



# Accounting and Financial Reporting

# Accounting and Financial Reporting

## Texas Community College Pension & Other Postemployment Benefits (OPEB) Standards

- ① GASB 68
- ② GASB 75
- ③ Impact of GASB 75

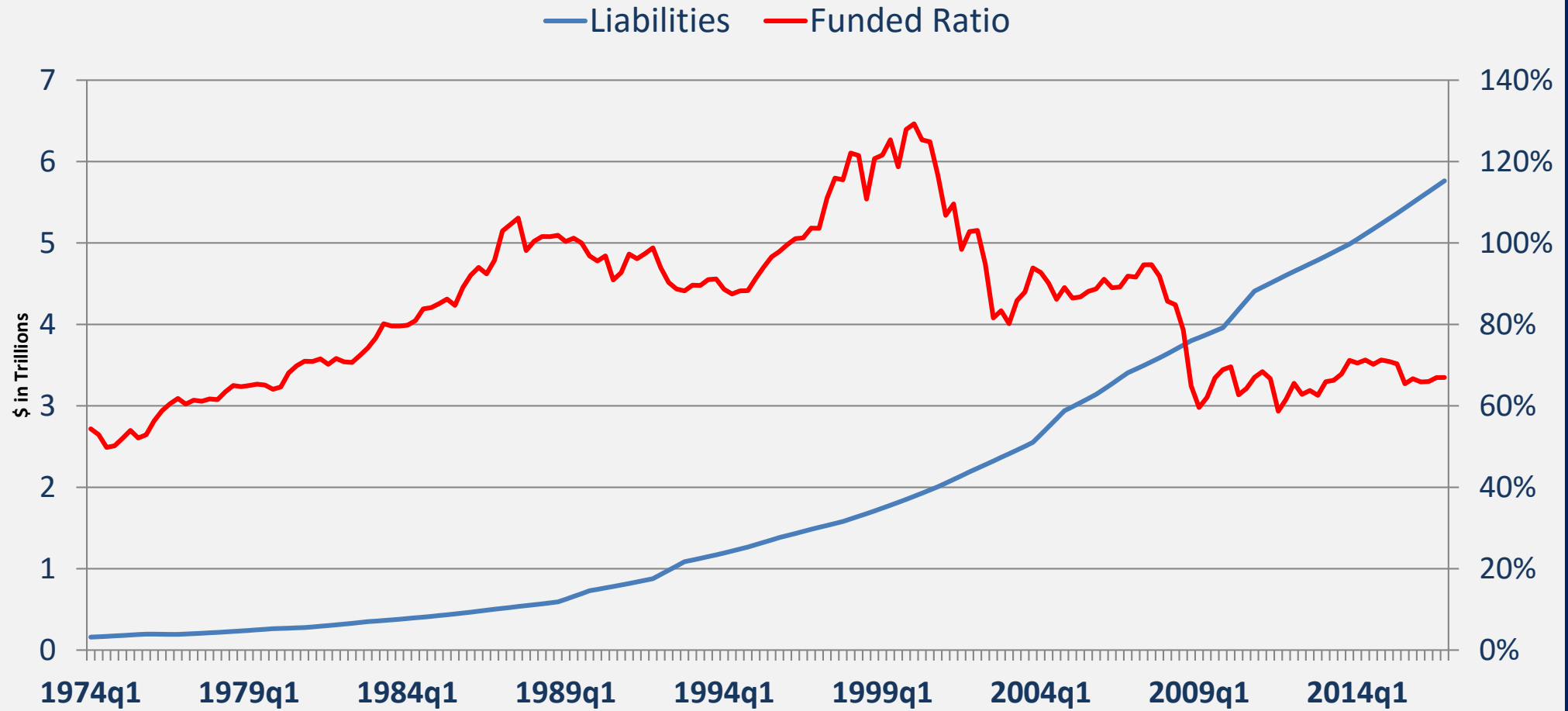
# Accounting and Financial Reporting



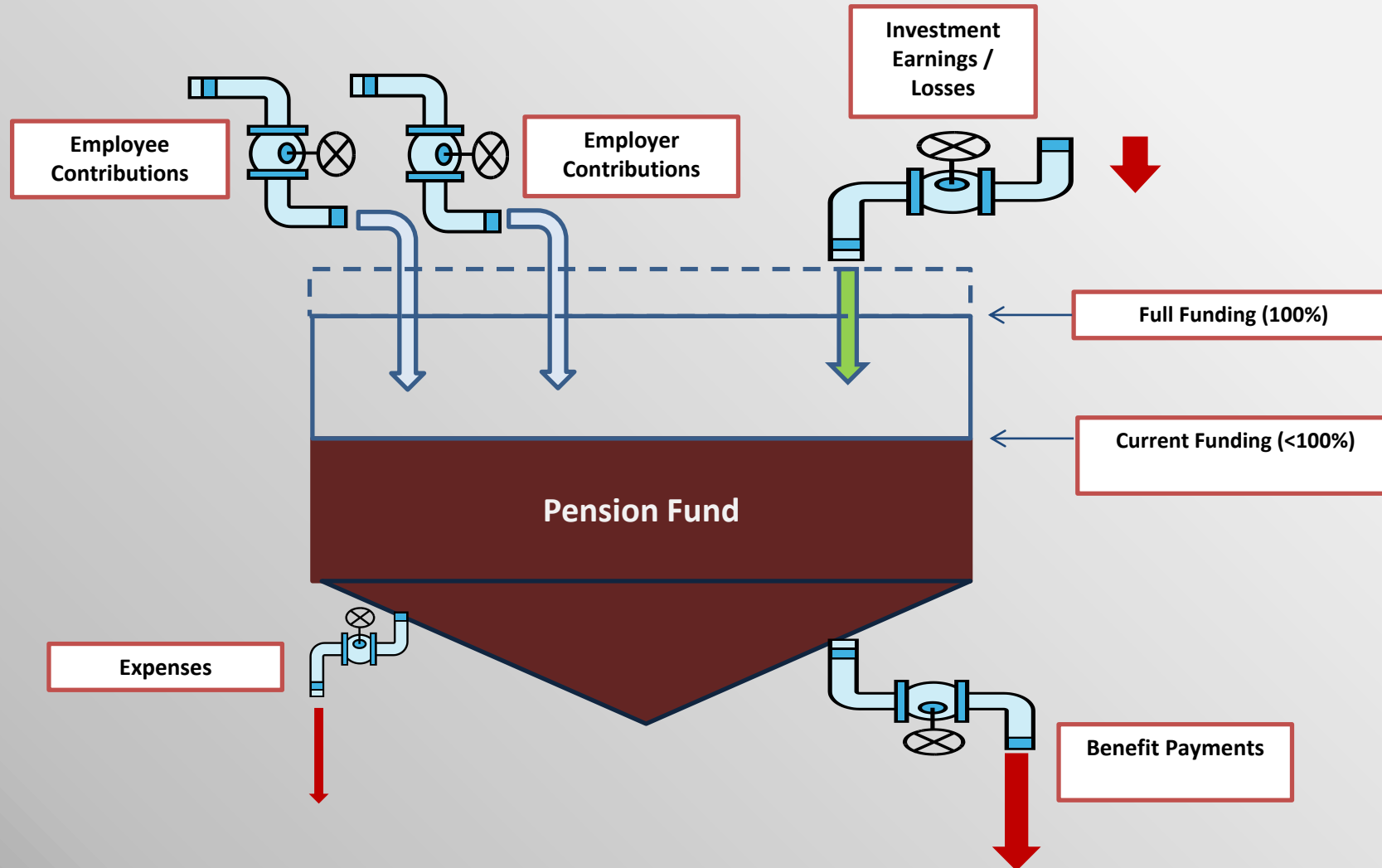
## ACCOUNTING AND FINANCIAL REPORTING FOR PENSIONS

- ✦ This reporting principle was established in 2014 and is currently recorded on TCC Financial Statements. It is a financial reporting requirement for most state and local governments that provide their employees with pension benefits.
- ✦ **Purpose:** Requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability, and to more comprehensively and comparably measure the annual costs of pension benefits.

