

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. 104

Required Changes to Support the Segments Disclosure

Define Issues

The University must accelerate the timing and completion of medical center audits and the revenue bond audits to be able to complete the Segments footnote to the University's annual financial statements in accordance with the requirements set forth in GASB Statement No. 34.

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, 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). As part of Statement No. 34, the GASB has required additional footnote disclosure for activities financed by revenue bonds.

Currently, medical centers and revenue bond audits are not required to be completed before the University's Annual Report is issued. However, GASB Statement No. 34 requires that information from these audits be included in the Segments footnote to the University's

financial statements. Therefore, the University will have to accelerate the timing of these audits and incorporate them into the annual fiscal closing schedule.

Authoritative Guidance

Refer to the Authoritative Guidance sections included in Appendix 1 of IRM No. 101, *GASB Statements No. 34 and 35 Presentation Format—Footnotes*).

Recommended Approach

- The University will use summarized information from the medical centers’ and revenue bond financial statements in the Segments footnote for the FY 2001-2002 Annual Report.
- The University will require that the timing of the medical centers’ and revenue bond audits be accelerated to meet the timing requirements for issuing the University’s Annual Report. Although the accelerated timing is not technically required until FY 2001-2002, UCOP is proposing to accelerate the timing in the FY 2000-2001 annual fiscal closing schedule.
- Draft medical center financial statements should be issued and submitted to UCOP by mid-September each year. The opinion date for the medical center financial statements will need to coincide with the opinion date for the University’s financial statements (currently September 21 for the FY 2000-2001).
- Campuses’ revenue bond audit worksheets must be completed and submitted to UCOP by the third week of August each year. Revenue bond audits will be required to be completed by mid-September each year. The opinion date for the revenue bond financial statements will need to coincide with the opinion date for the University’s financial statements (currently September 21 for the FY 2000-2001). The dates related to the revenue bond audit will be incorporated into the annual fiscal closing schedule.

Next Steps—Required Actions

Responsibility (C, OP, MC)	Required Completion Date	Action Item/Task
OP	8-Mar-01	Incorporate Audit Dates into Annual Closing Process —Modify annual closing process to incorporate audit dates for medical center and revenue bond statements.
OP	11-June-01	Finalize Revenue Bond Audit Templates —Finalize the revenue bond audit worksheet templates and FTP to campuses.
C	20-Aug-01	Complete Revenue Bond Worksheet —Complete the revenue bond audit worksheets and FTP to UCOP.

Responsibility (C, OP, MC)	Required Completion Date	Action Item/Task
MC	15-Sep-01	Provide Draft Financial Statements to UCOP —Provide draft financial statements to UCOP.
C	4-Sep-01	Complete Campus Bond Audits —PricewaterhouseCoopers must complete campus bond audit worksheets testing (fieldwork).
OP	15-Sep-01	Consolidate Campus Revenue Bond Information —Consolidate campuses' bond audit worksheets, including information from the medical centers' financial statements for the Pool 2 bond audit.
OP	21-Sep-01	Complete Audits —Complete audits for each medical center and revenue bond financial statement (PricewaterhouseCoopers).