2022 REPORT

Governmental Accounting and Financial Reporting Handbook

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CALIFORNIA COMMUNITY COLLEGES GOVERNMENTAL ACCOUNTING AND FINANCIAL REPORTING HANDBOOK

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GENERAL DESCRIPTION

This manual details the financial reporting structure to be used by all community college districts in their independent annual audits. Government Accounting and Financial Reporting standards are continuously evaluated and modified and changes may result in new or revised financial reporting and/or disclosure requirements. It is the responsibility of the district's fiscal management team to ensure the financial statements are fairly presented in accordance with generally accepted accounting principles throughout the United States. Each district should work collaboratively with their external audit firm to keep abreast of new and upcoming changes to the financial reporting structure.

The California Community Colleges Chancellor's Office, in consultation with the Association of Chief Business Officials' Fiscal Standards and Accountability Committee, has recommended that all community college districts adopt the Business Type Activity (BTA) reporting model and use the reporting standards as outlined in Governmental Accounting Standards Board (GASB) Statements No. 34, Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments and No. 35, Basic Financial Statements and Management's Discussion and Analysis for Public Colleges and Universities.

The primary objective of GASB Statements Nos. 34 and 35, (GASB Nos. 34/35) is to enhance the understandability and usefulness of external financial information issued by public colleges and universities through the establishment of accounting and financial reporting standards. The overall financial reporting emphasis shifts away from the funds of a district to the district as a whole. The GASB Statements recognize the general purpose of external financial reporting is to respond to the needs of the citizens, legislative and oversight bodies, and investors and creditors; the groups recognized by GASB Concepts Statement No. 1, Objectives of Financial Reporting, as the primary intended users of governmental financial reports.

The community college system implemented GASB Statement Nos. 34/35, and its amendments reflected in GASB No. 37, in three phases, based on total annual revenues:

- $100 million or more – Phase 1 – became effective for financial statement periods beginning after June 15, 2001
- $10 million or more – Phase 2 – became effective for financial statement periods beginning after June 15, 2002
- Less than $10 million – Phase 3 – became effective for financial statement periods beginning after June 15, 2003

Generally, GASB Statement Nos. 34/35, amended by GASB Statement No. 37 and GASB Statement No. 35, permitted public colleges and universities, in separately issued financial statements, to use the guidance for special-purpose governments engaged only in business-type activities, engaged only in governmental activities, or engaged in both governmental and business-type activities in their separately issued reports. Under this guidance, a public institution is required to include Management's Discussion and Analysis (MD&A); basic financial statements; notes to the financial statements; and required supplementary information other than MD&A.

The community college system adopted the provisions of GASB Statement No. 34/35 related to Reporting by Special-Purpose Governments Engaged Only in Business-type Activities (BTA). This reporting model does not require that fund financial statements be included in the annual audit report; however, a community college district may choose to include fund financial statements as either other supplementary information or other information. The District and the external audit firm will agree through the engagement letter process if the auditor's opinion will cover the fund financial statements if presented as part of the annual financial statements or as included as supplementary information.

In accordance with the reporting model outlined above, the financial data presented in the annual audit report must provide an entity-wide perspective displaying consolidated district funds. In addition, the financial data reported must be presented under the full accrual basis of accounting which requires that revenues are recognized when earned and expenses are recorded when an obligation has been incurred. The Statement of Net Position reflects the long-term assets, such as capital assets, deferred outflows of resources, long-term liabilities such as long-term debt obligations, accrued vacation, pension liability, OPEB liability, and deferred outflows of resources with the residual balance classified as Net Position.

Below is a brief description of the required components of the reporting model prescribed under GASB Nos. 34/35 and subsequently issued GASB Statements, and in accordance with the recommended BTA model.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

The MD&A precedes the basic financial statements and should introduce the basic financial statements and provide an analytical overview of the financial activities of the district. Although the MD&A is required supplementary information, it must be presented before the basic financial statements. The MD&A should provide an objective and easily readable analysis of the financial activities based on currently known facts, decisions, or conditions. The MD&A should include a discussion of both the positive and negative trends for the district and is to be complete and factual.

The MD&A provides financial managers with the opportunity to present relevant and meaningful discussions related to both short-term and long-term activities of the District; boilerplate discussions should be avoided. The MD&A should include:

- A brief discussion of the basic financial statements, including relationships of the statements to each other, and the significant differences in the information they provide.
- Comparisons of the current year to each prior year included in the basic financial statements. If two-year comparative financial statements are presented, the MD&A analysis should cover a three-year period of time.
- Analysis of the district's overall financial position and results of operations to assist users in assessing whether that financial position has improved or deteriorated as a result of the year's activities.

- Analysis of significant changes that occurred in the financial statements. The analysis should include reasons for significant changes from the prior year, not simply the amounts or percentages of change.
- Description of capital assets and long-term debt activity during the year
- Description of currently known facts, decisions, or conditions that are expected to have a significant effect on financial position or results of operations.
- Future known economic factors that may impact the district's operations.
- A method for contacting the district to receive additional information if necessary.

