**State of South Carolina**
**Grants - New Statewide Policies**
**Example**

The federal government provides funds to states for use in improving state park facilities. Only states are eligible to receive the funds. In addition, all applicants must submit a plan to the federal government for approval detailing the projects that will be funded. The funds are available for the period October 1, 2000, through September 30, 2005.

PRT submits an application for the above grant, including the required plan detailing how the funds will be spent. The federal government approves PRT's application and spending plan. The total amount of the grant award is $5,000,000. As of June 30, 2001, PRT had received $1,250,000. They received an additional $500,000 on July 20, 2001. (The grant is recorded in subfund 5055 – Federal. For GAAP purposes, this subfund is classified as a special revenue fund. Special revenues funds are considered governmental funds.)

What amounts should be reported on the grants/entitlement closing package as of June 30, 2001?

**Solution**

1. The first step is to determine the grant's eligibility requirements This is done by reviewing relevant grant documentation (grant award document, Catalog of Federal Domestic Assistance, etc.). Next, make and document an assessment as to whether these requirements have been met.

    In our example, there are three eligibility requirements for the grant:

    1) Required Characteristic of Recipients:  The grant specifies that only state governments are eligible to receive funds.

    2) Time Requirements:  The grant specifies that the funds are only available for use for a specific period (October 1, 2000, through September 30, 2005).

    3) Contingency:  The grant requires states to obtain approval from the federal government on how the funds will be spent.

    In our example, all of the eligibility requirements have been met as of June 30, 2001.

2. The next step is to calculate the receivable.  Since all of the eligibility requirements have been met, we must record a receivable for the entire amount of the grant less any amounts received grant to date.  In our example, the grant award was $5,000,000 and we have received $1,250,000 grant to date.  (Since this

is the first year of the grant, we only need to determine what has been received this fiscal year; however, in future years, we will need to look at this on a grant to date basis, not year to date.)

Receivable = grant award – amount received grant to date

= $5,000,000 - $1,250,000

= **$3,750,000**

3. The final step is to calculate any deferred revenue. Under the old recognition policies, it was not possible to report both a receivable and a deferred revenue for the same grant. Under the new policies, this scenario is now possible but only if the grant is recorded in a governmental fund (i.e., the GAAP general fund, a GAAP special revenue fund, the GAAP capital project fund, or a GAAP expendable trust fund). In our example, the grant is recorded in a GAAP special revenue fund; therefore, we do need to evaluate whether there is any deferred revenue to report.

There are two situations that require deferred revenue to be recorded:

a) Grant funds are received prior to meeting all applicable eligibility requirements; or

b) Grant funds are not available (applies to governmental funds only). The State considers funds to be available if they are received on or before June 30 or by the end of July.

In our example, we have met all the applicable eligibility requirements; therefore, we do not meet criteria a. However, we do fall under criteria b because our grant is recorded in a governmental fund and did not receive the remainder of the funds by the end of July. We, therefore, must record deferred revenue for the amounts received **after** July.

Deferred Revenue = Receivable – Amounts received by the end of July

= $3,750,000 - $500,000

= **$3,250,000**