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University of California

Governmental Accounting Standards Board (GASB) Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*.

Issues Resolution Memo No. 55-1

Evaluation of GASB Statement No. 55 as it Relates to the UC Reporting Entities

Issued: June 16, 2009

Background

GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements of the University that are presented in conformity with generally accepted accounting principles (the GAAP hierarchy).

GASB Statement No. 55:

- Is effective for the University for FY 2008–2009.
- Applies to the separately audited UCRP financial statements.
- Applies to the separately audited UC Retirement Savings Plans, including the 403(b), 457(b) and PERS–VERIP plans.
- Applies to the separately audited UCRHBT financial statements.
- Applies to the campus foundations.
- Applies to the separately audited Medical Center financial statements.
- Applies to the separately audited Health and Welfare Program financial statements.

GASB Statement No. 55 may be ordered from the GASB's website at www.gasb.org. There is no Implementation Guide from the GASB for this Statement.

Define Issues

The University must determine whether the newly-issued GAAP hierarchy changes any existing financial reporting and disclosure requirements for any of the University's financial reporting entities.

Authoritative Guidance and Approach

The authoritative guidance is presented below.

For All of the University's Financial Reporting Entities

Paragraph 3 in GASB Statement No. 53 states:

The GAAP hierarchy governs what constitutes GAAP for all state and local governmental entities. It lists the order of priority of pronouncements that a governmental entity should look to for accounting and financial reporting guidance. The sources of accounting principles that are generally accepted are categorized in descending order of authority as follows:

- a. Officially established accounting principles – Governmental Accounting Standards Board (GASB) Statements and Interpretations. GASB Statements and Interpretations are periodically incorporated in the Codification of Governmental Accounting and Financial Reporting Standards.
- b. GASB Technical Bulletins and, if specifically made applicable to state and local governmental entities by the American Institute of Certified Public Accountants (AICPA) and cleared by the GASB, AICPA Industry Audit and Accounting Guides, and AICPA Statements of Position.
- c. AICPA Practice Bulletins if specifically made applicable to state and local governmental entities and cleared by the GASB, as well as consensus positions of a group of accountants organized by the GASB that attempts to reach consensus positions on accounting issues applicable to state and local governmental entities.
- d. Implementation Guides (Q&A's published by the GASB staff), as well as practices that are widely recognized and prevalent in state and local government.

If the accounting treatment for a transaction or other event is not specified by a pronouncement or established in practice as described in categories (a) – (d), the University may consider other accounting literature.

Paragraph 93 in GASB Statement No. 34 states:

Based on the provisions of Statement 20, paragraph 6, proprietary funds should be reported based on all applicable GASB pronouncements as well as applicable FASB Statements and Interpretations, APB Opinions, and ARBs of the Committee on Accounting Procedure issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

Implementation

Prior to Statement No. 55, the GAAP hierarchy was set forth in the AICPA Statement on Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, rather than in the authoritative literature of the GASB. Statement 55 moves relevant portions of that SAS to the GASB literature without substantive changes. Because the GASB chose not to reconsider the guidance provided in the SAS, the order of priority for accounting and financial reporting guidance remains unchanged in practice and there is no effect on any of the University's financial reporting entities.

Next Steps—Required Actions

Responsibility	Required Completion Date	Action Item/Task
UCOP	May-09	Discuss with PwC.