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

All Business-Type Activity Funds will be consolidated in a single column Statement of Net Position. Fiduciary funds, as defined by GASB 84, are reported separately as the assets and related liabilities are held in trust for other groups or organizations.

Assets and liabilities are presented in order of their relative liquidity with Cash and assets expected to be used in operation within the year classified as current assets. Assets not expected to be sold or used in current operations are classified as noncurrent assets. The primary category of noncurrent assets are the capital assets of the district: land, construction in process, improvements, buildings and equipment – net of accumulated depreciation.

Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are often related to debt refunding for the difference in the carrying value of refunded debt and its reacquisition price, and to Pension and OPEB Plans for contributions subsequent to the measurement date of the actuarial valuations for the plans and the effects of actuarially-determined changes to the plans.

Liabilities of the district are similarly classified as current or long-term depending upon the anticipated liquidation. Those liabilities to be liquidated through the use of current assets, including cash, are current liabilities. Those amounts that will mature or come due in future years are classified as long-term liabilities. The amount of a long-term liability that will be due within one year is recorded within the current liabilities classification.

Deferred inflows of resources represent an acquisition of net assets by the District that is applicable to a future reporting period. The deferred inflows of resources often results from the effects of actuarially-determined changes to the Pension and OPEB plans.

Amounts due to/from the various funds of the district are consolidated and eliminated in the conversion process. This conversion process converts the modified accrual basis of accounting to the full accrual basis of accounting, in accordance with the BTA model.

- Net Investment in capital assets
- Restricted net position – Nonspendable, restricted, committed, assigned, unassigned
- Unrestricted net position

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

District revenues are consolidated and classified as either operating or nonoperating, depending upon the actual source of the revenue on the Statement of Revenues, Expenses and Changes in Net Position.

Under the accrual basis of accounting, revenue is recorded when earned regardless of the corresponding cash flow. Whether a transaction results from restricted or unrestricted revenue is not a factor in deciding when the revenue is recorded. The GASB has defined revenue transactions as either exchange, exchange-like, or nonexchange as detailed in GASB Statement No. 33; Accounting and Financial Reporting for Nonexchange Transactions:

Exchange Transactions – there is an identifiable exchange of value between the district and another party. Examples of exchange transactions include Student Tuition and Fees as students will receive credit for courses paid for, and Bookstore and Cafeteria Sales. Student tuition and fees are first to be reported gross of any scholarships or allowances with the corresponding discount shown on the face of the financial statements. Exchange transactions are, by their nature, operating revenues.

Exchange-Like Transactions – an exchange-like transaction is one in which the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. In an exchange-like transaction there is an identifiable exchange between the District and another party. The difference between exchange and exchange-like transactions is a matter of degree; the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition. Therefore, exchange-like transactions are, by their nature, operating revenues.

Nonexchange Transactions – revenues received by the district where there is no clear value between the district and another party. Nonexchange transactions are nonoperating revenues.

In addition, for Districts serving as fiscal agents for certain state funded programs, the requirements of GASB Statement No. 24, Accounting and Financial Reporting for Certain Grants and other Financial Assistance must be considered. Pass-through grants are grants received by the District to transfer to or spend on behalf of a secondary recipient. As a general rule, the District should recognize all cash pass-through grants as revenue and expense in a governmental, proprietary, or trust fund. In those cases in which a District serves only as a cash conduit, the grant should be reported in an agency fund.

A District serves only as a cash conduit if it merely transmits grantor-supplied money without having administrative or direct financial involvement in the program. A District has administrative involvement if it (a) monitors secondary recipients for compliance with program-specific requirements, (b) determines eligible secondary recipients or projects, even if using grantor-established criteria, or (c) has the ability to exercise discretion in how the funds are allocated. A District has direct financial involvement if it finances some direct program costs because of a grantor-imposed matching requirement or is liable for disallowed costs.

Expenses are classified as operating and nonoperating. Those expenses which are required in the normal course of business and serve the stated purpose of the district, are reported as operating expenses. This will include salaries and benefits, supplies, operating expenses, equipment, and depreciation. Additionally, as student financial aid, in many cases, is necessary for students to attend college, this is also classified as an operating expense.

Nonoperating expenses are those expenses not required in the normal course of business: e.g., interest expense, or a loss on disposal of an asset.

STATEMENT OF CASH FLOWS

GASB Nos. 34/35 requires the preparation of a Statement of Cash Flows based on the provisions of GASB Statement No. 9: Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities that use Proprietary Accounting (BTA model). The Direct method of presenting the cash flows from operations must be used and will include a reconciliation of operating cash flows to operating income.

The primary purpose of a Statement of Cash Flows is to provide relevant information about the cash receipts and cash payments of an entity during a period. A Statement of Cash Flows should explain the change in cash and cash equivalents regardless of whether there are restrictions on their use. For purposes of GASB Statement No. 9, cash includes currency, demand deposits with banks or other financial institutions, and deposits in other kinds of accounts or cash management pools that have the characteristics of demand deposit accounts. Cash equivalents are short-term, highly liquid investments, generally with maturities of three months or less. Examples of cash equivalents are treasury bills, commercial paper, certificates of deposit, money market funds, and cash management pools.

