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University of California

Governmental Accounting Standards Board (GASB) Statement No. 44, *Economic Condition Reporting: The Statistical Section, an Amendment of NCGA Statement 1.*

Issues Resolution Memo No. 44-1

Determining Whether GASB Statement No. 44 is Applicable to the University's Circumstances

Background

Generally, GASB Statement No. 44 requires state and local governments to present certain specific information as supplementary information in the statistical section of a comprehensive annual financial report (CAFR). The University, medical centers, UC Press, CEB and campus foundations do not issue financial statements within a CAFR.

GASB Statement No. 44 also requires disclosure of certain operating information reported by pension and other postemployment benefit plans in separately issued reports.

If the University, or any of its separately issued financial statements, is required to comply with the provisions of GASB Statement No. 44, implementation is for financial statements for periods beginning after June 15, 2005.

Define Issues

The University must determine whether the requirements contained in GASB Statement No. 44 apply to the University's financial statements, the separate financial statements of the medical centers, UC Press, CEB, etc., those of the University of California Retirement Plan or Defined Contribution Plans, campus foundation financial statements, or future postemployment benefit plan financial statements.

Authoritative Guidance

For the University and separately issued financial statements of the medical centers, UC Press, CEB and campus foundations:

Paragraph 2 in GASB Statement No. 44 states the following:

“This Statement establishes and modifies requirements related to the supplementary information presented in a statistical section. This Statement applies to state and local governmental entities that prepare a statistical section that accompanies the basic financial statements.”

The statistical section is a required part of a comprehensive annual financial report (CAFR), although governments are not required to prepare a statistical section if they do not present their basic financial statements within a CAFR.

From the GASB’s Implementation Guide for Statement No. 44:

Question No. 1: “Are all governments required to present a statistical section in their financial reports?”

Answer: “No. Governments are required to present a statistical section only if they prepare a comprehensive annual financial report (CAFR). Statement No. 44 should be applied by any government that publishes a CAFR”.

Question No. 2: “If a government presents a statistical section in its financial report but does not prepare a full comprehensive annual financial report (CAFR), should it apply Statement No. 44?”

Answer: “Yes. Statement No. 44 applies to any statistical section that accompanies a government’s basic financial statements, regardless of whether the statistical section appears in a CAFR or in any other type of financial report.”

Question No. 3: “If a government publishes a statistical section separately from its financial report, should it apply Statement No. 44?”

Answer: “A government may apply Statement No. 44 to a freestanding statistical section but is not required to do so. However, the term *statistical section* is governmental accounting terminology that conveys certain expectations about the information that will be presented, base upon the requirements of governmental accounting and financial reporting standards. Consequently, a government that does not apply Statement No. 44 may wish to consider giving its document a different title to avoid misleading the users of the document.”

Question No. 4: “May a government present some, but not all, of the required statistical section information in its annual financial report?”

Answer: “Yes. Governments are encouraged to apply Statement No. 44 to any statistical section information they present with their basic financial statements, notes and required supplementary information. However, if a government does not fully implement Statement No. 44, it should not refer to that section of its financial report as a statistical section. Labeling an incomplete presentation a statistical section could mislead a financial report user into believing that all of the required information is present.”

For the separately issued financial statements of the University of California Retirement Plan, Defined Contribution Plans (403(b), 457(b) and 401(a) plans) and the proposed Postemployment Benefit Trust:

Paragraph 39 in GASB Statement No. 44 states the following:

“At a minimum, three types of operating information should be presented in the statistical section schedules of separately issued reports—retired members by type of benefit, average benefit payments, and principal participating employers—for each individual pension and other postemployment plan.

- a. Information about retired members by type of benefit should be presented for the current year. Typically, the number of retired members, organized by ranges of benefit levels and by the major features of the plans, should be presented. Major features commonly include (1) types of retirement benefits (for example, normal retirement, disability retirement, beneficiary payment), (2) types of other postemployment benefits (such as health insurance, dental coverage, life insurance), and (3) plan options (such as various provisions for payments to beneficiaries).
- b. Information about the average monthly benefit, average final average salary, and number of retired members should be presented—organized by years of credited service in five-year increments.
- c. For multiple-employer plans, information about the principal participating employers, the number of covered employees each has, and the percentage of total covered employees that each represents should be presented for the current year and the period nine years prior (total of ten years). The ten largest employers in terms of number of covered employees should be presented, unless fewer are needed to reach 50 percent of total covered employees.”

Discussion and Recommended Approach

The University does not present its basic financial statements within a CAFR, nor do the medical centers, UC Press, CEB or the campus foundations. In addition, the University does not refer to the “Facts In Brief” section as a statistical section. Therefore, application of Statement No. 44 is not required for the financial statements of these entities.

However, the disclosure requirements indicated in paragraph 39 of Statement No. 44 do apply to the separately issued financial statements for the University of California Retirement Plan, each of the defined contribution plans (403(b), 457(b) and 401(a) plans and will apply to the financial statements of the proposed Postemployment Benefit Trust once it is established.

Although the new disclosures are not required for the year ending June 30, 2005, they are required for the year ending June 30, 2006. However, the University will adopt these disclosures early and implement them in conjunction with the June 30, 2005 financial statements.

Next Steps—Required Actions

Responsibility	Required Completion Date	Action Item/Task
OP, HRB Financial Svcs	Jun 05	Obtain PwC’s comments.
HRB Financial Svcs	Aug 05	Implement the new disclosures for the UCRP and UCRSP financial statements.