## Total Liabilities of State and Local Government Defined Benefit Pension Funds and Related Funded Ratios, 1974-2016



# Pension Fund – Inflows and Outflows



# TCC Accounting and Financial Reporting

**TARRANT COUNTY COLLEGE DISTRICT  
EXHIBIT 1  
STATEMENTS OF NET POSITION  
AUGUST 31, 2017 AND 2016**

	2017	2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 2,556,981	\$ 5,342,738
Investments	153,272,762	149,368,117
Accounts receivable, less allowance for doubtful accounts of \$17,838,057 and \$16,256,315 in 2017 and 2016, respectively	11,211,347	10,295,521
Taxes receivable, less allowance for doubtful accounts of \$2,188,411 and \$2,321,074 in 2017 and 2016, respectively	4,803,687	4,746,181
Interest receivable	608,770	563,556
Federal grants and contracts receivable	7,076,998	6,678,044
State and local grants and contracts receivable	1,715,022	1,837,680
Prepaid expenses and other current assets	3,725,888	2,947,228
<b>Total current assets</b>	184,971,455	181,779,065
<b>Non-current assets</b>		
Investments	130,901,970	121,742,652
Restricted investments	520,885	433,416
Capital assets, net		
Non-depreciable capital assets	116,945,805	139,775,399
Depreciable capital assets	777,132,636	733,423,686
<b>Total non-current assets</b>	1,025,501,296	995,375,153
<b>Total assets</b>	1,210,472,751	1,177,154,218
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred outflows related to pensions	16,709,447	18,955,012

**LIABILITIES**

**Current liabilities**

Accounts payable	10,601,451	14,855,104
Accrued liabilities	7,905,918	7,400,944
Accrued compensated absences	6,065,090	5,758,274
Deposits held for others	468,285	392,066
Unearned revenue	23,149,231	23,438,801
<b>Total current liabilities</b>	48,189,975	51,845,189

**Non-current liabilities**

Accrued compensated absences	4,390,813	4,303,461
Workers' compensation payable	183,762	115,481
Net pension liability	51,062,332	48,498,163
<b>Total non-current liabilities</b>	55,636,907	52,917,105
<b>Total liabilities</b>	103,826,882	104,762,294

**DEFERRED INFLOWS OF RESOURCES**

Deferred inflows related to pensions	12,837,188	16,870,427
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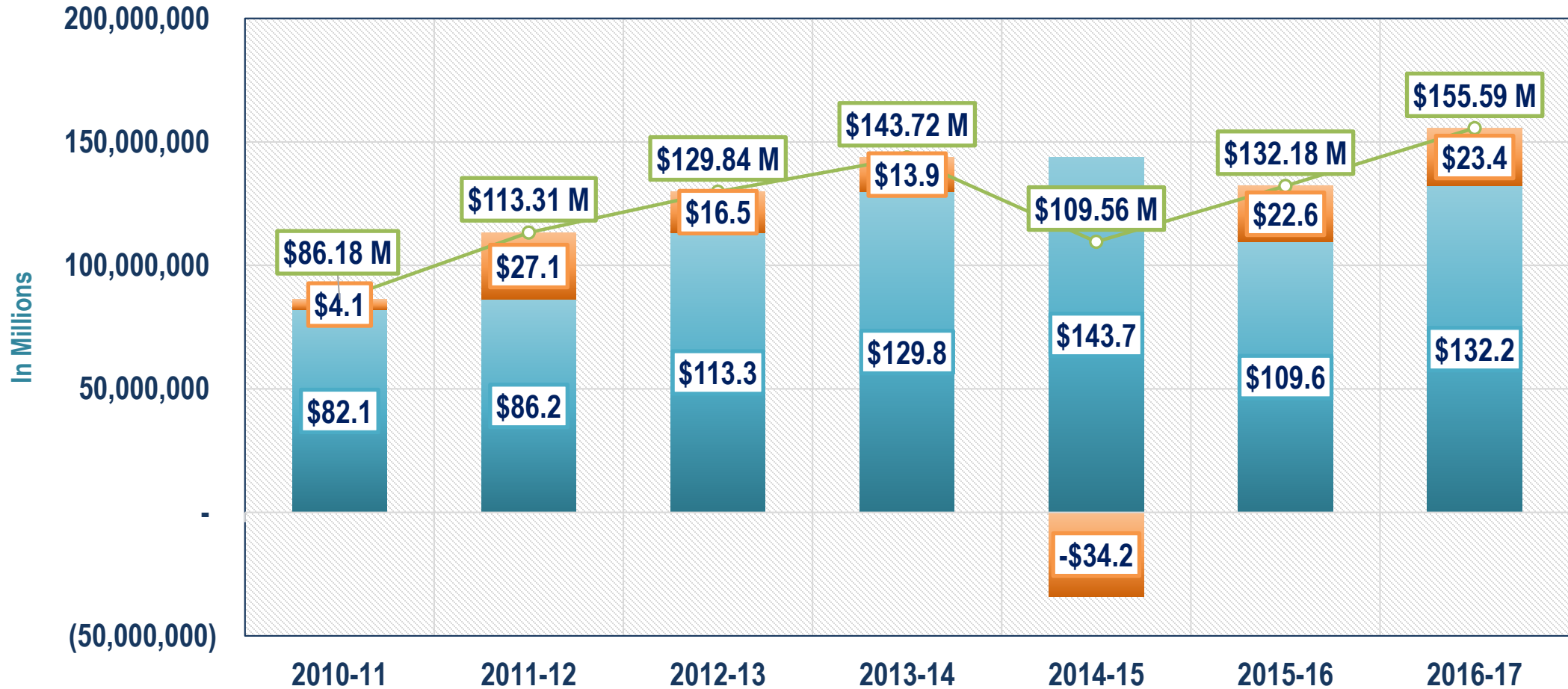
**NET POSITION**