Cash receipts and payments are reported at gross. For example, outlays for acquisitions of capital assets should be reported separately from the proceeds from sales of capital assets and proceeds of borrowing should be reported separately from repayments.

The Statement of Cash Flows has four categories: (1) Cash Flows from Operating Activities, (2) Cash Flows from Noncapital Financing Activities, (3) Cash Flows from Capital and Related Financing Activities, and (4) Cash Flows from Investing Activities. In addition, districts must report information about all investing, capital, and financing activities that affect assets and liabilities but do not result in cash receipts or cash payments in the period. This information will be presented in a separate schedule, beneath the Statement of Cash Flows, with the title, Noncash Transactions.

Finally, a Reconciliation of Net Operating Income (Loss) to the Net Cash Flows from Operating Activities must be presented.

NOTES TO THE FINANCIAL STATEMENTS

The Notes to the Financial Statements provide expanded definitions of district accounting policies, as well as clarity and detail for specific components of the financial statements. The notes to the financial statements are considered an integral part of the statements for the district and should always be read in conjunction with the statements themselves. The notes provide disclosure of material items, which, if not disclosed, could cause the financial statements to be misleading. GASB Statement No. 38, Certain Financial Statement Note Disclosures revised certain footnotes related to the implementation of GASB Nos. 34/35; GASB No. 38 and all subsequently issued GASB Statements should be reviewed to ensure disclosures comply with current standards.

The district is responsible for the notes to the financial statements and to determine whether further explanation and/or description regarding significant events should be included. It is likely that each district within the community college system will have different notes depending upon their circumstances. Examples of the most common notes are included within the Chancellor's Office Contracted District Audit Manual (CDAM); the district should review these notes with their auditor for relevance and completeness, and consult current GASB standards as needed.

REQUIRED SUPPLEMENTARY INFORMATION

Required supplementary information (RSI) consists of schedules, statistical data, and other information that the GASB has determined are an essential part of financial reporting and should be presented with, but are not part of, the basic financial statements of a governmental entity.

Per GASB Nos. 34/35, Management's Discussions and Analysis is part of the Required Supplementary Information as are the schedules required for Pension and OPEB Plans. These schedules follow the Notes to the Financial Statements, and provide the reader with information based on actuarial studies obtained by the district. The footnote disclosure will provide the policies of the district, covered employees/ retirees, current year expense, funding, etc. The primary components of the information presented in the Notes and RSI are typically included in the district's actuarial reports obtained from outside actuaries. A district should consult the applicable GASB Statements for the measurement date that is acceptable for its fiscal year end.

GASB Statement No. 68 Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, requires cost-sharing employers to present, in required supplementary information 10-year schedules containing (1) the net pension liability and certain related ratios and (2) if applicable, information about statutorily or contractually required contributions, contributions to the pension plan, and related ratios.

GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other than Pension Plans (Other Postemployment Benefit or OPEB) requires single-employer and cost-sharing OPEB plans, to present the following information for each of the 10 most recent fiscal years as supplementary information:

- Sources of changes in the net OPEB liability
- Information about the components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

GASB Statement No. 75 Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pensions (Other Postemployment Benefit or OPEB) requires single-employers to present the following required supplementary information, determined as of the measurement date, for each of the 10 most recent fiscal years:

- Sources of changes in the net OPEB liability
- The components of the net OPEB liability and related ratios, including the OPEB plan's fiduciary net position as a percentage of the total OPEB liability, and the net OPEB liability as a percentage of covered-employee payroll.

SUPPLEMENTARY INFORMATION

Supplementary information contained within the annual financial statements may include the Schedule of Expenditures of Federal Awards required by Title 2 U.S Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements, the Schedule of District Organization, Board and Administration Members, and Auxiliary Organizations, Schedule of Federal Awards, Schedule of Expenditure of State Financial Awards, Schedule of Workload Measures for State General Apportionment, Reconciliation of Governmental Funds to the Statement of Net Position, Reconciliation of 50 percent law calculation to Audited Financial Statements, Reconciliation of Education Protection Account Expenditures, required by the State Chancellor's Office as described in the CDAM.

The financial statement presentation under GASB Nos. 34/35 is on a full accrual basis and provides consolidated reporting of district funds and activities. Therefore, the Reconciliation of Governmental Funds to the Statement of Net Position is a critical component of bringing the fund level financial statement balances reported on the modified accrual basis of accounting to the full accrual presentation on the statement of net position. See the information as shown on the following pages.

