

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. 103

Required Changes to Support the Indebtedness Disclosure

Define Issues

The University must develop templates to be completed 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 Indebtedness footnote and the Indebtedness section in the Management's Discussion and Analysis in the University's financial statements.

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. The new reporting standards are required for the fiscal year beginning July 1, 2001, with comparative information for the prior year.

According to the new standards, financial statements issued by 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 for the Indebtedness footnote and the Indebtedness section of the MD&A. The following draft templates are included in this IRM:
 - *Exhibit 1—Current and Noncurrent Financing Activity: Management's Discussion and Analysis*
This closing schedule appendix must be completed to support the development of the MD&A. It will be required to be submitted to UCOP beginning FY 2001-2002
 - *Exhibit 2—Detail of Current and Noncurrent Financing Activity and Distribution of Current and Noncurrent Financing Liabilities (June 30, 2002)*
This closing schedule appendix is a revision of the FY 2000's Summary and Distribution of Liabilities (Appendix C for the 6/30/00 closing schedule). The primary change is to include sections to report current and noncurrent activity. This appendix will be required to be submitted to UCOP beginning FY 2001-2002 (campuses should submit the closing schedule appendix provided in Exhibit 2A for FY 2000-2001).
 - *Exhibit 2A—Detail of Current and Noncurrent Financing Activity and Distribution of Financing Liabilities (June 30, 2001)*
This closing schedule appendix is a modified version of Exhibit 2 and will only be required for FY 2000-2001. It is modified for this year because UCOP will not require the beginning balance and current year activity to be stated separately for current and noncurrent liabilities until FY 2001-2002. However, it should be emphasized that the ending balance at June 30, 2001 must identify current and noncurrent liabilities separately. In addition to the summary and distribution information, campuses are asked to provide the following information:
 - June 30, 2001 balance segregated between current and noncurrent activity;
 - Interest rate at June 30, 2001;
 - Type of rate: variable or fixed; and
 - Purpose for the debt.

- *Exhibit 3—Future Debt Services for Leases and Mortgages*
This closing schedule appendix is unchanged from prior years and should be submitted to UCOP in FY 2000-2001 and in future years.
- *Exhibit 3A—Detail to Appendix XX—Equipment Capital Leases and Space Capital Leases*
This closing schedule appendix also is unchanged from prior years and is required to support the capital leases section of the appendix provided in Exhibit 3. It should be submitted to UCOP in FY 2000-2001 and in future years.
- 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 Indebtedness Templates —Finalize the indebtedness appendices templates.
OP	8-Mar-01	Incorporate Templates into Annual Closing Process —Modify annual closing process to incorporate indebtedness templates.
C	13-Aug-01	Complete Indebtedness Appendix —Complete the Detail of Current and Noncurrent Financing Activity (for June 30, 2001) appendix and submit to UCOP (Exhibit 2A of this IRM).
C	14-Aug-01	Complete Indebtedness Appendix —Complete the Future Debt Service for Leases and Mortgages, and Equipment Capital Leases Detail appendices and submit to UCOP (Exhibits 3 and 3A of this IRM). (Note: The Current and Noncurrent Financing Activity: MD&A and Detail of Current and Noncurrent Financing Activity (for June 30, 2002) appendices (Exhibits 1 and 2) will not be required until FY 2001-2002.)
OP	21-Sep-01	Consolidate Indebtedness Appendices —Consolidate the information provided by campuses in the indebtedness appendices to support the development of the University’s Annual Report.

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

**Current and Noncurrent Financing Activity
 Management's Discussion and Analysis--DRAFT
 For Fiscal Year Ending June 30, 2002**

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

Current Debt, including Capital Leases and Current Portion of Long Term Debt:

Balances			Fluctuations			
6/30/2000	6/30/2001	6/30/2002	00-01		01-02	
\$	\$	\$	\$	%	\$	%

Attach narrative, incorporating the following thoughts:

- * Describe the underlying business reasons for the activity during the year.
- * What was the purpose and what are the intentions for any new debt? Is it variable or fixed rate?
- * How much was reclassified from noncurrent to current? Is there anything unusual to the reclassification-amount, timing, etc.?
- * What current debt was paid during the year? Were they normally scheduled payments or prepayments?
 (Why and from what fund source?)
- * Was any of the debt renegotiated during the year? (Why and terms?)
- * Have there been any violations of loan covenants?

