

Items of Interest for Comptroller's Directive No. 2-16 Directive Compliance Guidelines for Higher Education Institutions

General:

- The Comptroller's Directive No. 2-16, Directive Compliance Guidelines for Higher Education Institutions, has been renumbered from the prior year's Comptroller's Directive No. 2-15. The directive is available on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.
- Statement on Auditing Standards No. 122, *Clarification and Recodification*, AU-C Section 265 (paragraph .A11) states that the identification by the auditors of a material misstatement is an indicator of a material weakness in internal control. This includes prior year ending balance restatements due to errors. It is possible that significant errors resulting in financial statement template adjustments, including prior year ending balance restatements, could result in either material internal control weaknesses or even a modified opinion on the Commonwealth's Comprehensive Annual Financial Report (CAFR). **Institutions must ensure controls are in place to avoid material misstatements, restatements (due to errors), and/or misclassifications in the financial statement template for the institution and its foundations.**
- Institutions will be notified if DOA determines the information provided is unacceptable. The deficiency will be identified and a revised due date will be provided. The *Code of Virginia, §2.2-5004 A3*, identifies "substantial compliance with all financial reporting standards approved by the State Comptroller" as an integral part of the financial and administrative management standards. **DOA will evaluate both the timeliness and accuracy of submissions to DOA to help determine whether the higher education institutions have complied with this management standard.** In addition, failure to provide complete and accurate information by the required due dates may result in citation in the Comptroller's *Report on Statewide Financial Management and Compliance* (Quarterly Report).
- The following GASB statements are effective for the Commonwealth for fiscal year 2016:
 - **GASBS No. 72**, *Fair Value Measurement and Application*, and
 - **GASBS No. 76**, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*,Portions of the following GASB statements are effective for the Commonwealth for fiscal year 2016:
 - **GASBS No. 73**, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, and
 - **GASBS No. 79**, *Certain External Investment Pools and Pool Participants*.
- E-mail submissions are required for all submissions unless an individual submission indicates otherwise. DOA's e-mail submission address is as follows: finrept-HE@doa.virginia.gov. Institutions must copy the Auditor of Public Accounts (APA) on e-mail submissions to: APAFinRept@apa.virginia.gov.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

- Only cells highlighted in yellow allow for data entry. If a cell requires an amount to be entered, only whole numbers are allowed. Messages that appear should provide assistance to individuals having trouble entering data when the established parameters are not being followed. **Failure to correct keying errors denoted by validation messages prior to submission will prohibit acceptance of the attachment.**
- DOA will notify institutions during the CAFR preparation and throughout the year if additional information is needed and provide a due date via e-mail correspondence. DOA will also notify institutions as needed of reporting issues. **Institutions must read and comply with separate communications from DOA.**

Attachment # & Due Date Changes:

Attachment Number	Attachment Name	Due Date
HE-1 (new)	Attachments and Survey	July 11
HE-1a (formerly HE-1)*	FY 2015 Off-Balance Sheet Financial Obligations - Update	July 11
HE-2	Contact Survey	July 11
HE-2a	Related Parties (formerly Survey)	July 18
HE-3	Beginning Net Position Reconciliation	July 21
HE-4*	On-Behalf Payments	August 4
HE-5	Optional Retirement Plans	August 4
HE-6*	<u>GASBS No. 14 Checklist Modified to Reflect GASBS Nos. 39 & 61</u>	August 4
HE-7	Federal Schedules	August 18
HE-8	Appropriation Available and Appropriation Revenue	August 25
HE-9	Treasury's Reimbursement Programs	September 8
HE-10	Financial Statement Template	Various (Note **)
HE-10a	<u>GASBS No. 68 Entries</u>	Various (Note **)
HE-11	Schedule of Cash, Cash Equivalents, and Investments as of June 30	Various (Note **)
HE-12	Adjustments	Various (Note **)
HE-13	Report of Financial Condition	Various (Note **)
HE-14	Subsequent Events	November 14
HE-15	FY 2016 Off-Balance Sheet Financial Obligations	January 12, 2017

Note*: Previously Attachments HE-1a, HE-4, and HE-6 were submitted by all institutions. The **new** Attachment HE-1, Attachments and Survey, has questions to determine if the institution must submit Attachments HE-1a, HE-4, and HE-6.