Sample Reconciliation of Governmental Funds to Statement of Net Position

Unrestricted General Fund	$17,366,318
Restricted General Fund	1,074,030
Bond Interest and Redemption Fund Balance	10,805,920
Capital Projects Fund Balance	9,570,008
Child Development Fund Balance	378,663
Enterprise Fund Balance	1,055,116
Internal Service Fund Balance	4,485,558
Associated Students Fund Balance	396,559
Student Representation and Student Center Fee Fund Balances	262,606
Other Trust and Agency Fund Balance	795,138
Student Financial Aid and Trust Fund Balance	11,833
Total Fund Balances as reported on the Budget Report (CCFS-311)	46,201,749
Cash Clearing and Revolving Cash Funds (not reported on CCFS-311)	39,006
Total Ending Fund balances	$46,240,755
Total fund balances as reported on the Budget Report (CCFS-311) and other Funds	$46,240,755
Capital assets used for governmental activities are not financial resources, therefore, are not reported as assets in governmental funds. Capital assets, net accumulated depreciation are added to the total net assets. Net capital assets of $116,806 are already reported in the Enterprise Fund.	263,038,892
Deferred outflows associated with advanced refunding of debt increases total net position reported.	5,118,280
Deferred outflows associated with other postemployment retirement benefits costs result from contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net other postemployment retirement benefits liability or amortized to benefits expense, as applicable, in subsequent periods.	1,390,590

Deferred outflows associated with pension costs result from pension contributions made during the fiscal year and from actuarially determined adjustments. These amounts will be recognized as a reduction of the net pension liability or amortized to pension expense, as applicable, in subsequent periods.	18,441,168
Interest expense related to bonds incurred through June 30, 2021 is accrued as a current lability on the statement of net position which reduces the total net assets reported.	(1,494,587)
Liabilities related to bonds are not due and payable in the current period and therefore are not reported as liabilities in the governmental funds. Bond related liabilities are added to the statement of net position which reduces the total net assets reported.	(137,877,482)
The liability of employers and nonemployers contributing to employees for benefits provided through a defined benefit pension plan is recorded as net pension liabilities.	(79,697,494)
Deferred inflows of resources associated with other postemployment retirement benefits result from actuarially determined adjustments. These amounts will be amortized to other postemployment retirement benefits expense in subsequent periods.	(779,067)
Deferred inflows of resources associated with pensions result from actuarially Determined adjustments. These amounts will be amortized to pension expense in subsequent periods.	(2,996,700)
The liability associated with other postemployment retirement benefits, is recognized as a liability, which reduces the total net position reported.	(9,699,674)
The liability associated with Medicare Premium Payment (MPP) Program of the California State Teachers' Retirement Plan (the STRP), is recognized as a liability, which reduces the total net position reported.	(305,125)
Total Net Position	$101,379,556

FUNCTIONAL EXPENSES

For external reporting purposes, public colleges and universities may report expenses by function or by natural classification. The California Community Colleges Budget and Accounting Manual requires reporting by functional expense based on the following activity codes:

- Instruction (0100-5900)
- Academic Support (6000-6100)
- Student Services (6200-6400)
- Operation and Maintenance of Plant (6500)
- Institutional Support (6600-6700)
- Community Service and Economic Development (6800)
- Auxiliary Services, Auxiliary Operations (6900-7000)
- Student Aid (portion of 7300)
- Physical Property (non-capitalized), Interest and Other Outgo (7100-balance of 7300)
- Depreciation

There are no specific directives from GASB Nos. 34/35 as to where this information should be reported, other than reference made to the effect that public colleges and universities may report expenses by function or by natural classification. However, if natural classification is presented in the Statement of Revenues, Expenses and Changes in Net Position, it must also be reported within the financial statements. Other acceptable presentations include the schedule in the MD&A or in the Supplementary Information. A sample Functional Expense disclosure from the Contracted District Audit Manual is shown herein:

	Salaries	Employee Benefits	Supplies, Materials, Utilities Other Expenses and Services	Student Financial Aid	Depreciation	Total
Instructional	$29,274,706	$5,026,096	$2,798,280	-	-	$37,099,082
Academic Support	3,976,191	791,782	2,513,270	-	-	7,281,243
Student Services	6,560,715	1,170,461	1,606,419	-	-	9,337,595
Operation & Maintenance of Plant	2,783,334	722,932	4,508,339	-	-	-
Institutional Support	4,721,727	3,339,256	3,057,380	-	-	11,118,363
Community Services and Economic Development	746,536	80,326	466,380	-	-	1,293,242
Ancillary Services and Auxiliary Operations	1,494,072	321,303	7,254,799	-	-	9,070,174
Student Aid	-	-	-	-	-	-
Other Outgo	149,107	22,950	3,705,129	-	-	3,877,186
Depreciation Expense	-	-	-	-	7,800,000	7,800,000
Total	**$49,706,388**	**$11,475,106**	**$25,909,996**	**-**	**$7,800,000**	**$86,876,885**

Functional Expense disclosures, regardless of where they are reported in the financial statements, should consist of operating expenses for all consolidated funds only. The total should reconcile to Total Operating Expenses on the Statement of Revenues, Expenses, and Changes in Net Position; therefore, certain GASB Nos. 34/35 conversion entries will need to be applied to aggregate fund expenses by activity code.

CONVERSION/CONSOLIDATION ENTRIES

The following information is provided to assist in the various adjustments that are necessary to convert the fund financial statements under the modified accrual basis of accounting, to the entity-wide full accrual basis of accounting required by GASB Nos. 34/35 using the BTA model. These conversion entries are solely for financial statement reporting purposes and will not be posted in the fund-based financial accounting records. While these entries are made at year-end for the annual audited financial statement presentation, each district must be familiar with the entries, and take responsibility for its financial statements. District management must be prepared to provide the necessary entries and/or the supporting documentation needed to derive these entries.