	2017	2016
Net investment in capital assets	\$ 894,078,441	\$ 873,199,085
Restricted for:		
Expendable		
Student aid	6,778,900	6,331,509
Loans	144,269	143,928
Debt service		23,521
Total restricted	6,923,169	6,498,958
Unrestricted	209,516,518	194,778,466
<b>Total net position (Schedule D)</b>	\$ 1,110,518,128	\$ 1,074,476,509

The Notes to Financial Statements are an integral part of these statements.

# TCC Maintenance Fund 10 Balance FY 2010-11 to 2016-17

■ Beginning Fund Balance    
 ■ Net Increase (Decrease)    
 ○ End Fund Balance



# Tarrant County College GASB 68 Journal Entries FY17

JE #	Date	GL	Account/Description	Ref	Debit	Credit	Notes
1	8/31/2017	10-00-09050-580850-51035	Pension Expense/TCC TRS Contributions Obj 51035	PY	4,258,346		
		10-00-00000-000000-19101	Deferred Outflow of Resources - TRS Contributions to reverse FY16 contributions deferred outflow			4,258,346	
2	8/31/2017	10-00-00000-000000-29101	Deferred Inflows of Resources - Difference in Projected & Actual Investment Earnings	B-10	9,428,862		
		10-00-00000-000000-29102	Deferred Inflows of Resources - Difference between Employer Contribution & Proportionate Share		3,847,535		
		10-00-00000-000000-29104	Deferred Inflows of Resources - Difference between Expected & Actual Actuarial Experience		1,863,828		
		10-00-00000-000000-29103	Deferred Inflows of Resources - Changes in Actuarial Assumptions		1,730,202		
		10-00-00000-000000-19102	Deferred Outflows of Resources - Difference between Expected & Actual Actuarial Experience			529,048	
		10-00-00000-000000-19103	Deferred Outflows of Resources - Changes in Actuarial Assumptions			2,223,601	
		10-00-00000-000000-19104	Deferred Outflows of Resources - Difference in Projected & Actual Investment Earnings			11,944,017	
		10-00-09050-580850-51035	Pension Expense/TCC TRS Contributions Obj 51035 to eliminate the balances of deferred inflows & deferred outflows			2,173,761	
3	8/31/2017	10-00-00000-000000-19101	Deferred Outflow of Resources - TRS Contributions	B-9	4,512,730		TRS does not provide this #
		10-00-09050-580850-51035	Pension Expense/TCC TRS Contributions Obj 51035 to reclass FY17 contributions as deferred outflow			4,512,730	comes from our records, Object code 51035 bal at YE.
4	8/31/2017	10-00-00000-000000-22910	Net Pension Liability	B-5.2	4,293,314		
		10-00-09050-580850-51035	Pension Expense to remove FY16 contributions from net pension liability			4,293,314	



