

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

Issues Resolution Memo No. 102

Required Changes to Support the Capital Assets Disclosure

Define Issues

The University must develop templates to be completed or reviewed by campuses as part of the annual fiscal closing process in order to comply with the reporting standards established by GASB Statements No. 34 and 35. These templates will be used to support the Capital Assets footnote and the Capital Assets section in the Management's Discussion and Analysis in the University's financial statements. The new reporting standards are required for the fiscal year beginning July 1, 2001, with comparative information for the prior year.

Background

During 1999, the Government Accounting Standards Board (GASB) introduced GASB Statements 34 and 35. These Statements substantially revised the standards for external financial reporting by public institutions.

According to the new standards, the separately issued financial statements of public colleges and universities must include:

- Management's Discussion and Analysis (MD&A)
- Statement of Net Assets
- Statement of Revenues, Expenditures and Changes in Net Assets
- Statement of Cash Flows
- Notes to the Financial Statements

Financial statements must be prepared in accordance with GAAP (generally accepted accounting principles) and are subject to audit under GAAS (generally accepted auditing standards).

The MD&A and the notes to the financial statements are developed by UCOP using information provided by campuses (refer to IRM No. 101, *GASB Statements No. 34 and 35 Presentation Format—Footnotes* and IRM No. 200, *Requirements for Management's*

Discussion and Analysis (MD&A). The information is provided to UCOP on exhibits and appendices completed during the annual fiscal closing process.

Authoritative Guidance

Refer to the Authoritative Guidance sections included in IRM No. 101, *GASB Statements No. 34 and 35 Presentation Format—Footnotes* and IRM No. 200, *Requirements for Management's Discussion and Analysis (MD&A)*.

Recommended Approach

- As part of the annual fiscal closing process, UCOP will provide template appendices to campuses to accumulate the information necessary to complete the Capital Assets footnote and the Capital Assets section of the MD&A. The following draft templates are included in this IRM:
 - *Exhibit 1—Summary of Capital Asset Original Cost Activity*
This closing schedule appendix replaces the asset portion of the current Exhibit E-3 that is completed by campuses during the annual fiscal close. An additional closing appendix must be developed by UCOP to report liability activity and will be included in the FY 2000-2001 closing schedule.
 - *Exhibit 2—Summary of Accumulated Depreciation Activity*
Because UCOP maintains the depreciation database that generates the annual depreciation journal entries, UCOP will complete this closing schedule appendix. Campuses will be required to review the appendix and ensure that it reconciles to the campus general ledger. This appendix will not be required until the FY 2001-2002 fiscal closing process.
 - *Exhibit 3—Major Construction and Land Report*
The following changes have been incorporated into the current closing schedule appendix:
 - Funding source information is no longer necessary; and
 - The reporting threshold has increased from \$5 million to \$15 million.
- Campuses will complete the appendices and submit them to UCOP. Because the information will be used in the footnotes and the MD&A, the information will be subject to review and testing by PricewaterhouseCoopers.
- UCOP will consolidate the information to develop the footnotes and the MD&A.

Next Steps—Required Actions

Responsibility (C, OP)	Required Completion Date	Action Item/Task
OP	8-Mar-01	Finalize Capital Asset Templates —Finalize the capital asset appendices templates.
OP	8-Mar-01	Incorporate Templates into Annual Closing Process —Modify annual closing process to incorporate capital asset templates.
C	13-Aug-01	Complete Capital Asset Appendix —Complete the Summary of Capital Asset Original Cost Activity appendix and submit to UCOP (Exhibit 1 of this IRM).
C	14-Sep-01	Complete Capital Asset Appendix —Complete the Major Construction and Land Report appendix and submit to UCOP (Exhibit 3 of this IRM).
		(Note: The Summary of Accumulated Depreciation Activity appendix will not be required until FY 2001-2002.)
OP	21-Sep-01	Consolidate Capital Asset Appendices —Consolidate the information provided by campuses in the capital asset appendices to support the development of the University’s Annual Report.