This section will provide examples of the major and most widely recognized conversion entries. Other possible entries may also be required by an individual district and will need to be reviewed in accordance with GASB Nos. 34/35 guidance.

Only the governmental fund types are currently using the modified accrual basis of accounting. Proprietary fund types (internal service funds and enterprise funds) account for transactions using the full accrual basis of accounting. The fiduciary fund types include the trust and agency funds which are accounted for using the full accrual basis of accounting.

In addition to the described conversion entries, consolidating journal entries may be needed to eliminate inter-fund transactions (Due From, Due To, Interfund Transfers In, Interfund Transfers Out, etc.) between governmental fund types and proprietary fund types. It is important to reconcile all interfund transactions during the year-end closing process to ensure consolidating entries balance.

The conversion process requires a two part process:

1. Post prior year conversion entries to the beginning net position balance.
2. Recognize the effect of current year activity.

The sample entries included herein start with the typical consolidating journal entries and then move to the conversion entries necessary for full accrual basis financial statements. The journal entries included herein are sample entries with amounts included for illustrative purposes only. Other entries may be necessary for a specific district and not all the illustrated entries may be required.

TYPICAL CONSOLIDATION ENTRIES

Due To's and Due From's

All interfund payables and receivables will need to be reconciled to first ensure the balances between funds are in agreement. A consolidating journal entry to eliminate the entries on an entity-wide basis is needed.

Debit	Accounts Payable (Due To Other Funds)	$200,000	
Credit	Accounts Receivable (Due From Other Funds)		$200,000

To eliminate Interfund Due To's and Due From's between governmental funds and between governmental funds and proprietary funds

Interfund Transfers

All interfund transfers will need to be reconciled to ensure the balances between funds are in agreement. A consolidating journal entry to eliminate the effect of the transfers on the entity-wide financial statements is needed:

Debit	Interfund Transfers In	$150,000	
Credit	Interfund Transfers Out		$150,000

To eliminate Interfund Transfers between governmental funds

Interfund Revenue and Expense

Examples may include the payment of insurance premiums to the self-insurance fund by the general fund, post-employment benefit premiums accounted for in a proprietary fund or charges for food services between the cafeteria fund and other funds.

Debit	In-District Premium Revenue	$625,000	
	Sales Revenue	45,000	
Credit	Employee Benefits Expense		$300,000
	Insurance Premium Expense		325,000
	Food Supplies Expense		45,000

To eliminate Interfund Revenue and Expense between governmental funds and proprietary funds

Other interfund activities may be accounted for within the fund financial statements which will need to be analyzed to determine whether revenues and expenses are overstated on the entity-wide financial statements. If other interfund activities are identified, a consolidating entry to eliminate those activities will be needed.

TYPICAL CONVERSION ENTRIES – RECORD PRIOR YEAR ENDING BALANCES

In order to bring prior year activity to the beginning net position balance of the consolidated entity-wide financial statements, the following entries should be made:

ASSET ACCOUNTS

The typical asset accounts which require analysis include Non-Current Assets such as Notes Receivable, Capital Assets, and other assets, such as deferred outflows.

Accounts/Notes Receivable

Accounts and notes receivable within the fund financial statements are recorded as the payments are received as current year income. The full accrual, entity-wide financial statements will record the transaction in the initial year. Subsequent payments received will reduce the asset balance.

Debit	Notes Receivable	$ 1,500,000	
	Non-Current Assets	750,000	
Credit	Beginning Net Position Balance		$ 2,250,000
	To record Beginning Balances of Notes and Non-Current Assets		

The collectability of the Notes and Non-Current Assets will need to be evaluated and an allowance for doubtful accounts established, if needed.

Debit	Beginning Net Position Balance	$ 100,000	
Credit	Allowance for Doubtful Accounts		$ 100,000
	To record Beginning Balance of Allowance for Doubtful Accounts		

Capital Assets

Assets purchased and recorded in the prior year will be brought into the financial statements with one conversion entry noting each class of asset and the related accumulated depreciation. Current year activity recorded within the fund, in the modified accrual basis financial statements, will be described within the following Current Year Activity section.

Debit	Land	$ 28,000,000	
	Construction in Progress	52,000,000	
	Buildings	450,000,000	
	Equipment	28,000,000	
Credit	Accumulated Depreciation - Buildings		$ 85,000,000
	Accumulated Depreciation - Equipment		21,000,000
	Beginning Net Position Balance		452,000,000
	To record Beginning Balances of Capital Assets, net of accumulated depreciation		

All assets belong to the district as a whole. Capital assets already recorded in the general ledger for Proprietary Fund types and/or Fiduciary Fund types should be excluded from the above conversion entry to prevent double counting.

