

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. 105**

#### **Required Changes to Support the Other Noncurrent Liabilities Disclosure**

##### **Define Issues**

The University must develop templates to be completed by campuses as part of the annual fiscal closing process to gather information required to comply with the reporting standards established by GASB Statements No. 34 and 35. These templates will be used to gather information needed to support the Other Noncurrent Liabilities footnote and the Other Noncurrent Liabilities discussion 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, 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)*.

GASB Statement No. 34, Paragraph 119 prescribes the information that should be presented for long-term liabilities:

*GASB 34, Paragraph 119*—Information about long-term liabilities should include both long-term debt (such as bonds, notes, loans, and leases payable) and other long-term liabilities (such as compensated absences, and claims and judgements). Information presented about long-term liabilities should include:

- a. Beginning- and end-of-year balances (regardless of whether prior-year data are presented on the face of the government-wide financial statements)
- b. Increases and decreases (separately presented)
- c. The portions of each item that are due within one year of the statement date
- d. Which governmental funds typically have been used to liquidate other long-term liabilities (such as compensated absences and pension liabilities) in prior years.

### **Recommended Approach**

For financial reporting purposes, the University will segregate Other Noncurrent Liability activity from the Indebtedness disclosure and report it under a separate footnote (refer to IRM No. 101, *GASB Statements No. 34 and 35 Presentation Format—Footnotes*).

- As part of the annual fiscal closing process, UCOP will provide template appendices to campuses to accumulate the information necessary to complete the Other Noncurrent Liabilities footnote and the Other Noncurrent Liabilities section of the MD&A. The following draft templates are included in this IRM:

*Note:* IRM No. 128, *Procedures to Identify the Current and Noncurrent Balances and Activities of Other Noncurrent Liabilities*, outlines the procedures to complete the Other Noncurrent Liability Activity closing schedule appendix.

- *Exhibit 1— Other Noncurrent Liabilities Activity*  
This is a new closing schedule appendix and will not be required to be submitted to UCOP until FY 2001-2002. However, in order to be able to complete the

appendix for FY 2001-2002, campuses will need to identify the ending current and noncurrent balances for June 30, 2001.

- *Exhibit 1A—Other Noncurrent Liabilities—Detail*

This closing schedule appendix is required to support the *Miscellaneous* section of the appendix provided in Exhibit 1. This appendix will not be required to be submitted to UCOP until FY 2001-2002.

- 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	12-Apr-01	<b>Finalize Closing Schedule Appendix</b> —Finalize the Other Noncurrent Liability Activity closing schedule appendix.
C	3-Aug-01	<b>Record in the General Ledger</b> —Record other noncurrent liabilities, as well as the current portion associated with other noncurrent liabilities on reversing journals.
C/OP	15-Aug-01	<b>Submit Current and Noncurrent Ending Balances for June 30, 2001</b> —Submit current and noncurrent ending balances for Other Noncurrent Liability Activity for June 30, 2001 to UCOP.
C/OP	1-Mar-02	<b>Incorporate Closing Schedule Appendix into FY 2002 Annual Closing Process</b> —Modify FY 2002 annual closing process to incorporate the Other Noncurrent Liability Activity closing schedule appendix.
C/OP	16-Aug-02	<b>Complete Other Noncurrent Liability Activity Appendix</b> —Complete the Other Noncurrent Liability Activity closing schedule appendix and submit to UCOP (Exhibit 1 of this IRM).
OP	2-Sep-02	<b>Consolidate Other Noncurrent Liability Activity Appendices</b> —Consolidate the information provided by campuses in the Other Noncurrent Liability Activity appendices to support the development of the University’s FY 2001-2002 Annual Report.

IRM No. 105--Exhibit 1

Other Noncurrent Liability Activity Closing Schedule Appendix

Campus: \_\_\_\_\_  
 Prepared by: \_\_\_\_\_  
 Telephone No.: \_\_\_\_\_

Current and Noncurrent Liability Activity  
**OTHER NONCURRENT LIABILITY ACTIVITY--DRAFT**  
 For Fiscal Year Ending June 30, 2002

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

Description	Account Group Code	Account	Balance 6/30/01	Annual Increase to Liability	Reclassification from Noncurrent to Current (1)	Annual Payments Against Liability	Campus Transfers/Adj (2)	Balance 6/30/02
<b>Current</b>								
Vacation Leave	164741		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Severance	16475		-	-	-	-	-	-
Miscellaneous-Total (3)	16476		-	-	-	-	-	-
Sub-Total			-	-	-	-	-	-
<b>Noncurrent</b>								
Vacation Leave	16553		-	-	( - )	-	-	-
Severance	16552		-	-	( - )	-	-	-
Miscellaneous-Total (3)	16551		-	-	( - )	-	-	-
Sub-Total			-	-	-	-	-	-
<b>Total</b>								
Vacation Leave			-	-	-	-	-	-
Severance			-	-	-	-	-	-
Miscellaneous-Total (3)			-	-	-	-	-	-
Total			-	-	-	-	-	-

- (1) Activity in the "Current" section must be the offset to activity in the "Noncurrent" section.  
 (2) Attach a narrative fully explaining any activity included in this column.  
 (3) Detail for Miscellaneous should be listed on a separate schedule (see Exhibit 1A).

IRM No. 105--Exhibit 1A

Detail Support for the Other Noncurrent Liability Activity Closing Schedule Appendix

Campus: \_\_\_\_\_  
 Prepared by: \_\_\_\_\_  
 Telephone No.: \_\_\_\_\_

**Current and Noncurrent Liability Activity**  
**OTHER NONCURRENT LIABILITY ACTIVITY--DETAIL--DRAFT**  
**For Fiscal Year Ending June 30, 2002**

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

Description	Account	Balance 6/30/01	Annual Increase to Liability	Reclassification from Noncurrent to Current (1)	Annual Payments Against Liability	Campus Transfers/Adj (2)	Balance 6/30/02
<u>Current--Miscellaneous</u>							
Account Title		\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Sub-Total		-	-	-	-	-	-
<u>Noncurrent--Miscellaneous</u>							
Account Title		-	-	( - )	-	-	-
Account Title		-	-	( - )	-	-	-
Account Title		-	-	( - )	-	-	-
Account Title		-	-	( - )	-	-	-
Account Title		-	-	( - )	-	-	-
Sub-Total		-	-	( - )	-	-	-
<u>Total--Miscellaneous</u>							
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Account Title		-	-	-	-	-	-
Total		-	-	-	-	-	-

(1) Activity in the "Current" section must be the offset to activity in the "Noncurrent" section.

(2) Attach a narrative fully explaining any activity included in this column.