For Variable Rate Debt

- * Describe the subset of loans with variable rates that are outstanding at year end.
- * What are the terms related to changes in rates?
- * What predicates the changes?
- * What were the range of rates for the year?

Noncurrent Debt, including Capital Leases

Balances			Fluctuations			
6/30/2000	6/30/2001	6/30/2002	00-01		01-02	
\$	\$	\$	\$	%	\$	%

Attach narrative, incorporating the following thoughts:

- * Describe the underlying business reasons for the activity during the year.
- * What was the purpose and what are the intentions for any new debt (Project, etc.)?
- * Is there anything unusual about the amount reclassified from noncurrent to current?
- * Were there any prepayments or defeasances? If so, please provide the specifics.
- * Have there been any changes in credit ratings (UCOP)?
- * Are there any debt limitations that may affect the financing of planned activities (UCOP)?
- * Have there been any violations of loan covenants? If so, what were they and how were the violations cured?

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

Current and Noncurrent Financing Activity
DETAIL OF CURRENT AND NONCURRENT FINANCING ACTIVITY--DRAFT
For Fiscal Year Ending June 30, 2002

Account	Description	Current					Noncurrent					Total Current & Noncurrent Balance 6-30-2002
		Balance 6-30-2001	New Debt (1)	Reclass from Noncurrent to Current	Principal Payments (2)	Campus Transfers/Adj (3)	Balance 6-30-2002	Balance 6-30-2001	New Debt (1)	Reclass from Noncurrent to Current (4)	Campus Transfers/Adj (3)	
Revenue Bonds		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Sub-total	_____					_____					_____
COP's												
	Sub-total	_____					_____					_____
Capital Leases Obligations												
	Sub-total	_____					_____					_____
Mortgages & Other Borrowings												
	Sub-total	_____					_____					_____
Commercial Paper												
	Sub-total	_____					_____					_____
Due to Other Funds												
	Sub-total	_____					_____					_____
Unexpended Plant												
	Sub-total	_____					_____					_____
	Total	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>	<u>\$</u>

Notes:

- (1) New debt must agree with Exhibit E page 3 (modified), total liability additions.
 - (2) Principal payments must agree with exhibit E page 2 principal payments 21XX deductions, less 2195.
 - (3) Attach a narrative fully explaining any activity included in this column.
 - (4) Must agree to the activity in the "current" section.
- Unexpended Plant 101988 must be the same in Investment in Plant and offset with other funds. Formula to check is found under Investment in Plant.
 Since this sheet feeds to a consolidation sheet DO NOT MAKE CHANGES TO FORMULAS OR SUBTOTALS without prior approval from Jan Kehoe (510-987-0898).
 Indicate the debt amounts that were refunded with bank loans, commercial paper, bond, or other debt in the column "Refunded Debt."
 Allocate the debt by category for each of the plant funds.
 Enter amounts to the dollar.

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

Current and Noncurrent Financing Activity
DISTRIBUTION OF CURRENT & NONCURRENT FINANCING LIABILITIES--DRAFT
For Fiscal Year Ending June 30, 2002

Account	Interest Rate at 6/30	Variable or Fixed	Interest Accrual at 6/30	Purpose for Debt	Refunded Debt	Investment in Plant					Unexpended Plant-100191				Retirement of Indebtedness		Current Funds	
						Revenue Bonds	COP	Capital Lease	Mortgages & Other Borrowing	Commercial Paper	Due to other Funds	Revenue Bonds	COP	Mortgages & Other Borrowing	Commercial Paper	Revenue Bonds	Capital Lease	Commercial Paper
Revenue Bonds																		
COP's																		
Capital Leases Obligations																		
Mortgages & Other Borrowings																		
Commercial Paper																		
Due to Other Funds																		
Unexpended Plant																		
					0	0	0	0	0	0	0	0	0	0	0	0	0	0

0 Allocation of 101988 and Total -

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

Current and Noncurrent Financing Activity
DETAIL OF CURRENT AND NONCURRENT FINANCING ACTIVITY--DRAFT
For Fiscal Year Ending June 30, 2001

