

This document reflects the result of analyses, discussions and review by UCOP staff and PricewaterhouseCoopers (PwC) to date. The document is subject to change pending additional discussions with PwC; however, it represents the best information available to date.

**University of California  
GASB 35 Financial Statement Presentation**

**Addendum B to  
Issues Resolution Memo No. 126**

**Adopting the Change in Accounting Principle for State Capital Appropriations**

**Define Issues**

The University must develop the entries to adopt the changes in accounting principle for State capital appropriations in accordance with GASB Statement No. 33.

**Background**

In December 1998, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions. The Statement gives guidance on nonexchange transactions, which are transactions “in which a government gives (or receives) value without directly receiving (or giving) equal value in exchange.”

Currently, the University records State capital appropriations as revenue when the funds are received from the State, regardless of whether or not the funds have been spent.

**Recommended Approach**

In accordance with GASB Statement No. 33, the University will record as deferred revenues any funds received from the State as capital appropriations that are not yet expended at June 30 or accrue funds spent but not yet received. The analysis and journal entries will be made at the campuses.

*Note:* The entries provided in this IRM should be in the Unexpended Plant Fund group.

## Establish New Accounts and Fund

- Campuses will establish the following new accounts:
  - Deferred Revenue account that maps to Account Group Code 10431—Deferred Revenues, General
  - Accounts Receivable account that maps to Account Group Code 100511—Accounts Receivable, State Appropriation
- Campuses may choose to make journal entries for each State capital appropriation fund. However, if campuses prefer to make one entry, they may elect to use a “dummy” fund and fund balance account and should establish the following:
  - Dummy fund 00999
  - Dummy fund balance account 100999

## Record the June 30, 2000 Balances for Deferred State Capital Appropriations as of July 1, 2000

- Campuses will analyze each of their State capital appropriation funds as of June 30, 2000 to determine the difference between their expenditures and their fund balances. If the difference is a credit, it should have been deferred on a reversing journal at June 30, 2000. If the difference is a debit, it should have been a receivable and recorded on a reversing journal at June 30, 2000.
  - If the difference is a credit, the entry to record the deferred revenue in the FY 2000-2001 ledger is:  
*Debit* Fund Balance X-100999-00999-0-6000<sup>++</sup>  
*Credit* Fund Balance X-100999-00999-0-1000<sup>+</sup>
    - <sup>+</sup> Transaction Code 1000 = Unexpended Plant Funds, Additions, State Appropriations
    - <sup>++</sup> Transaction Code 6000 = Prior Year Hand Posted Journal Entry
  - If the difference is a debit, the entry to record the receivable in the FY 2000-2001 ledger is:  
*Debit* Fund Balance X-100999-00999-0-1000<sup>+</sup>  
*Credit* Fund Balance X-100999-00999-0-6000<sup>++</sup>
    - <sup>+</sup> Transaction Code 1000 = Unexpended Plant Funds, Additions, State Appropriations
    - <sup>++</sup> Transaction Code 6000 = Prior Year Hand Posted Journal Entry
- Campuses will report the amount to be recorded to UCOP—Financial Management for informational purposes.
- Campuses will record the June 30, 2000 entries for State capital appropriations by May 31, 2001 so that PricewaterhouseCoopers and campuses may discuss and resolve potential issues during the interim audit and prior to year-end.

## Modify Local Fiscal Closing Process

- Campuses will incorporate procedures to record deferred or accrued State capital appropriations into the local fiscal closing process.

## Record the June 30, 2001 Balances for Deferred or Accrued State Capital Appropriations as of June 30, 2001

- Campuses will analyze each of their State capital appropriation funds to determine the difference between their expenditures and their fund balances. If the difference is a credit, it should be reclassified to deferred revenue. If the difference is a debit, it should be reclassified as a receivable.
  - If the difference is deferred revenue, campuses will make the following year-end entry at June 30, 2001. The entry will be on a reversing journal (i.e., 14 journal) because it is a deferral.

*Debit* Fund Balance X-100999-00999-0-1000<sup>+</sup>

*Credit* X-Deferred Revenue Balance Sheet Account (maps to Account Group Code 10431)

<sup>+</sup> Transaction Code 1000 = Unexpended Plant Funds, Additions, State Appropriations

- If the difference is a receivable, campuses will make the following year-end entry at June 30, 2001. The entry will be on a reversing journal (i.e., 14 journal) because it is an accrual.

*Debit* X-Accounts Receivable, State Appropriation (maps to Account Group Code 100511)

*Credit* Fund Balance X-100999-00999-0-1000<sup>+</sup>

<sup>+</sup> Transaction Code 1000 = Unexpended Plant Funds, Additions, State Appropriations

## Next Steps—Required Actions

Responsibility (C, OP)	Required Completion Date	Action Item/Task
C	30-Apr-01	<b>Modify Local Closing Process</b> —Modify local annual closing process to incorporate changes in the accounting principle for State capital appropriations activity.
C	31-May-01	<b>Open New Accounts</b> —Open new accounts and funds as outlined in the <i>Recommended Approach</i> section of this IRM.
C	31-May-01	<b>Record June 30, 2000 Entries</b> —Record the entries for the June 30, 2000 balances for deferred or accrued State capital appropriations. Report the amount to be recorded to UCOP—Financial Management.

Responsibility (C, OP)	Required Completion Date	Action Item/Task
OP	30-Jun-01	<b>Restate Prior-Year Financial Statements</b> —Restate FY 1999-2000 financial statements to include deferred or accrued State capital appropriations to prepare comparative statements for the FY 2000-2001 Annual Report.
C	3-Aug-01	<b>Record June 30, 2001 Deferred or Accrued Balance</b> —Record the June 30, 2001 balance for deferred or accrued State capital appropriations.