University of California
GASB 35 Depreciation Reporting

Issues Resolution Memo No. 12—Part 2

Specifications for Electronic Files Required by UCOP—Prospective Data

<u>**Define Issues**</u>

Calculating and reporting depreciation and accumulated depreciation expense in the University's financial statements will require modifications to some of the electronic data files required by UCOP (CFSAST, CFSBAL, and EFA100). In addition, the submission dates for electronic data files must be changed in order to accommodate the half- year convention approach adopted by the University.

<u>**Background**</u>

During 1999, the Government Accounting Standards Board (GASB) introduced GASB Statements 34 and 35. Among other matters, these Statements will require the University to account for depreciation in its financial statements for the fiscal year beginning July 1, 2001, with comparative information for the prior year. Financial statements must be prepared in accordance with GAAP (generally accepted accounting principles) and are subject to audit under GAAS (generally accepted auditing standards).

Depreciation calculations will be performed annually by the Office of the President–Financial Management, using data provided by the campuses. Summarized depreciation and accumulated depreciation data will be provided to campuses to be recorded in their general ledgers and reported in the University's annual financial statements.

The electronic data files submitted by the campuses to UCOP must be modified to include data elements necessary to track, calculate and report depreciation expense and accumulated depreciation. Further, the submission date for electronic files must be changed to accommodate the half-year convention. <u>These files reflecting the assets as of December 31, 2000, are due to UCOP no later than April 11, 2001. Submissions must be reconciled to the CFSBAL file.</u>

For Additional Detail

This Issues Resolution Memo (IRM) provides a summary of the major changes required to campus electronic data files and the submission dates of the files. For more detail, refer to the Information Resources and Communications (IR&C) letters and attachments of October 23 and 24, 2000. The documents may be accessed at www.ucop.edu/irc/campus_specs/cfs/ and www.ucop.edu/irc/campus_specs/efa/ under the heading, "What's New."

Changes to Campus Electronic Data Files and Submission Dates

Corporate Financial System Asset File (CFSAST)

The CFSAST is submitted annually to UCOP and contains data for all assets identified by Capital Asset Account Numbers (CAANs). The asset groups reported in the CFSAST include:

- Real Estate (will be capitalized, but not depreciated)

- Buildings & Structures (including Fixed Equipment and Leasehold Improvements)

- Infrastructure Assets

- General Improvements

- Intangible Assets (formerly referred to as "Improvements Authorized")

Note: The October 23, 2000 IR&C data specifications correspondence did not include Intangible Assets in the CFSAST file. Rather, Intangible Assets were included in the CFS Balance file. However, IRM No. 18—*Approach to Intangible Assets* outlines an approach where intangible assets will be CAAN-based. That approach is reflected in this IRM. If the approach outlined in IRM No. 18 is adopted by the University, the IR&C documents will be updated to reflect that change.

Summary of Changes to the CFSAST File

- *Five-Character CAAN*
  CAANs have been expanded from four characters to five. The five-character CAANs submitted in prospective CFSAST files must match the asset numbers used in the EFA Facilities and Equipment Inventory files.

- *New Account Group Codes*
  The University will calculate depreciation expense separately for campuses and medical centers based on asset types. The current account group codes do not include information at the necessary detail level. Therefore, UCOP has established new account group codes to identify location and asset type activity. The account numbers submitted in the CFSAST files must map to a valid account group code.

- *Fund Numbers*
  The University will track funding source for depreciation purposes. For depreciation

purposes the required fund source categories are Federally-sponsored, non-Federally sponsored, and all other. Fund numbers must map to a valid fund group codes.

- *Action Categories*
  The University will track the following actions for depreciable assets in the CFSAST file in order to capture current year activity and correctly calculate annual depreciation expense :

  - New increments

  - Disposals

  - Inter-campus transfers

  - Intra-campus adjustments (e.g., changes within a campus to location, funding source, asset type, CAAN, etc.)

Timing

The University has adopted a half-year convention in order to ensure timely calculation of annual depreciation expense. Under the half-year convention, the University will calculate a full year's depreciation based on the value of all existing depreciable assets reported on the CFSAST file at December 31. Therefore, beginning December 31, 2000, the CFSAST files submitted to UCOP must reflect the acquisition values of all capital assets as of December 31.

CFSAST files will be due to UCOP no later than the eighth working day of March and should reflect the balance as of December 31. However, for the <u>first</u> submission (July 1, 2000 through December 31, 2000), the due date will be delayed to April 11, 2001.

CFSAST files as of June 30 are not required.

Corporate Financial System Balance File (CFSBAL)

The CFSBAL file is submitted monthly to UCOP, but will be used on an annual basis to capture data as of December 31 for depreciation purposes for the following asset types:

- Software, Projects Greater Than $10 Million

- Software, Projects Greater Than $1,500 and Less Than $10 Million

- Library Materials and Library Collections—General

- Library Rare Books and Rare Book Collections (will be capitalized, but not depreciated)

Summary of Changes to the CFSBAL File

- *New Account Group Codes*
  The University will calculate depreciation expense separately for campuses and medical centers based on asset types. The current account group codes do not include

information at the necessary detail level. Therefore, UCOP has established new account group codes to identify location and asset type activity. The account numbers submitted in the CFSBSL files must map to a valid account group code.

Note: The new account group codes for software will be implemented July 1, 2000. The first capitalized software costs will be recorded at June 30, 2002.

- *Fund Numbers for Software Depreciation*
  The University will track funding source for software depreciation. For depreciation purposes the required fund source categories are Federally-sponsored, non-Federally sponsored, and all other. Fund numbers must map a valid fund group code listed above.

  Note: The funding source distinction is not required for Library Materials and Library Collections or Library Rare Books and Rare Book Collections.

Timing

At December 31, the University will use the December 31 balances for Software and Library Materials and Collections to calculate a full year's depreciation expense (i.e., July 1 through June 30) to report in the financial statements for the following June.

CFSBAL files are due to UCOP on the eighth working day of each month.

Equipment and Facilities File (EFA100)

The EFA100 is submitted to UCOP annually and records items of equipment and special collections.

Note: The EFA200 file must be submitted at the same time.

Summary of Changes to the EFA100 File

- *Five-Character CAAN*
  CAANs have been expanded from four characters to five. The five-character CAANs submitted in prospective EFA Equipment Inventory files (EFA100) must match the asset numbers used in the EFA Facilities and CFSAST files.

- *New Account Group Codes*
  At the time of capitalization, campuses should ensure equipment and special collection accounts map to valid account group codes:

Timing

The University has adopted a half-year convention in order to ensure timely calculation of annual depreciation expense. Under the half-year convention, the University will calculate a full year's depreciation based on the value of all existing depreciable assets reported on the EFA100 file at December 31. Therefore, beginning December 31, 2000, the EFA100 files

submitted to UCOP must reflect the acquisition values of all capital assets as of December 31.

EFA100 files will be due to UCOP no later than the eighth working day of March and should reflect the balance as of December 31. However, for the first submission (July 1, 2000 through December 31, 2000), the due date will be delayed to April 11, 2001.