# Tarrant County College GASB 68 Journal Entries FY17

JE #	Date	GL	Account/Description	Ref	Debit	Credit	Notes
5	8/31/2017	10-00-00000-000000-22910	Net Pension Liability	B-5.2	8,539		
		10-00-09050-580850-51035	Pension Expense/TCC TRS Contributions Obj 51035			8,539	
			to record contribution adjustments per TRS schedule				
6	8/31/2017	10-00-09050-580850-51035	Pension Expense	B-5.2	6,866,022		
		10-00-00000-000000-22910	Net Pension Liability			6,866,022	
			to record pension expense per TRS				
7	8/31/2017	10-00-00000-000000-19102	Deferred Outflows of Resources - Difference between Expected & Actual Actuarial Experience	B-5.3	800,648		
		10-00-09050-580850-51035	Pension Expense			800,648	
			to record exp for difference between expected & actual actuarial experience CY				
8	8/31/2017	10-00-00000-000000-19103	Deferred Outflows of Resources - Changes in Actuarial Assumptions	B-5.3	1,556,288		
		10-00-09050-580850-51035	Pension Expense			1,556,288	
			to record exp for changes in actuarial assumptions CY				
9	8/31/2017	10-00-00000-000000-19104	Deferred Outflows of Resources - Difference in Projected & Actual Investment Earnings	B-5.3	9,839,781		
		10-00-09050-580850-51035	Pension Expense			9,839,781	
			to record exp for net difference between projected & actual investment earnings CY				
10	8/31/2017	acct not set up	Deferred Outflows of Resources - Difference between Employer Contribution & Proportionate Share	B-5.3	-		n/a FY17
		10-00-09050-580850-51035	Pension Expense			-	
			to record exp for changes between employer contrib. & proportionate share of contrib. CY				

# Tarrant County College GASB 68 Journal Entries FY17

JE #	Date	GL	Account/Description	Ref	Debit	Credit	Notes
11	8/31/2017	10-00-09050-580850-51035	Pension Expense	B-5.3	1,524,692		
		10-00-00000-000000-29104	Deferred Inflows of Resources - Difference between Expected & Actual Actuarial Experience			1,524,692	
			Deferred inflow from difference between expected & actual actuarial experience CY				
12	8/31/2017	10-00-09050-580850-51035	Pension Expense	B-5.3	1,415,380		
		10-00-00000-000000-29103	Deferred Inflows of Resources - Changes in Actuarial Assumptions			1,415,380	
			Deferred inflow from changes in actuarial assumptions CY				
13	8/31/2017	10-00-09050-580850-51035	Pension Expense	B-5.4	5,515,928		
		10-00-00000-000000-29101	Deferred Inflows of Resources - Difference in Projected & Actual Investment Earnings			5,515,928	
			Deferred inflow from net difference between projected & actual investment earnings CY				
14	8/31/2017	10-00-09050-580850-51035	Pension Expense	B-5.4	4,381,188		
		10-00-00000-000000-29102	Deferred Inflows of Resources - Difference between Employer Contribution & Proportionate Share			4,381,188	
			Deferred inflow from difference between employer contrib & proportionate share				
			Total		57,584,937	57,584,937	
Notation for entries that will be made separately:							
N-1	8/31/2017		Pension Expense	B-8	4,326,155		goes into the entry wp 8001
			Pension Revenue (State Appropriations)			4,326,155	
			to record exp/rev for TX on behalf pmt of pension exp				
N-2	8/31/2017		Pension Expense/TCC TRS Contribution Obj 51035		4,512,730		
			Cash			4,512,730	
			FY17 TCC contributions entry made by Payroll to obj 51035 (noted, entry does not need to be made)				

