

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 Depreciation Reporting**

### **Issues Resolution Memo No. 2**

*(Re-issued January 23, 2003)*

### **Data Quality and Reconciliation Issues**

#### **Define Issues**

Analysis of data provided by the campuses to UCOP for the fiscal year ended June 30, 1999, revealed a need to formalize data review and general ledger reconciliation and adjustment procedures to ensure the required level of data quality.

#### **Background**

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 and are subject to audit under GAAS.

The Office of the President will calculate the depreciation for the consolidated annual report using information provided by the campuses. The University's ability to accurately report depreciation of its capitalized assets is dependent on the availability and quality of necessary data. This memo identifies required procedures to ensure the integrity and quality of necessary data.

Campuses should begin to consider local procedures to ensure the requirements of this IRM are met.

#### **Reconciliation Procedures**

The procedures described below apply to the reporting of depreciation for the University's consolidated financial statements. Medical centers will continue to report depreciation on their individual medical center financial statements using previously established procedures; however, campuses will have to reconcile medical center Account Group Code balances to the medical

center financial statements and include medical center accounts on the reconciliation to the General Ledger.

Depreciation will be calculated based on information reported by the campuses to UCOP in the following electronic files:

- CFSAST: All Capital Asset Account Number (CAAN)-based assets including Buildings & Structures, (including Leasehold Improvements and Fixed Equipment), Infrastructure Assets, General Improvements, and Intangible Assets. Description of current data elements contained in this file are listed at the UCOP web site:
  - Plant Asset Balance records (Type 12) at [www.ucop.edu/irc/campus\\_specs/cfs/plnt\\_ast.html](http://www.ucop.edu/irc/campus_specs/cfs/plnt_ast.html)
  - Plant Asset Transaction records (Type 13) at [www.ucop.edu/irc/campus\\_specs/cfs/asset\\_trans.html](http://www.ucop.edu/irc/campus_specs/cfs/asset_trans.html)
- EFA100: Equipment inventory and Special Collections. Current data elements are listed at the UCOP web site:
  - [www.ucop.edu/irc/campus\\_specs/efa/eqlayout.html](http://www.ucop.edu/irc/campus_specs/efa/eqlayout.html)

Beginning July 1, 2000, the University adopted a half-year convention to calculate depreciation. The half year convention is necessary to provide for an orderly process that will not delay publishing the University's financial statements (See also IRM No. 5, *Half-Year Conventions* for detailed procedures). In order to meet the timing requirements of the half-year convention, campuses will capitalize CAAN-based assets and equipment as of December 31 and will submit data file reconciliation worksheets to UCOP by the eighth working day of February.

The reconciliation procedures described below will be required in addition to the normal procedures required for fixed assets at fiscal year end.

### **CFSAST Reconciliation to the General Ledger (CAAN-Based Assets)**

*Buildings & Structures (including Leasehold Improvements and Fixed Equipment), Infrastructure Assets, General Improvements, and Intangible Assets*

#### *Procedures for December 31*

- Campuses will capitalize Current Fund and Plant Fund expenditures for CAAN-based assets at December 31.
  - Capitalization of Current Fund capital expenditures will be for activity from July 1 to December 31 (see IRM No. 15).
  - Capitalization of Plant Fund expenditures may be for:
    - Activity from January 1 to December 31 if campuses elect to capitalize once each year, or
    - Activity from July 1 to December 31 if campuses elect to capitalize twice each year (see *Procedures At June 30* section below).