Note**: See the **Staggered Due Dates** section that follows for the due dates.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Staggered Due Dates:

Attachment HE-10, HE-10a SNP & SRECNP (Supplemental Information Item 7) Supplemental Information Items 7a-7e, if applicable Data entered into Accounts Receivable System	Attachment HE-11	Attachment HE-12 HE-13 Final Individually Published F/S (Supplemental Information Item 8)	HEI acronyms
September 15	September 20	September 29	IALR, IEIA, JMU, UMW, NCI, NSU, RU, RHEA, SVHEC, SWVHEC
September 19	September 22	October 3	CNU, GMU, LU, ODU, VMI, VPI&SU, VSU
September 21	September 26	October 5	CWM, UVA, VCU, VCCS

Supplemental Information & Due Dates:

Supplemental information requirements listed in the **Supplemental Information** section of the Comptroller's Directive 2-16 have item numbers. These requirements are primarily the same as last year:

Item #	Applicable	Description	Due Date
4	All institutions	Information regarding rebates, vendor surcharges, and other information	July 28
7	All institutions*	Statement of Net Position (SNP) & Statement of Revenues, Expenses, and Changes in Net Position (SRECNP)	HE-10 due date
8	All institutions*	Final Individually Published Financial Statements (F/S)	HE-13 due date

*If an institution does not issue individually published financial statements, Supplemental Information Items 7 and 8 are not required.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Supplemental Information & Due Dates, *continued*:

The following items are required by certain institutions:

Item #	Applicable	Description	Due Date
1a, 1b, 2, 3	Tier III institutions	Cash basis data to be used for indirect cost statistics or quarterly reporting	July 28
5, 6	CWM & VCCS	Supporting schedules for template	HE-10 due date
7a	Applicable institutions	Receivable reconciliation (HEI only):	HE-10 due date
7b	Applicable institutions	Derivative instruments as of year-end (HEI only)	HE-10 due date
7c	Applicable institutions	9d Bonds Payable (issued by Institution – Institutional debt) Information for all series	HE-10 due date
7d	Applicable institutions	9d Bonds Payable (issued by Institution – Institutional debt) Information for new issues only	HE-10 due date
7e	ODU	Adjusting Journal Entries – VCSFA & ODU Research Foundation	HE-10 due date
9	Only if requested by DOA: CWM, UVA, VCU, VPI&SU	Investment & Variable Rate Debt Subsequent Disclosures	November 14

Other Due Dates - ARMICS Certification:

- The ARMICS certification is due **September 30, 2016**. Guidance for preparation and submission of this certification may be obtained from the following: CAPP Topic No. 10305, *Internal Control*, on DOA's website at http://www.doa.virginia.gov/Admin_Services/CAPP/CAPP_Topics_Cardinal/10305.pdf

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Overall Information Regarding Directive & Attachments:

Each year the **directive, attachment instructions and any applicable documents on DOA's website should be read** to ensure the institution complies with the requirements of the directive. If applicable, the following documents provide information on certain parts of the Attachment HE-10 and are available on DOA's website along with the Attachment HE-10 instructions.