LIABILITY ACCOUNTS, DEFERRED OUTFLOWS AND DEFERRED INFLOWS

The typical liability accounts which require analysis include the Non-Current Debt, Notes Payable, Pension and OPEB obligations and the related deferred outflows and deferred inflows. A review should be performed to understand and account for all obligations beyond one year that are not included within the modified accrual basis of accounting for the Governmental Fund types. Once the beginning balances are established, the current year activity, which is typically reported as Other Financing Sources/Uses and Issuance Costs in the fund financial statements, will be discussed in the following Current Year Activity section.

Debit	Beginning Net Position Balance	$ 391,745,000	
	Deferred Outflows	21,560,000	
Credit	General Obligation Bonds Payable		$ 280,000,000
	Other Post-Employment Benefits		8,500,000
	Net Pension Liability		98,000,000
	Deferred Inflows		13,280,000
	Notes Payable		10,000,000
	Compensated Absences Payable		3,250,000
	Capital Leases Payable		125,000
	Other Non-Current Obligations		150,000
	To record Beginning Balances of Various Non-Current Obligations		

Other Non-Current Obligations may include Supplemental Early Retirement Payments (SERP), Certificates of Participation (COPs), and other obligations entered into having long term effects on the financial statements. Liabilities already recorded in the general ledger, such as compensated absences or IBNR's for Governmental Funds, Proprietary Fund types and/or Fiduciary Fund types should be excluded from the above conversion entry to prevent double counting.

When bond debt is issued by the district, it may be issued at a premium or a discount and include costs of issuance. These transactions are accounted for as revenues and expenses in the fund-based accounts at the time of the initial transaction. However, on a full accrual basis, the total premium, discount, and issuance costs will be reflected on the balance sheet as an asset or liability, to be amortized over the life of the obligation as discussed in the following Current Year Activity section. When bonds are refunded, a deferred charge on refunding may be recorded based on GASB Statement No. 7 Advanced Refundings Resulting in Defeasance of Debt and GASB Statement No. 23 Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities.

Debit	Deferred Charges on Costs of Issuance	$2,600,000	
Credit	Bond Premium		$ 500,000
	Beginning Net Position Balance		2,100,000
	To record Beginning Balance of Unamortized Deferred Costs on Issuance and Bond Premium		

TYPICAL CONVERSION ENTRIES – RECORD CURRENT YEAR ACTIVITY

Current year activity will require additional conversion entries for financial statement presentation. The following are the most likely required adjustments:

Student Tuition and Fees and Corresponding Fee Waivers

Student tuition and fees are generally recorded net of fee waivers. An entry is required to properly disclose the gross amount of fees and the full financial support to students.

Debit	Scholarship discount and allowance	$ 3,200,000	
Credit	Student tuition and fees		$ 3,200,000
	To record effect of fee waivers on student tuition and fee revenue		

Capital Assets

Within each governmental fund type, review the amounts charged for any activity that meets the district's asset capitalization policy and prepare a detailed listing.

The following are typical conversion entry adjustments:

Debit	Construction in Progress	$ 26,000,000	
Credit	Construction expense		$ 26,000,000
	To record current year construction project activity		
	NOTE: The District may also need to analyze the 4000 and 5000 object codes for supplies and services related to capitalized projects.		
Debit	Buildings	$ 46,000,000	
Credit	Construction in Progress		$ 46,000,000
	To record completed projects placed in service during the year		
	NOTE: This entry is a reclassification between asset accounts and does not affect the reconciliation between the fund statements and the BTA statements.		
Debit	Equipment	$ 430,000	
Credit	Equipment expense		$ 430,000
	To record current year equipment purchases meeting the district's capitalization threshold		

Debit	Depreciation Expense	$ 8,500,000	
Credit	Accumulated Depreciation – Buildings		$ 7,850,000
	Accumulated Depreciation - Equipment		650,000
	To record current year depreciation expense		

During the year, equipment may be scrapped, sold, or otherwise disposed of and expenses previously capitalized in Construction in Progress accounts may be determined to no longer be valid projects of the District. These expenses may include planning costs or architectural services for projects that will not be started by the district. In addition, annually the District should address if a loss should be recorded in accordance with GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries.

The following entry may be necessary to reconcile capital asset disposals and project deletions:

Debit	Accumulated Depreciation - Equipment	$ 290,000	
	Loss on Disposal of Equipment	20,000	
	Buildings, Maintenance and Repairs (Expense)	975,000	
Credit	Equipment (Asset)		$ 310,000
	Construction in Progress (Asset)		975,000
	To record sale of equipment and results of analysis of Construction in progress accounts		

The District may also receive a donation of land, buildings, or equipment that meets the capitalization threshold established by the district's asset capitalization policy. This donated asset should be recorded within the capital asset accounts and entity-wide financial statements at the fair market value (FMV) at the time of donation (supported by an appraisal if available). In the following example, the District received a donation of land with a FMV of $275,000 and a building valued at $1,000,000 (FMV) which will be used in the administrative operations of the District.