- The December 31 balances must be reflected in the General Ledger by the time the January ledger files are submitted in February. Therefore, January entries to the Plant Asset accounts must be limited to recording the December 31 balances only.
- Campuses will reconcile the total value of capitalized CAAN-based assets reported in the CFSAST to the values recorded in the January General Ledger. A copy of the reconciliation schedule is provided in Exhibit 1.
- Campuses with medical centers must use the asset Account Group Codes established in Exhibit 1a of IRM No. 125, *Required Changes to Support the Classified Statement of Net Assets*. Campuses must ensure that the balances in these Account Groups are reconciled to the medical centers' General Ledger at December 31 and that the differences are reviewed and resolved by the campus Controller and medical center CFO. In addition, the accounts should be included in the reconciliation of CFSAST to the General Ledger.
- Reconciling items may require adjustments to the data files or the General Ledger. Appropriate adjustments must be made prior to submission of files to UCOP to ensure data integrity.
- Campus asset data files and reconciliation schedules reflecting the capitalized balances as of December 31 and approved by the campus Controller must be submitted to UCOP by the eighth working day of February.
- The reconciliation will be reviewed by UCOP and PwC to assure that the data used to calculate depreciation is reliable.

#### *Procedures for June 30*

- Campuses will capitalize Current Fund expenditures made between January 1 and June 30 for CAAN-based assets (see IRM No. 15).
- Campuses may elect to capitalize Plant Fund expenditures at June 30.
- Campuses may reclassify significantly material capital items that have been occupied or completed between January 1 and June 30 from Construction in Progress to the appropriate account for financial reporting purposes (see IRM No. 5 for additional discussion)
- Data files and reconciliation schedules are not required to be submitted to UCOP for the June 30 capitalization.

### **EFA100 Reconciliation to the General Ledger (Equipment)**

#### *Procedures for December 31*

- Campuses will capitalize Current Fund and Plant Fund expenditures for equipment as of December 31. Capitalization will reflect activity from July 1 to December 31. The December 31 balances must be reflected in the General Ledger by the time the January ledger files are submitted in February.

- Campuses will reconcile the total acquisition value of capitalized equipment reported in the campus December 31 Equipment Inventory file (EFA100) to the values recorded in the campus General Ledger as of December 31 or January 31 depending on campus capitalization schedules. A reconciliation schedule is provided in Exhibit 2.
- Campuses with medical centers must use the asset Account Group Codes established in Exhibit 1a of IRM No. 125, *Required Changes to Support the Classified Statement of Net Assets*. Campuses must ensure that the balances in these Account Groups are reconciled to the medical centers' General Ledger at December 31 and that the differences are reviewed and resolved by the campus Controller and medical center CFO. In addition, the accounts should be included in the reconciliation of EFA100 to the General Ledger.
- Reconciling items may require adjustments to the data files or the general ledger. Appropriate adjustments must be made prior to submission of files to UCOP to ensure data integrity.
- Campus asset data files and reconciliation schedules reflecting the capitalized balances as of December 31 and approved by the campus Controller must be submitted to UCOP by the eighth working day of February.
- The reconciliation will be reviewed by UCOP and PwC to assure that the data used to calculate depreciation is reliable.

#### *Procedures for June 30*

- Campuses will capitalize Current Fund and Plant Fund expenditures for equipment at June 30. Capitalization will reflect activity from January 1 to June 30.
- Data files and reconciliation schedules are not required to be submitted to UCOP for the June 30 capitalization.

#### **Next Steps—Required Actions**

- Campuses should prepare and review the CFSAST and EFA100 reconciliations to the General Ledger as of December 31, 2002.

IRM No. 2—Exhibit 1

Reconciliation of 12/31/02 CFSAST to the (insert date) General Ledger per CFS

Campus:

Prepared by: [preparer's name and phone number]  
[date]