- **Additional Information: Attachment HE-10–TAB 3–Part 4 regarding GASBS No. 42:** This provides information regarding impairment of capital assets and insurance recoveries.
- **Additional Information: Attachment HE-10-TAB 7-Part 16 regarding GASBS No. 49:** This provides information regarding pollution remediation obligations.
- **Additional Information: Attachment HE-10 – TAB 3 & TAB 7 – Part 17 regarding GASBS No. 51:** This provides information regarding intangible assets.
- **Additional Information: Attachment HE-10 – TAB 7 – Part 18 & Supplemental Item 7b regarding GASBS No. 53:** This provides information regarding derivative instruments.
- **Additional Information: Attachments HE-6 & HE-10 – TAB 7 – Part 21 regarding GASBS No. 61:** This provides information regarding GASBS No. 61, *The Financial Reporting Entity: Omnibus*.
- **Additional Information: Attachment HE-10 TAB 7 – Parts 22 & 23 regarding GASBS No. 63 & GASBS No. 65:** This provides information regarding GASBS No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASBS No. 65, *Items Previously Reported as Assets and Liabilities*.
- **Additional Information: Attachment HE-10 TAB 7 – Part 27 & Attachment HE-11 regarding GASBS No. 72:** This provides information regarding fair value measurement and application.
- **Higher Education Institution Reporting Procedures:** This provides financial statement template (FST) reporting guidance for certain programs.
- **Manual Leave Liability Calculation Guidelines:** This document includes guidance on calculating amounts to be reported on the long-term liabilities – compensated absences FST line items.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Changes to Attachment HE-10, Financial Statement Template:

Overall Changes:

Nonnegotiable Certificates of Deposit: Revised guidance is included in the instructions to the Attachment HE-11, Schedule of Cash, Cash Equivalents, and Investments as of June 30, regarding nonnegotiable certificates of deposit (CD) based on changes in the Implementation Guide No. 2015-1. Nonnegotiable CDs should be reported on the applicable "cash equivalents" financial statement template line item if the original maturity is 90 days or less and they should be reported on the applicable "investment" financial statement template line item if the original maturity is greater than 90 days. Nonnegotiable CDs should continue to be treated as "deposits" for GASBS 3/40 disclosures. No changes were made regarding negotiable certificates of deposit.

Prior year's TAB 1B, GASBS 31 & 52 & 59 has been deleted. The prior year's Parts 1 to 2a have been revised and are included in the new Recordation tab in the Attachment HE-11, Schedule of Cash, Cash Equivalents, and Investments as of June 30. The prior year's Parts 3a and 3b have been included in the Attachment HE-10, TAB 7, Miscellaneous, Parts 26a and 26b.

Formulas have been added to certain yellow input cells to populate a "n/a" response if the answer to a preceding question is "no" and a following question is not applicable. If the institution determines the "n/a" response needs to be changed, the drop-down list is available to change the answer if needed.

Blue highlighted cells have been added to certain tabs to populate a reminder message when amounts are keyed into certain cells to help complete the attachment properly.

Below are some additional changes to Attachment HE-10 tabs:

- **FST tab for HEI & Foundations:** The scopes for the fluctuation analysis have been increased. Explanations must be provided for the following:
 - Increases or decreases greater than \$3.9 million and ten percent, or
 - Increases or decreases greater than \$13 million, regardless of percentage change.
- **FST and Other Applicable Tabs for HEI:** The "Due from Primary Government (interest/rebate allocation)" line item has been renamed to "Due from Primary Government." This line item is to be used to report the interest/rebate allocation amount provided by DOA and any other amount instructed to be reported on this line item by DOA.
- **Checklist tab:** Below are some of the changes:
 - Prior year questions 10, 16, 17, 19, 21, 28, and 41 have been deleted and all questions have been renumbered.
 - The second question in Item 34 (previously Item 40) has been **revised** to also indicate if the row line item titles and row totals on the reconciliation tabs agree to the Supplemental Item 7, Draft SNP & SRECNP.
 - A **new** question has been added to Item 34 to indicate if the column totals on the foundation reconciliation tabs agree to either informational totals per the Combining FST's column O or column Q shown at the bottom of the foundation reconciliation tabs.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