Debit	Land	$ 275,000	
	Buildings	1,000,000	
Credit	Donation Revenue (Other Non-Operating Revenue)		$ 1,275,000
	To record donation of property received during the year		

If the donated property (land & building) will not be used within the operations of the District, but instead the intent is to resell the property, the entry would be:

Debit	Capital Asset Held for Resale	$ 1,275,000	
Credit	Donation Revenue (Other Non-Operating Revenue)		1,275,000
	To record donation of property held for sale		

At the time of the re-sale in subsequent years, the entry will be the following - assuming a sales price of $1,300,000:

Debit	Cash	$ 1,300,000	
Credit	Capital Asset Held for Resale	$ 1,275,000	
	Gain on Sale of Asset		25,000
	To record sale of previously donated assets		

Note Receivable

Payments received on a note receivable are recorded as current year income within the modified accrual basis governmental funds; however, on a full accrual basis the asset has been recorded and revenue recognized within the year the agreement was signed. While interest income remains a current year activity, the principal received is a reduction of the recorded asset and not new revenue.

Debit	Local Revenue	$ 200,000	
Credit	Note Receivable		$ 200,000
	To record receipt of current year payment on note receivable		

Long Term Obligations

The effect of long-term obligations may be recorded throughout the various governmental fund types. On a consolidated basis only one conversion entry needs to be recorded to properly affect the entity-wide full accrual financial statements. The current year's activity may increase or decrease the long-term obligations. The following are the most common and may be posted individually or in the aggregate:

Compensated Absences

The net increase or decrease in the district's obligation to employees for compensated absences will be recorded. Each district will need to analyze their compensated absences as to whether or not the benefit vests with the employee. Typical vested benefits include vacation, compensatory time, and load banking. The entry should be net of amounts reported in the fund financial statements.

Debit	Salary and Benefit Expense	$ 625,000	
Credit	Compensated Absences Payable		$ 625,000
	To record current year net increase (additions less usage) of compensated absences		

Capital Leases

Current year payments of capital leases are expensed within the modified accrual basis governmental fund types. However, the principal is accounted for on the full accrual balance sheet as an obligation of the district and the current year principal payment will reduce this benefit. Interest is expensed as incurred.

Debit	Capital Leases Payable	$ 75,000	
Credit	Rents and Leases Expense		$ 75,000
	To record current year principal payment of capital lease obligation		

Long-Term Obligations

The district may enter into various types of debt to finance capital construction - primarily through General Obligation Bonds or Notes Payable, Certificates of Participation or other long-term agreements. As noted above, the payments within the modified accrual governmental fund types are recorded as a current period expense - both principal and interest. For the entity-wide full accrual financial statements, the current year principal payments will be recorded as a reduction of the full obligation.

Debit	General Obligation Bonds Payable	$ 11,500,000	
	Note Payable	3,250,000	
Credit	Debt Service Expense - Principal		$ 14,750,000
	To record current year principal payments		

To reflect new issuances of General Obligation Bonds or new Notes Payable issued:

Debit	Proceeds from Debt Issuance	$ 56,000,000	
	Deferred Costs on issuance	1,000,000	
Credit	General Obligation Bonds Payable		$ 57,000,000
	To record issuance of General Obligation Bonds		

Many bond obligations will also have a premium or discount at the time of issuance that is amortized over the life of the obligation. As noted in the example in the **LIABILITY ACCOUNTS, DEFERRED OUTFLOWS AND DEFERRED INFLOWS** section (to record the Beginning Balance of Unamortized Deferred Costs on Issuance and Bond Premium), a $2,600,000 asset is included within the full accrual entity-wide financial statements. The amortization of the asset is a component of interest in the current year and accounted for as follows:

Debit	Interest Expense	$ 200,000	
Credit	Deferred Charges Costs of Issuance		$ 200,000
	To record amortization of Bond issuance costs		

Each year the liability for interest on bond and debt issuances that has accrued as of yearend, but is not due until the following fiscal year, must be accounted for within the full accrual, entity-wide financial statements. In the following example, principal and interest payments are due on April 1 and October 1 of each year. The interest that accrues from April 1 through June 30 is a liability that will be recognized at year end as follows:

Debit	Interest Expense	$ 3,250,000	
Credit	Accrued Interest Payable		$ 3,250,000
	To record three months of interest payable as of year-end		

The district is required to book the net Other Post-Employment Benefits (OPEB) liability as of year-end. In the illustration of the beginning balance entries, the prior year accumulated liability of $8,500,000 is brought into the beginning balance. At year end the current year component of the actuarially determined net OPEB obligation will need to be recorded. The offsetting entry will be employee benefit expense on the entity-wide financial statements:

Debit	Employee Benefit expense	$ 1,500,000	
	Deferred Outflows	500,000	
Credit	Other Post-Employment Benefits Liability		$ 2,000,000
	To record current year OPEB Expense and to reflect the net OPEB liability and related deferred outflows as of the current fiscal year end		

The district is required to book the net Pension obligation for STRS and PERS as of year-end. In the illustration of the beginning balance entries, the prior year accumulated liability of $98,000,000 is brought into the beginning balance. At year end the current year component of the actuarially determined net Pension liability will need to be recorded. The offsetting entry will be employee benefit expense on the entity-wide financial statements:

Debit	Employee Benefit expense	$ 5,750,000	
	Deferred Outflows	1,000,000	
Credit	Other Post-Employment Benefits Liability		$ 6,000,000
	Deferred Inflows		750,000
	To record current year Pension Expense and to reflect the net Pension liability and related deferred outflows and deferred inflows as of the current fiscal year end		

This listing is not all inclusive of every consolidating or conversion entry that is necessary to bring the Modified Accrual Fund financial statements into compliance with the GASB Nos. 34/35 Full Accrual Entity-Wide financial statement presentation. Discussions with district auditors will assist in identifying other entries that are necessary for the individual district.

GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENTS

The Governmental Accounting Standards Board (GASB) provides information (initial deliberations, preliminary views, exposure drafts, etc.) as new pronouncements are contemplated, developed and eventually issued. Districts have the ability to review this information and can provide comments to the GASB on the effects of proposed statements. Furthermore, once new GASB Statements are issued, District management is responsible to determine the impact of the implementation of each standard on their district, whether or not to early implement, the cumulative effect of implementing the new accounting standard, etc.

Visit the GASB website to view the GASB Statements issued as well as the status of major projects currently under consideration by GASB.

The Financial Accounting Standards Board (FASB) provides guidance over accounting for proprietary and non-expendable trust funds. Current guidance may be found on the FASB website.

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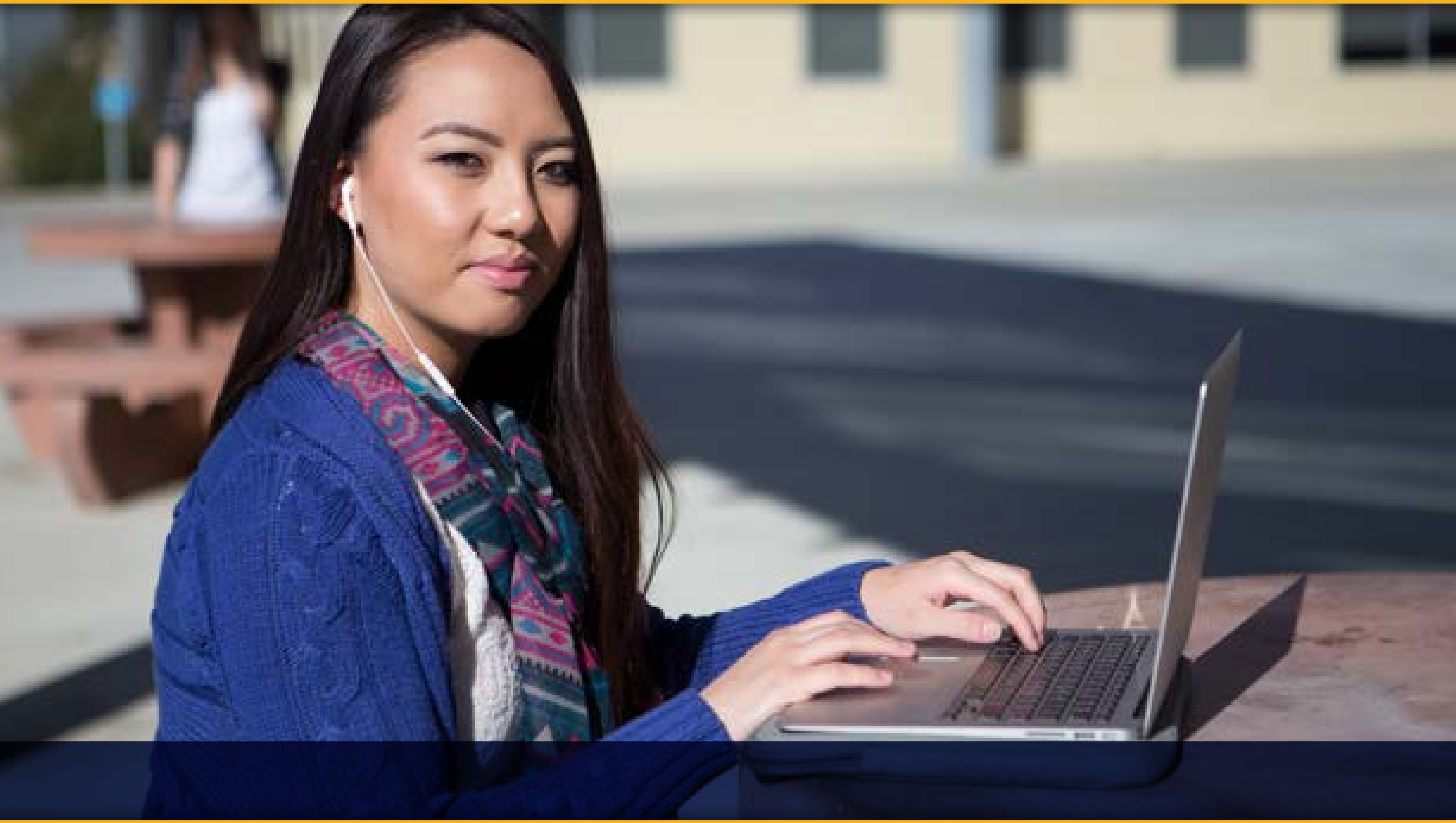

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