Account	Description	Balance 6-30-2000	New Debt (1)	Principal Payments (2)	Campus Transfers/Adj (3)	Balance 6-30-2001	Balance at 6-30-01		Interest Rate at 6/30	Variable or Fixed	Purpose for Debt	Refunded Debt	
							Current	Noncurrent					
Revenue Bonds		\$	\$	\$	\$	\$							
	Sub-total	<hr/>					<hr/>						
COP's													
	Sub-total	<hr/>					<hr/>						
Capital Leases Obligations													
	Sub-total	<hr/>					<hr/>						
Mortgages & Other Borrowings													
	Sub-total	<hr/>					<hr/>						
Commercial Paper													
	Sub-total	<hr/>					<hr/>						
Due to Other Funds													
	Sub-total	<hr/>					<hr/>						
Unexpended Plant													
	Total	<hr/> <hr/>					<hr/> <hr/>						

Notes:
 (1) New debt must agree with Exhibit E page 3 (modified), total liability additions.
 (2) Principal payments must agree with exhibit E page 2 principal payments 21XX deductions, less 2195.
 (3) Attach a narrative fully explaining any activity included in this column.
 Unexpended Plant 101988 must be the same in Investment in Plant and offset with other funds. Formula to check is found under Investment in Plant.
 Since this sheet feeds to a consolidation sheet DO NOT MAKE CHANGES TO FORMULAS OR SUBTOTALS without prior approval from Jan Kehoe (510-987-0898).
 Indicate the debt amounts that were refunded with bank loans, commercial paper, bond, or other debt in the column "Refunded Debt."
 Allocate the debt by category for each of the plant funds.
 Enter amounts to the dollar.

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

**Current and Noncurrent Financing Activity
 DISTRIBUTION OF FINANCING LIABILITIES--DRAFT
 For Fiscal Year Ending June 30, 2001**

Appendix XX
 2000-2001 Closing Schedule
 (Closing Step XX)

Account	Investment in Plant						Unexpended Plant-100191				Retirement of Indebtedness		Current Funds
	Revenue Bonds	COP	Capital Lease	Mortgages & Other Borrowing	Commercial Paper	Due to other Funds	Revenue Bonds	COP	Mortgages & Other Borrowing	Commercial Paper	Revenue Bonds	Capital Lease	Commercial Paper
Revenue Bonds													
COP's													
Capital Leases Obligations													
Mortgages & Other Borrowings													
Commercial Paper													
Due to Other Funds													
Unexpended Plant													
	0	0	0	0	0	0	0	0	0	0	0	0	0

0 Allocation of 101988 and Total -

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

**Current and Noncurrent Financing Activity
 FUTURE DEBT SERVICE FOR LEASES & MORTGAGES
 For Fiscal Year Ending June 30, 2001
 (Dollars in thousands)**

Total of Lease Payments Made During the Year	
Total Capital Lease Payments	
Total Operating Lease Payments	
Less Income from Subleases	_____
Total Net Operating Lease Expenses	-

Note: Enter Income from Subleases as a negative number

Five Year Schedule of Future Payments-Mortgages (B)			
(A)	Principal	Interest	Total
Year1 (2001-2002)			-
Year2 (2002-2003)			-
Year3 (2003-2004)			-
Year4 (2004-2005)			-
Year5 (2005-2006)			-
Year 6-10 (FYE 07-11)			-
Year 11-15 (FYE 12-16)			-
Year 16-20 (FYE 17-21)			-
Year 21-25 (FYE 22-26)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Five Year Schedule of Future Payments - Capital Leases (C)			
(A)	Principal	Interest	Total
Year1 (2001-2002)			-
Year2 (2002-2003)			-
Year3 (2003-2004)			-
Year4 (2004-2005)			-
Year5 (2005-2006)			-
Year 6-10 (FYE 07-11)			-
Year 11-15 (FYE 12-16)			-
Year 16-20 (FYE 17-21)			-
Year 21-25 (FYE 22-26)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Capital Leases Interest Rates Range: _____
 Final Payment on Capital Leases (month/year): _____

Five Year Schedule of Future Payments - Operating Leases	
(A)	Total Payment
Year1 (2001-2002)	
Year2 (2002-2003)	
Year3 (2003-2004)	
Year4 (2004-2005)	
Year5 (2005-2006)	
Year 6-10 (FYE 07-11)	
Year 11-15 (FYE 12-16)	
Year 16-20 (FYE 17-21)	
Year 21-25 (FYE 22-26)	
Year 26-30 (FYE 27-31)	
Year 31-35 (FYE 32-36)	
Year 36-40 (FYE 37-41)	
Total Payments	-

Final Payment on Operating Leases (month/year): _____

(A) The captions Year1, etc. represent the five years subsequent to the fiscal year of the report. Amounts required after the fifth year are broken down into five-year increments.