- **TAB 1A Part 3 for HEI:** This part has been **revised** because nonnegotiable CDs should be reported as cash equivalents and/or investments depending on the length of maturity.
- **TAB 3 Part 2 for HEI:** The capitalization policy regarding donated capital assets, donated works of art, historical treasures, and similar assets, and capital assets received in a service concession arrangement has been **revised** regarding GASBS No. 72.
- **TAB 7 Part 4 for HEI:** Part 4 regarding GASBS No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, has been **revised** to indicate if the financial statement template was prepared in accordance with GASBS No. 62 as amended by GASBS No. 63, GASBS No. 65, GASBS No. 66, GASBS No. 69, GASBS No. 70, GASBS No. 72, and GASBS No. 76.
- **TAB 7 Part 18 for HEI:** Part 18 regarding GASBS No. 53, *Accounting and Financial Reporting for Derivative Instruments*, has been **revised**. Any reference to GASBS No. 53 in Part 18 is referring to GASBS No. 53 as amended by GASBS No. 59, GASBS No. 64, and GASBS No. 72.
- **TAB 7 Part 20 for HEI:** Part 20f regarding GASBS No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, has been **revised** to indicate if the HEI as transferor has properly reported the service concession arrangement on the financial statement template in accordance with GASBS No. 60 as amended by GASBS No. 72.
- **TAB 7 Part 22 for HEI:** Items 9 and 10 in Part 22a for deferred outflows of resources have been revised to replace the “as amended by GASBS No. 71” with “as amended by GASBS No. 73” because portions of GASBS No. 73 that amend GASBS No. 67 and GASBS No. 68 are effective beginning in FY 2016.
- **TAB 7 Part 26 for HEI:** Part 26 regarding GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*, was previously included in the TAB 1B, GASBS 31 & 52 & 59 that has been deleted. This part has been **revised** to indicate if land and/or other real estate held as investments by endowments are properly reported in accordance with GASBS No. 52 as amended by GASBS No. 72.
- **TAB 7 Part 27 for HEI:** Part 27 regarding GASBS No. 72, *Fair Value Measurement and Application*, is **new** and is to provide information regarding items reported at fair value using the fair value hierarchy (Level 1, Level 2, Level 3), items that fair value is established as permitted by GASBS No. 72 using the net asset value per share (or its equivalent), and items received during fiscal year 2016 that must be reported at acquisition value. It is also to indicate if items were properly reported in accordance with GASBS No. 72.
- **TAB F5 Part 2a and 2b for Foundations:** Parts 2a and 2b are **new** and are to provide information regarding demand bonds and callable bonds because of debt violations.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Changes to Other Attachments:

The following are some of the changes that have been made to other attachments:

Attachment HE-1, Attachments and Survey: This is a new attachment to determine if Attachments HE-1a (formerly Attachment HE-1*), HE-4*, and HE-6* must be submitted. In addition, this attachment is to provide information regarding the following:

- Foundations & entities to be included in the Attachment HE-10, Financial Statement Template,*
- Foundations & entities to be excluded from the Attachment HE-10,*
- Deferred outflows of resources & deferred inflows of resources – categories*
- GASBS No. 72, Fair Value Measurement and Application
- Demand bonds & callable bonds because of debt violations

Note*: This information was previously provided in the Attachment HE-1 Part 1, Attachment HE-4 Part 1, and Attachment HE-6 Parts 1, 2a and 2b. In addition, the information for deferred outflows of resources and deferred inflows of resources was previously provided in the GASBS 65-HEI tab in the Attachment HE-2a; however, it has been expanded to include other categories.

Attachment HE-1a, FY 2015 Off-Balance Sheet Financial Obligations – Update: The attachment number has changed from the prior year (formerly Attachment HE-1). Previously all institutions were required to submit this attachment. For FY 2016, this attachment must only be submitted if there is a “yes” answer to the question 1 in the TAB 1, Attachments, of the new Attachment HE-1, Attachments and Survey.

Attachment HE-2a, Related Parties, The name of this attachment has changed from Survey to Related Parties and the GASBS 65-HEI tab has been deleted. The related party information provided in this attachment is used for planning purposes by the Auditor of Public Accounts (APA) and should only be submitted to APA.

Attachment HE-3, Beginning Net Position Reconciliation, TAB 1, HEI: Since this is the second year of implementing GASBS No. 68, as amended by GASBS No. 71, this category has been deleted. If the institution has any restatements as a result of implementing new GASB statements, these restatements should be listed in the Changes in Reporting section with a description and the restatement amount(s).