	A	B	C	D	E	F	G	H	I	J	K
	12/31/2001 Prior Year Ending Balance Per CFSAST	New Additions Per CFSAST Type 13 Records	Disposals <sup>4</sup> Per CFSAST Type 13 Records	Transfers <sup>1</sup> Per CFSAST Type 13 Records	(A+B+C+D) Current Year Calculated Ending Balance	12/31/02 Ending Balance Per CFSAST Type 12 Records	(F-E) Difference <sup>2</sup>	(insert date) Ending Balance Campus GL	(H-F) Difference <sup>2</sup>	(insert date) Ending Balance Medical Center GL	(J-H) Difference <sup>2</sup>
<b>Campus</b>											
AGC120110—Real Estate—Campus	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		\$ -	NA	NA
AGC120210—Buildings & Structures—Campus	-	-	-	-	-		-		-	NA	NA
AGC120230—Fixed Equipment—Campus	-	-	-	-	-		-		-	NA	NA
AGC120310—General Improvements—Campus	-	-	-	-	-		-		-	NA	NA
AGC120710—Intangible Assets—Campus	-	-	-	-	-		-		-	NA	NA
AGC120810—Infrastructure Assets—Campus	-	-	-	-	-		-		-	NA	NA
Sub-Total Campus	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Medical Center</b>											
AGC120120—Real Estate—Medical Center	\$ -	\$ -	\$ -	\$ -	\$ -		\$ -		\$ -		\$ -
AGC120220—Buildings & Structures—Medical Center	-	-	-	-	-		-		-		-
AGC120240—Fixed Equipment—Medical Center	-	-	-	-	-		-		-		-
AGC120320—General Improvements—Medical Center	-	-	-	-	-		-		-		-
AGC120720—Intangible Assets—Medical Center	-	-	-	-	-		-		-		-
AGC120820—Infrastructure Assets—Medical Center	-	-	-	-	-		-		-		-
Sub-Total Medical Center	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

Notes:

- 1 If transfers do not net to zero, differences must be explained below.
- 2 Differences must be explained below or attach a separate sheet for explanation.
- 3 Enter amounts in shaded areas only. Do not change the amounts or formula on the non-shaded cells.
- 4 Disposals as negatives.

**IRM No. 2—Exhibit 2**

**Reconciliation of 12/31/02 EFA100 to the (insert date) General Ledger per CFS**

**Campus:**

**Prepared by: [preparer's name and phone number]**

**[date]**

<b><u>Total Equipment per Equipment Inventory (EFA100) File</u></b>	<b>\$ -</b>
<b><u>Per General Ledger per CFS</u></b>	
<b>AGC120480—Equipment—Medical Center</b>	-
List account and account title <sup>7</sup>	-
<b>AGC120490—Equipment—Campus</b>	-
List account and account title <sup>7</sup>	-
<b>Subtotal</b>	-
<b>Less Equipment in the Ledger, But Not on the Inventory<sup>1</sup></b>	-
List account and account title <sup>7</sup>	-
<b>Add Items on the Inventory, Not Included in Equipment Account Group Codes<sup>2</sup>:</b>	-
AGC120910—Special Collections—Excluding Libraries—Campus <sup>7</sup>	-
AGC120920—Special Collections—Excluding Libraries—Medical Center <sup>7</sup>	-
Other (list account and account title) <sup>7</sup>	-
<b>Timing Reconciling Items:</b>	
<b>Less Paid Not Priced Items (Recorded in GL, Not Inventory)<sup>3</sup></b>	-
AGC120910—Special Collections—Excluding Libraries—Campus <sup>7</sup>	-
AGC120920—Special Collections—Excluding Libraries—Medical Center <sup>7</sup>	-
Other (list account and account title) <sup>7</sup>	-
<b>Add Priced Not Paid Items (In Inventory, Not Recorded in GL)<sup>4</sup></b>	-
<b>Adjusted Total Equipment Per CFS</b>	-
<b>Equipment Inventory File (EFA100) More (Less) Than General Ledger Per CFS<sup>5</sup></b>	-
<b><u>Per Medical Center General Ledger</u></b>	-
<b>Difference between Medical Center General Ledger and Campus General Ledger <sup>6</sup></b>	<b>\$ -</b>

**Notes:**

- 1 Other than paid not priced items.
- 2 Other than priced not paid items.
- 3 Equipment that has not been put into the inventory system, but the invoice has been paid, or the cost recorded in the General Ledger does not equal the cost recorded in the inventory system.
- 4 Equipment that has been received and put into the inventory system, but the invoice has not been paid.
- 5 Differences must be explained on a separate page.
- 6 Differences between AGC120480—Equipment—Medical Center and equipment recorded on the Medical Center General Ledger must be explained on a separate page.
- 7 Must tie to general ledger.
- 8 Enter amounts in shaded areas only. Do not change the formula on the non-shaded cells.