**Capital Asset Activity
Summary of Original Cost Activity
For Fiscal Year Ending June 30, 2001**

Campus: _____
Prepared by: _____
Telephone No. : _____

A/C Group Code	Final G/L Balance June 30, 2000 (2)	Additions				Change in CIP (1)	Campus Reclassifications	Total Additions	Disposals (3)	Final G/L Balance June 30, 2001 (2)
		Financed From		Gifts						
		Plant Funds	Current Funds							
Land										
12011	Real Estate-Campus	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -
12012	Real Estate-Med Center	-	-	-	-		-	-	-	-
	TOTAL LAND	-	-	-	-		-	-	-	-
Buildings & Structures										
12021	Buildings and Structures-Campus	-	-	-	-		-	-	-	-
12022	Buildings and Structures-Med Center	-	-	-	-		-	-	-	-
12023	Fixed Equipment-Campus	-	-	-	-		-	-	-	-
12024	Fixed Equipment-Med Center	-	-	-	-		-	-	-	-
12031	General Improvements-Campus	-	-	-	-		-	-	-	-
12032	General Improvements-Med Center	-	-	-	-		-	-	-	-
	TOTAL BUILDINGS AND IMPROVEMENTS	-	-	-	-		-	-	-	-
Infrastructure										
12081	Campus	-	-	-	-		-	-	-	-
12082	Med Center	-	-	-	-		-	-	-	-
	TOTAL INFRASTRUCTURE	-	-	-	-		-	-	-	-
Equipment										
12049	Equipment-Campus	-	-	-	-		-	-	-	-
12048	Equipment-Med Center	-	-	-	-		-	-	-	-
12044	Software > \$10M-Campus	-	-	-	-		-	-	-	-
12045	Software > \$10M-Med Center	-	-	-	-		-	-	-	-
12046	Software< \$10M-Campus	-	-	-	-		-	-	-	-
12047	Software< \$10M-Med Center	-	-	-	-		-	-	-	-
12071	Intangible Assets-Campus	-	-	-	-		-	-	-	-
12072	Intangible Assets-Med Center	-	-	-	-		-	-	-	-
	TOTAL EQUIPMENT	-	-	-	-		-	-	-	-
Libraries and Collections										
12051	Library Materials & Library Collections	-	-	-	-		-	-	-	-
12052	Library Rare Books & Rare Book Collections	-	-	-	-		-	-	-	-
	TOTAL LIBRARIES AND COLLECTIONS	-	-	-	-		-	-	-	-
Special Collections (Excluding Library)										
12091	Special Collections-Excl Lib-Campus	-	-	-	-		-	-	-	-
12092	Special Collections-Excl Lib-Med Center	-	-	-	-		-	-	-	-
	TOTAL SPECIAL COLLECTIONS	-	-	-	-		-	-	-	-
Construction in Progress										
12061	Campus	-	-	-	-	\$ -	-	-	-	-
12062	Med Center	-	-	-	-		-	-	-	-
	TOTAL CONSTRUCTION IN PROGRESS	-	-	-	-		-	-	-	-
TOTAL CAPITAL ASSETS, AT COST		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Investment in Joint Venture										
1209	Investment in Joint Venture (Other current assets)	\$ -	\$ -	\$ -	\$ -		\$ -	\$ -	\$ -	\$ -

(1) Enter the net change in the CIP account. Can be either positive or negative.
 (2) Must agree to the final general ledger after handpostings.
 (3) Enter disposals as a negative number.

