E-Core, E-Major and other Online offerings

E-Core

- Experienced significant growth over last few years.
- Approximately 25 institutions participate
- Necessary that we create consistent accounting treatment system-wide.
- Revised accounting treatment will be effective for fiscal year ending **June 30, 2017**.

E-Major and other online offerings

- Not as impactful on financials as e-core, but consistent treatment necessary to bring all online courses into consistent reporting framework.
    - Once reporting framework for e-core in place, other online offerings will be required to follow suit.
- All online offerings should have consistent accounting treatment in place no later than **Fye 2018**.

Accounting for E-Core and other Online Offerings

Example: Host institution provides the instructional staff. Tuition rate is $159 per credit hour(includes $ 30 technology component. Host institution bills $117 per credit hour. Participating institution keeps $ 42 differential. Host institution bills for 2000 credit hours @ 117 totaling $ 234,000.

Host Institution

Required Accounting Treatment

Cash (10500)	174,000	
Cash (14000)	60,000	
Tuition Revenue (10500)		174,000
E-core technology fee 403200**(*)** (14000)		60,000

To record revenue related to billing for online courses at $ 117 per credit hour ($87 for tuition and $ 30 for technology component of fee)

Salaries and fringe (10500)	150,000	
Other expenses (10500)	20,000	
Cash (10500)		170,000

To record payment of expenses for faculty and other miscellaneous for hosting course **(*) new account number**

Participating Institution

Required Accounting Treatment

Cash (10500)	318,000	
Tuition Revenue (10500)		318,000

To record revenue initially received from students for online courses based on $159 per credit hour.

Tuition Revenue (10500)	234,000	
Cash (10500)		234,000

To record transfer of funds to host institution for billing for services. For accounting purposes, participating institution may elect to record an account payable to obligate portion of tuition to be transferred.

Between the two institutions, the tuition revenue is a total of $338,000 which it should be. For host institution, all salaries and related expenses for e-core faculty should reside in fund 10500 using a unique Department identifier. Technology support and expenses should reside in fund 14000 and be covered by designated technology component of e-core fee. See next slide for situation where participating institution provides some faculty. **This is referred accounting treatment for all online offerings, not just E-Core. BPM will be updated accordingly.**

Accounting for E-Core and other Online Offerings

Previous example is modified in that participating institution also provided some faculty staffing and will receive $ 4,000 for faculty participation.

Host Institution	Participating Institution
Required Accounting Treatment Contracted Services – 753191**(*)** (10500) 4,000 Cash (10500) 4,000 To transfer funds to participating institution to cover salaries and benefits of faculty provided. **(*) new account number**	**Required Accounting Treatment** Cash (10600) 4,000 E-core revenue- 470200**(*)**(fund10600) 4,000 To record reimbursement for faculty costs Salaries and fringe (10600) 4,000 Cash (10600) 4,000 To record payment of salaries and benefits for e-core classes. **(*) new account number**

From a financial reporting perspective, since there is a contractual relationship between entities for e-core services, it has been determined that the most appropriate accounting presentation would be for participating institutions to reflect the funds received as e-core program revenues (and related expenses) in fund 10600 using a unique Department Identifier.

E-Core, E-Major and other Online offerings

- At year end, host institution must separately report any remaining e-core balances in fund 14000 as a designated fund balance.

- Any prior year existing reserves must be moved to fund 14000.
  - This will not result in any restatement of fund balances since all funds are reported together on AFR statements.
  - On Budget Statements, it will be reflected as a non-mandatory transfer between E&G funds.

- Account 329700 will be set up as the new E-core Net Asset reserve account.

GASB Updates

GASB Statement No. 74 - Financial Reporting for Post Employment Benefits other Than Pension Plans

Overview

- Effective Fiscal year end June 30, 2017 (For BOR central office plan reporting)
- Replaces GASB Statement No. 43 as amended by Statement No. 57.
- Changes in OPEB reporting to get measurement and valuation criteria more in line with requirements of GASB 67 and 68 for pensions.
- Objective to establish consistent set of standards for reporting of all postemployment benefits.

Significant Impact

- GASB 74 affects the plan only which is reported in the Central Office Statements and the System-wide consolidated report.
- Actuarial assumptions will change which will affect the notes and required supplementary information (RSI).
- Individual school statements will be impacted in Fye 2018.

GASB Statement No. 75 - Accounting and Financial Reporting for Postemployment Benefits other Than Pensions

Overview

- Effective fiscal year ending June 30, 2018 (OPEB participants)
- Replaces Statement No. 45, as amended by Statement No. 57.
- Changes in OPEB reporting to get measurement and valuation criteria more in line with requirements of GASB 67 and 68 for pensions.
- Objective to establish consistent set of standards for reporting of all postemployment benefits.