(B) For Bank loans with variable interest rates use the June 30 rate per the Bank confirmation. Total Outstanding Debt should agree to GL accounts 101900-101935 and 101981. Total Outstanding should also agree to Appendix XX, Mortgages & Other Borrowings section of the Detail of Current and Noncurrent Financing Activity.

NOTE: Davis campus should also include account 101954 and Santa Cruz campus should also include account 101953.

(C) Capital Lease information is from attached sheet, "Detail to Appendix XX--Equipment and Space Capital Leases". Total Outstanding Debt should agree to GL Accounts 101964 to 101979. Total Outstanding should also agree to Appendix XX, Capital Lease section of the Detail of Current and Noncurrent Financing Activity.

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

Current and Noncurrent Financing Activity
DETAIL TO APPENDIX XX - EQUIPMENT CAPITAL LEASES
For Fiscal Year Ending June 30, 2001
 (Dollars in Thousands)

Auxiliary & Service Enterprises

Five Year Schedule of Future Payments for Equipment Capital Leases			
(A)	Principal	Interest	Total
Year1 (2001-2002)			-
Year2 (2002-2003)			-
Year3 (2003-2004)			-
Year4 (2004-2005)			-
Year5 (2005-2006)			-
Year 6-10 (FYE 07-11)			-
Year 11-15 (FYE 12-16)			-
Year 16-20 (FYE 17-21)			-
Year 21-25 (FYE 22-26)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Medical Center

Five Year Schedule of Future Payments for Equipment Capital Leases			
(A)	Principal	Interest	Total
Year1 (2001-2002)			-
Year2 (2002-2003)			-
Year3 (2003-2004)			-
Year4 (2004-2005)			-
Year5 (2005-2006)			-
Year 6-10 (FYE 07-11)			-
Year 11-15 (FYE 12-16)			-
Year 16-20 (FYE 17-21)			-
Year 21-25 (FYE 22-26)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Instruction, Research & Other

Five Year Schedule of Future Payments for Equipment Capital Leases			
(A)	Principal	Interest	Total
Year1 (2001-2002)			-
Year2 (2002-2003)			-
Year3 (2003-2004)			-
Year4 (2004-2005)			-
Year5 (2005-2006)			-
Year 6-10 (FYE 07-11)			-
Year 11-15 (FYE 12-16)			-
Year 16-20 (FYE 17-21)			-
Year 21-25 (FYE 22-26)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

(A) The captions Year 1, etc. represent the five years subsequent to the fiscal year of the report.
 Amount required after the fifth year are broken down into five-year increments.

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

Current and Noncurrent Financing Activity
DETAIL TO APPENDIX XX - SPACE CAPITAL LEASES
For Fiscal Year Ending June 30, 2001
 (Dollars in Thousands)

Auxiliary & Service Enterprises

Five Year Schedule of Future Payments for Space Capital Leases			
(A)	Principal	Interest	Total
Year1 (2000-2001)			-
Year2 (2001-2002)			-
Year3 (2002-2003)			-
Year4 (2003-2004)			-
Year5 (2004-2005)			-
Year 6-10 (FYE 06-10)			-
Year 11-15 (FYE 11-15)			-
Year 16-20 (FYE 16-20)			-
Year 21-25 (FYE 21-25)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Medical Center

Five Year Schedule of Future Payments for Space Capital Leases			
(A)	Principal	Interest	Total
Year1 (2000-2001)			-
Year2 (2001-2002)			-
Year3 (2002-2003)			-
Year4 (2003-2004)			-
Year5 (2004-2005)			-
Year 6-10 (FYE 06-10)			-
Year 11-15 (FYE 11-15)			-
Year 16-20 (FYE 16-20)			-
Year 21-25 (FYE 21-25)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

Instruction, Research & Other

Five Year Schedule of Future Payments for Space Capital Leases			
(A)	Principal	Interest	Total
Year1 (2000-2001)			-
Year2 (2001-2002)			-
Year3 (2002-2003)			-
Year4 (2003-2004)			-
Year5 (2004-2005)			-
Year 6-10 (FYE 06-10)			-
Year 11-15 (FYE 11-15)			-
Year 16-20 (FYE 16-20)			-
Year 21-25 (FYE 21-25)			-
Year 26-30 (FYE 27-31)			-
Total Payments	-	-	-

(A) The captions Year 1, etc. represent the five years subsequent to the fiscal year of the report.
 Amount required after the fifth year are broken down into five-year increments.