Campus: _____
 Prepared by: (OP Name)
 Telephone No. : (OP Phone number)
 Reviewed and approved by: (Campus Name)
 Telephone No. : (Campus Phone number)

Capital Asset Activity
Summary of Accumulated Depreciation Activity
For Fiscal Year Ending June 30, 2002

Appendix XX
 2001-2002 Closing Schedule
 (Closing Step XX)

Account Group Code	Final General Ledger June 30, 2001 (1)	Depreciation Expense	Accumulated Depreciation on Disposals (2)	Final General Ledger June 30, 2002 (1)
<u>Accumulated Depreciation-Buildings & Improvements</u>				
121210 Acc Depr-Buildings & Structures-Campus	\$ -	\$ -	\$ -	\$ -
121220 Acc Depr-Buildings & Structures-Med Center	-	-	-	-
121310 Acc Depr-General Improvements-Campus	-	-	-	-
121320 Acc Depr-General Improvements-Med Center	-	-	-	-
TOTAL ACC DEPR-BUILDINGS & IMPROVEMENTS	-	-	-	-
<u>Accumulated Depreciation-Infrastructure</u>				
121810 Acc Depr-Infrastructure-Campus	-	-	-	-
121820 Acc Depr-Infrastructure-Med Center	-	-	-	-
TOTAL ACC DEPR-INFRASTRUCTURE	-	-	-	-
<u>Accumulated Depreciation-Equipment</u>				
121490 Acc Depr-Equipment-Campus	-	-	-	-
121480 Acc Depr-Equipment-Med Center	-	-	-	-
TOTAL ACC DEPR-EQUIPMENT	-	-	-	-
<u>Accumulated Depreciation-Software</u>				
121440 Acc Depr-Software>\$10M-Campus	-	-	-	-
121450 Acc Depr-Software>\$10M-Med Center	-	-	-	-
121460 Acc Depr-Software<\$10M-Campus	-	-	-	-
121470 Acc Depr-Software<\$10M-Med Center	-	-	-	-
TOTAL ACC DEPR-SOFTWARE	-	-	-	-
<u>Accumulated Depreciation-Intangible Assets</u>				
121710 Acc Depr-Intangible Assets-Campus	-	-	-	-
121720 Acc Depr-Intangible Assets-Med Center	-	-	-	-
TOTAL ACC DEPR-INTANGIBLE ASSETS	-	-	-	-
<u>Accumulated Depreciation-Library Materials & Library Collections</u>				
121510 Acc Depr-Library Materials & Library Collections	-	-	-	-
TOTAL ACCUMULATED DEPRECIATION	\$ -	\$ -	\$ -	\$ -

(1) Must agree to the final general ledger after handpostings.
 (2) Enter disposals as a negative.

Campus: _____
 Prepared by: _____
 Telephone No.: _____

Capital Asset Activity
Major Construction and Land Report
 For Fiscal Year Ending June 30, 2003
 Land Area (in acres) _____
 (Dollars in Thousands)

Construction Projects	Current Year Capitalization 7/1/02-6/30/03
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Projects Capitalized in fiscal year 2003

Auxiliary & Service Enterprise (List projects with total accumulated expenditures over \$25 million)	\$	-
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Medical Centers
 (List projects with total accumulated expenditures over \$25 million)

General, Administration & Other
 (List projects with total accumulated expenditures over \$25 million)

Projects under \$25 million-summary only, no detail required

Subtotal Projects Completed	_____	-	(1)
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Construction in Progress at 6/30/03

Auxiliary & Service Enterprise (List projects with total accumulated expenditures over \$25 million)		
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Medical Centers
 (List projects with total accumulated expenditures over \$25 million)

General, Administration & Other
 (List projects with total accumulated expenditures over \$25 million)

Projects under \$25 million-summary only, no detail required

Subtotal CIP	_____	-	(2)
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Total Projects Capitalized and CIP	\$ _____	-
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NOTE: This report is used to support construction activity for the M D & A.

- (1) Amount must tie to the Total Additions of Land, Infrastructure and Buildings & Improvements on CFR report - Capital Assets - Reconciliation of Original Costs.
- (2) Amount must tie to the Total Ending Balance of Construction in Progress on CFR report - Capital Assets - Reconciliation of Original Cost.