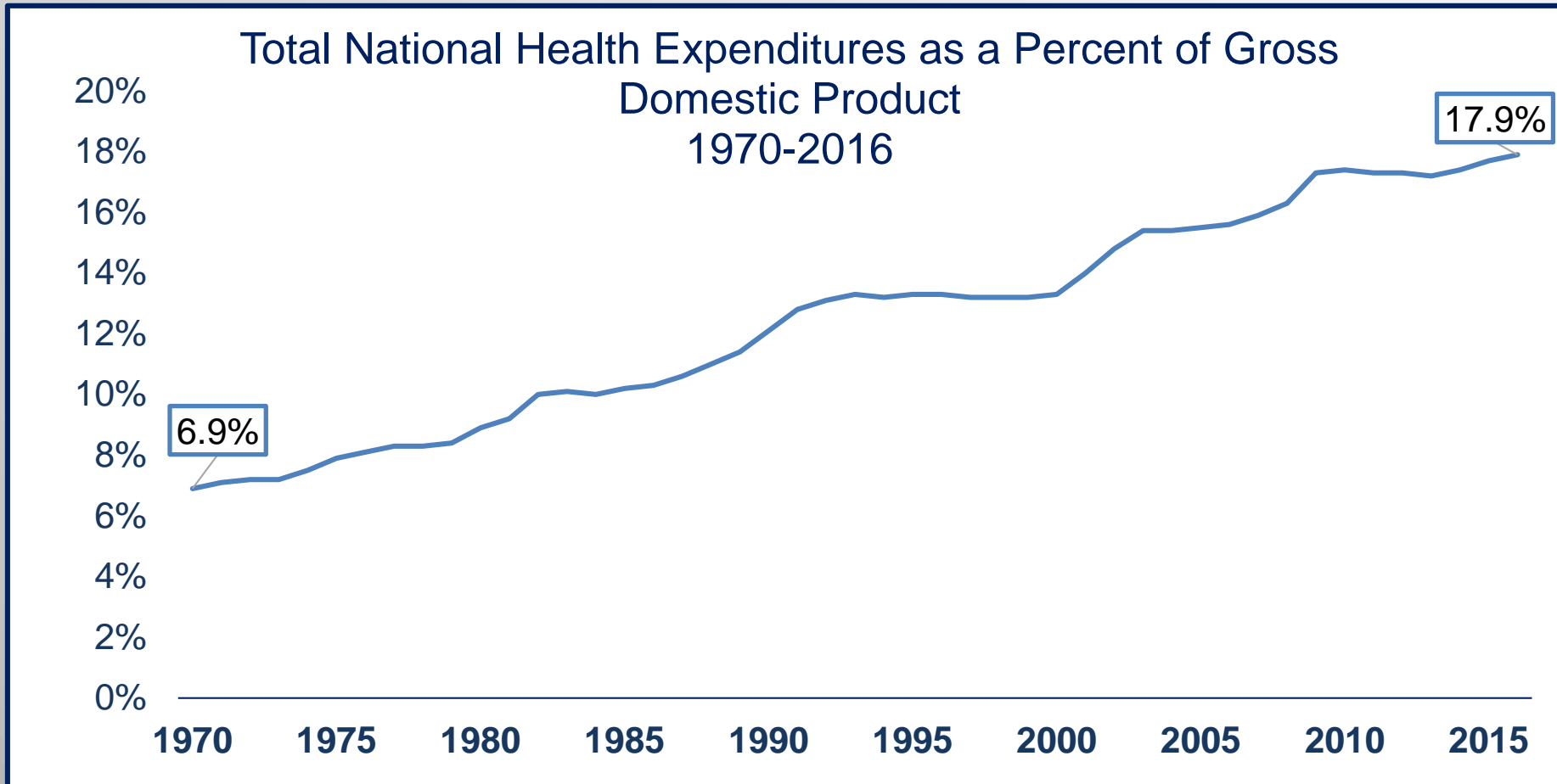
# Accounting and Financial Reporting



## ACCOUNTING AND FINANCIAL REPORTING FOR OTHER POSTEMPLOYMENT BENEFITS (OPEB)

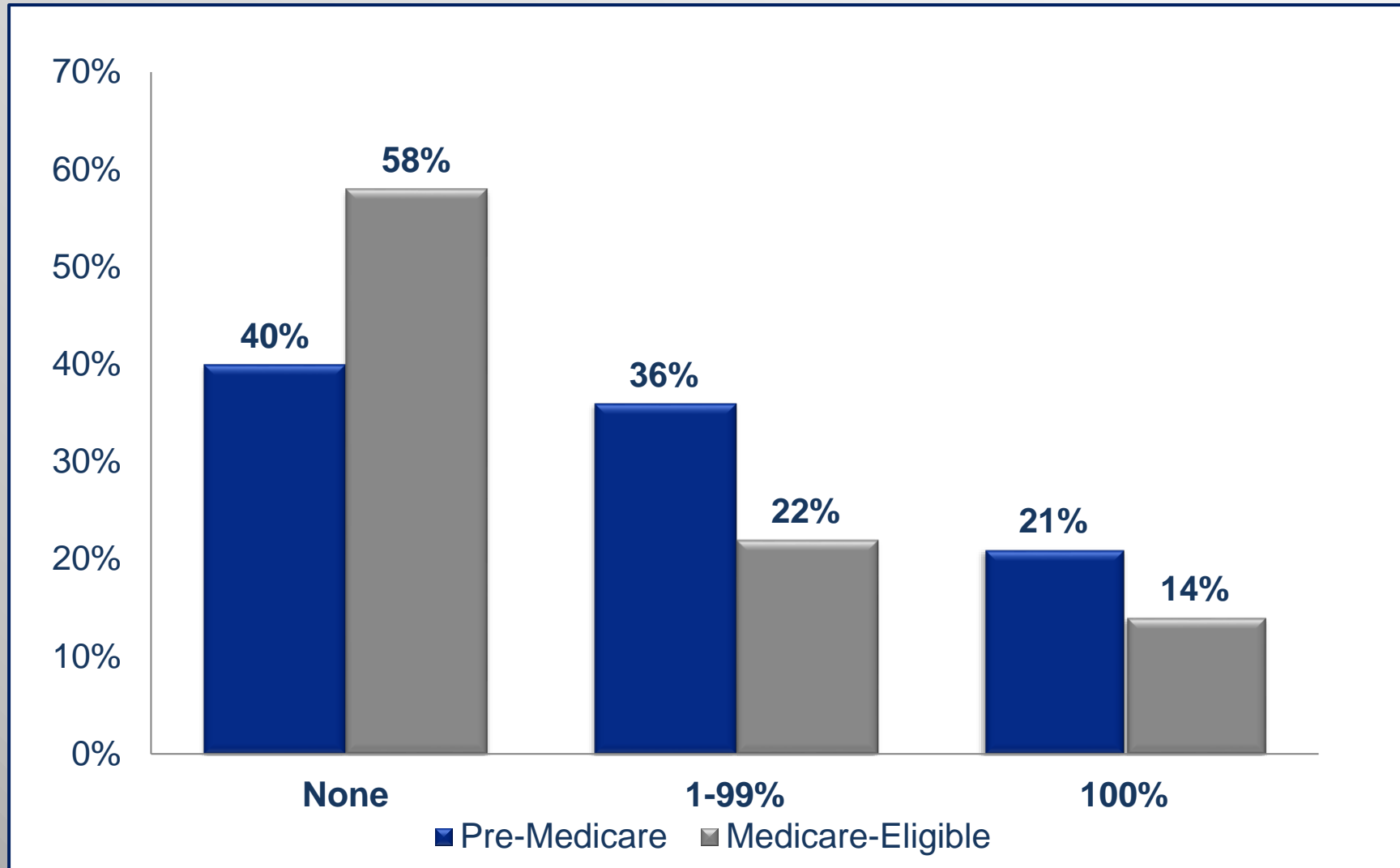
- ↪ Retiree healthcare benefits are provided by the state through the State Retiree Health Plan (SRHP) which is administered by the Employees Retirement System of Texas (ERS).
- ↪ GASB 75 requires state and local governments, which includes community colleges, to report its proportionate share of the ERS' OPEB liability on the Statement of Net Position. This reporting principle is effective for fiscal years beginning after June 15, 2017.
- ↪ **Purpose:** Establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

# OPEB/Medical Cost Trends



PFM Source: Kaiser Family Foundation analysis of National Health Expenditure (NHE) data from Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group

# Percentage of Retiree Health Care Premiums Paid by the Employer, 2014



# Accounting and Financial Reporting



## Impact of GASB 75

- TCC must report its proportionate share of the ERS' OPEB liability on the Statement of Net Position.
- It will result in a reduced fund balance.
- ERS provided TCC with a projected \$181 million OPEB liability to be recognized in fiscal year 2018.



# Accounting and Financial Reporting



## Unintended Consequences of New Rules

- Governmental entities in danger of breaching bond issue debt covenants.
- Bonds downgraded by rating agencies due to “long term pressure” on governmental entities credit rating.



## Bloomberg News Article

<https://www.bloomberg.com/news/articles/2018-05-09/not-so-great-gasb-accounting-rule-pushes-hospital-near-default>

# Accounting and Financial Reporting

## Rating Agency Views on Changes – Summary

- ***GASB Accounting Changes.*** The GASB changes require the reporting of pension (GASB 68) and OPEB (GASB 75) liabilities on each college's Statement of Net Position.
- ***Rating Agencies Already Consider These Liabilities in Credit Ratings.*** The rating agencies were evaluating the magnitude and funded position of pension and OPEB liabilities prior to the implementation of GASB 68 and GASB 75. The implementation of these accounting changes does not materially change the rating agencies' views of the credit quality of issuers now that the liabilities are on Statement of Net Position.
- ***Bottom Line.*** The new GASB reporting standards changes do not affect or change the reality of these liabilities; they merely provide a different means of reporting it. However, it remains important that colleges continue to fund these liabilities as required by the state in order to mitigate increases.

**S&P Global**  
Ratings

**MOODY'S**

**Fitch**  
Ratings