Significant Impact

- Government employers (each institution) will be required to report OPEB liability on the face of the financial statements.
  - OPEB liability likely will exceed $ 5 billion and will be distributed among institutions based on participation.
  - Central Office working with actuaries to provide information in a format similar to pensions.
  - Note disclosures and RSI will be significantly impacted as well. Central Office will provide as much information as possible.

GASB Statement No. 77 Tax Abatement Disclosures

Overview

- Effective fiscal year ending June 30, 2017
- Requires disclosures on the effects of tax abatements on a governments ability to raise revenues.
- Would apply only to tax abatement arrangements meeting the following definition:
  - Reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (1) one or more governments promise to forgo tax revenues for which they are entitled and (2) the individual or entity promises to take specific action (after the agreement has been consummated) that contributes to economic development or otherwise benefits the governments or its citizens.

Significant Impact

- Likely none
  - This GASB relates to the impact of abatements on tax revenue streams. Since the USG and institutions do not receive any revenues directly from taxes, there should be no impact. **Some of our facility projects may benefit from tax abatements provided, but any disclosure for those abatements would be with the governmental entity which would have its' tax revenue stream impacted by the abatement.**
  - Foundations would also likely not be effected, but you should make sure your Foundation checks with external auditors to verify no impact.

Statement No. 78 - Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans

Overview

- Effective for fiscal year ending June 30, 2017
- Amends scope of GASB 68 to provide exceptions to the general requirements of GASB 68 for pensions provided to employees of state or local government employers through cost sharing multi-employer defined benefit plans that:
  - Is not a state or local governmental pension plan, and
  - Is used to provide define benefit pensions to employees of state and local governments and employees of employers that are not state or local government employers, and
  - Has no predominate state or local governmental employer.
- Statement establishes pension reporting requirements for governments with employees who are provided defined pension benefits through federally sponsored plans or private multi-employer plans.
  - Normally see these plans in building or construction industries.

Significant Impact

- No impact on our schools.
- For foundations, likely no impact, unless 3 provisions of second bullet above apply.

GASB Statement No. 79 – Certain External Investment Pools and Pool Participants

Overview

- Most provisions effective June 30,2016
- Paragraphs 18,19,23-26 and 40 effective June 30, 2017
- Amends GASB 31, *Accounting and Financial Reporting for Certain Investments and External Investment Pools*
- Establishes criteria for an external investment pool to qualify for making the election to measure all investments at amortized cost for financial reporting.
- Effectively supersedes accounting and financial reporting requirements for 2a7-like external investment pools.

Significant Impact

- Very limited, if any.
  - Currently we are not aware of any external investment pools that report investments at amortized costs. If you have any such pool, or if your foundation has any such pool and reports on a GASB basis, Statement 79 would apply.
  - Otherwise, pool participants should report investments at fair value, in accordance with paragraph 11 of GASB Statement No. 31.

GASB Statement No. 80 - Blending Requirements for Certain Component Units

Overview

- Effective for fiscal year ending June 30, 2017.
- Amends GASB Statement No. 14,
- Added new blending for certain component units where:
  - The component unit is organized as a not for profit corporation for which the primary government is the sole corporate member as identified in the component units bylaws and articles of incorporation.
    - An example would be where a primary government acquires legally separate entities to expand operations or create a spin-off organization to expand services and incorporate them into legally separate entities. Many of these “new” organizations may have governing bodies with representation from the community, with the primary government being the sole corporate member. , GASB has decided that this type arrangement created a unique relationship, where blending is appropriate.

Significant Impact

- Should be none on College/University reporting.
- Likely to have impact on some Foundations which may require blending at that reporting level.

GASB Statement No. 81 - Irrevocable Split-Interest Agreements

Overview

- Effective for fiscal year ending June 30, 2018
- New Standard establishes financial reporting standards for instances where donor irrevocably transfers resources to an intermediary to administer resources for benefit of a beneficiary and governmental entity.
- Permanent endowments, although they may have similar characteristics, are not included in the scope of this GASB Statement.
- Example would be irrevocable trust set up to benefit a person(s) for injuries received or damages incurred.
- Recognition and reporting requirements are dependent on whether the government or a third party serves as intermediary and whether the government is lead resource recipient or the remainder interest recipient.

