, enter reclassification adjustments as needed
  2. **Current Balance by Acct Control** – identify Fiduciary balances to exclude
Polling Question

• Do you prepare the Cash Flow Statement for your institution or agency?
  a) Yes
  b) No
Submit AFR Package

• Ready to submit AFR?
  o Send email to afr@tamus.edu
  o System Office will lock campus code to prevent additional entries

• Three FAMIS jobs must be completed before locking campus (n/a for TEEX and WTAMU)

1. MDEP  Monthly Depreciation
2. RR200  Indirect Cost
3. YR412  Close budget, can be run multiple times, make sure to request **final run**, at least 1 day prior to AFR submission

**Campus cannot be locked until FAMIS has been notified YR412 is final**
Items to Submit with the AFR Package
(List posted on Financial Resources web page)

- SEFA/SPTR report downloads (Excel format), plus SEFA Notes
- Fluctuation Analysis, Contra Balance Explanations, additional explanations for review team
- Notes Worksheet
- Tuition Discounting Workpaper and TPEG Worksheet (Academics, HSC)
- GR Recon, FMQuery Interagency/Interfund Report
- Note 2 from CANSS, plus documentation for transfers to/from non-TAMUS Agencies
- Cash Flow Workpaper
- Completed Reconciliation of Assets Held by System
- Title Page and signed member review checklist
- APS011 Benefits Proportional and supporting workpapers
- APS011 Check report from ACO (latest version)
AFR Review Process - Checklist

• Checklist used by System Office for AFR desk reviews

• Verify reports balance **by Fund Group**
  o Total Assets and Deferred Outflows equals Total Liabilities, Deferred Inflows and Net Position
  o Net Position per Sch III-Fund equals Net Position per Sch IV-Fund
  o Also review Fiduciary statements this year

• Verify supporting workpapers tie to AFR
  o Notes worksheet
  o Tuition Discounting Schedule
  o FMQuery reports
Common Errors to Avoid

• Workpapers not matching the financial statements, usually because of late entries made
  o Tuition Discounting, last minute revenue entry
  o Cash allocation off between fund groups
  o Assets Held by System Reconciliation, balances not updated

• Cash Flow Statement
  o Positive Payments or Negative Proceeds
  o Missing adjustments to align receivable/payable with related revenue/expense
  o Verify intra-system transfers match transfer confirmation schedule
Polling Question

How do you feel after your AFR is finalized?

a) Proud of a job well-done
b) Tremendous relief
c) Absolute exhaustion
d) Huge excitement – party time!

Happiness is... looking forward to something.
Questions ??

• Next is Wells Fargo Presentation

• Tomorrow’s sessions will include
  ○ IT Update
  ○ FAMIS Technical Updates
  ○ GASB 87 Leases
  ○ Helpful Business Objects Queries
  ○ Requesting AFR Reports
  ○ AFR New Reporting Tool for 2022