Attachment HE-4, On-Behalf Payments: Previously all institutions were required to submit this attachment. For FY 2016, this attachment must only be submitted if there is a “yes” answer to the question 2 in the TAB 1, Attachments, of the new Attachment HE-1, Attachments and Survey.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Attachment HE-6, GASBS No. 14 Checklist Modified to Reflect GASBS Nos. 39 & 61:

Previously all institutions were required to submit this attachment. For FY 2016, this attachment must only be submitted if there is a "yes" answer to either or both questions 3 and 4 in the TAB 1, Attachments, of the new Attachment HE-1, Attachments and Survey. Prior year's Parts 1, 2a, and 2b have been removed and prior year's Parts 3 and 4 have been renumbered to Part 1, Checklist, and Part 2, Certification.

Attachment HE-10a, GASBS No. 68 Entries: Unless otherwise instructed by DOA in a separate communication, this attachment must be submitted along with the Attachment HE-10 submission and include the GASBS No. 68 entries that are included in the Attachment HE-10.

Attachment HE-11, Schedule of Cash, Cash Equivalents, and Investments as of June 30:

Below are some changes to this attachment:

- **Detail** tab: Part 1.1 is **revised** because nonnegotiable CDs should be reported as cash equivalents and/or investments depending on the length of maturity. Part 6, is **revised** to provide additional information regarding debt securities highly sensitive to interest rate changes. A **new** Part 9 has been added to provide certain information regarding amounts reported at fair value in accordance with GASBS No. 72.
- **Cash Equiv. & Inv. Not w Tr** tab: **New** columns have been added to provide certain information regarding amounts reported at fair value in accordance with GASBS No. 72.
- **Recordation** tab: This **new** tab has been added (previously Attachment HE-10 TAB 1B, GASBS 31 & 52 & 59, Parts 1 to 2a) and has been **revised** regarding GASBS No. 72 and GASBS No. 79

Attachment HE-12, Adjustments: Part 1 has been revised to include the new Attachment HE-1, Attachments and Survey, and Attachment HE-10a, GASBS No. 68 Entries. The Attachment HE-2a, Related Parties, is not included in Part 1 since this attachment is only submitted to APA.

Supplemental Item 7b, Derivative instruments as of year-end, (HEI only): GASBS No. 72 includes amendments to GASBS No. 53. Two items previously requested have been replaced with the following:

- Indicate if the implementation of GASBS No. 72 results in a change in the fair value of the derivative instrument reported as of June 30, 2015.
- Provide GASBS No. 72 paragraph 80 & 81 disclosures

Online Training:

DOA will offer online training to cover directive changes and other topics thus avoiding travel time and costs. It is anticipated that the sessions will be available in June and can be accessed at anytime. DOA will notify the institution's directive contacts when the sessions are available. Participation **is strongly encouraged** for individuals that must complete information contained in this directive. To register for any of the training modules, login to the **Knowledge Center** at <https://covkc.virginia.gov>, click on the "Learning Center" link, and then click the "Course Catalog" link. Search using the keyword "Directive" and click the higher education course/reference you wish to access. If you have difficulty accessing the training, contact doatraining@doa.virginia.gov for guidance.

**Items of Interest for
Comptroller's Directive No. 2-16
Directive Compliance Guidelines for Higher Education Institutions**

Contact Information:

You can contact any of the individuals listed below to answer questions regarding the directive*. In addition, if you would like to schedule a meeting at DOA to meet one-on-one with individuals from DOA to discuss any specific topics and ask questions regarding the directive, contact any of the individuals listed below.

- Christy Tuck, Senior Lead Financial Reporting Analyst,
Christy.Tuck@doa.virginia.gov or (804) 225-3180,
- Sara Page, Senior Financial Reporting Analyst,
Sara.Page@doa.virginia.gov or (804)786-7014,
- John Sotos, Assistant Director – Financial Statements,
John.Sotos@doa.virginia.gov or (804) 225-2111, or
- Sharon Lawrence, Director of Financial Reporting,
Sharon.Lawrence@doa.virginia.gov or (804) 225-2414.

*For questions regarding Attachment HE-7, contact the following:

- Penny Williams, Indirect Cost Coordinator,
Penny.Williams@doa.virginia.gov or (804) 225-3804.