Significant Impact

- More than you might think.
- Most likely, if we have this, it would be set up as a trust administered by a third party intermediary for the benefit of an external legal entity or person with College/University receiving residual interest.
- Likely will affect foundation reporting as well, therefore, you will need to follow up with Foundation contacts.

GASB Statement No. 82- Pension Issues

Overview

- Effective for year ending June 30, 2017 for most employers.
- Clarifies that covered payroll is the payroll on which contributions to the pension plan are based.
- Provides guidance on treatment of deviations from Actuarial Standards of Practice for financial reporting.
- Clarify that payments made by an employer to satisfy contribution requirements that are identified by pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of GASB 67 and employee contributions for GASB 68.
  - Employer's expense and expenditures for those amounts must be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions. (Example salaries, and wages and fringe.)

Significant Impact

- Minimal for us because we were already presenting covered payroll as provided by GASB 82.
- Likely to have reporting impact on classification of employee contributions for Augusta University and related foundation that pays pension costs for certain medical employees.

Important GASB Exposure Drafts

Leases

- Exposure Draft issued January 2016.
- GASB Board is currently reviewing proposed revisions and may have revised final statement before June 30, 2017.
- Statement would likely go into effect for fiscal year 2019.
- Would substantially change current lease accounting rules.
  - Most likely a single accounting approach will be applied for all leases, with very limited exceptions.
    - Many leases that are now treated as operating leases would be treated as assets.

Gratuities
Q&A

Gratuities Q&A

Definition:

- Constitution of the State of Georgia, Article III, Section VI, Paragraph VI.
- **Gratuities.** (a) Except as otherwise provided in the Constitution, (1) the <u>General Assembly shall not have the power to grant any donation or gratuity or to forgive any debt or obligation owing to the public,</u> and (2) the General Assembly shall not grant or authorize extra compensation to any public officer, agent, or contractor after the service has been rendered or the contract entered into.

Gratuities Q&A

- Attorney General Opinions
  - The gratuities clause as written is fairly ambiguous, however, there are numerous court cases and AG Opinions over the years which provide the true substance behind the intent of the “gratuities clause”.
  - Several notable opinions:
    - 2004-3
    - U2001-4
    - U98-15
    - 95-22
    - 71-42

Gratuities
Q&A

Key component of AG opinions:

- State must derive some “substantial benefit” from the grant or use of its assets.
  - Substantial benefit means that State would receive fair value in return for value given. Return of anything less than fair value would be gratuitous.

Best way to avoid a gratuities violation:

- Ensure that benefit received is substantial, reciprocal, measurable and it directly benefits the school/State.

Gratuities Q&A

- Samples of common gratuity questions:
  - Can institutional funds be used to/for:
    - Pay for memberships to civic organizations?
    - Pay for memberships to State/National organizations?
    - Pay for professional development?
    - Make donations to third parties?
    - Provide sponsorships?
    - Pay for advertisements?
    - Pay for entertainment expenses?
    - Pay for welcome baskets?
    - Pay for refreshments, t-shirts, mugs, i-pads, etc., at recruiting events?
    - Payments to 3rd parties to induce economic development?

Gratuities Q&A

- Samples of common gratuity questions:
  - Can institutional funds be used to/for:
    - Create/pay scholarships out of Institutional Funds?
    - Provide award(s) from Student Activities fund based on event sanctioned by Student Government Association?
    - Pay bonuses to employees?
    - Pay fundraising related expenses?
    - Pay expenses related to alumni events?
    - Pay for lobbyists?
    - Pay collection company to collect outstanding A/R's?
    - Waive student fees at certain times of the year?
    - Waive established rental fees?

BPM Updates
Capital Assets

BPM – Update
Capital Assets

Total Revision of Section 7 of BPM.

- Highlights
  - Fully depreciated assets - Additional guidance provided for assets still in use that are fully depreciated or nearing end of depreciable life.
  - Impairments – Additional guidance on impairments. Notification to SAO required.
  - Section added for component depreciation
  - Section 7.2 modified to reflect examples of capital asset transactions
  - More content added to help distinguish between capital asset betterments/improvements and general maintenance expenses

BPM – Update
Capital Assets

Total Revision of Section 7 of BPM.

- Highlights - continued
  - Intangible asset lives in BPM now agree with Asset Management Modules. 20 years for intangibles other than software.
  - Content added to address E-books.
  - Leased asset examples revised to comply with new methodology for determining FMV/cost of asset.
  - Appendix 7.15.1, which includes building classes and useful lives, revised to remove unnecessary asset classifications.
  - Appendix B, <u>*Useful Lives for Capital Assets other Than Buildings*</u> also revised and updated.

Questions and Comments