

University of California

Governmental Accounting Standards Board (GASB) Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*

Issues Resolution Memo No. 63-1

Evaluation of GASB Statement No. 63 as it Relates to the UC Reporting Entities

Issued: February 22, 2012

Background

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position*, was adopted by the University during the year ended June 30, 2012. This Statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. This statement also amends the net asset reporting requirements of GASB Statement No. 34, by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets.

Define Issues

The University must determine how GASB Statements No. 63 impacts the annual financial reports.

Authoritative Guidance and Approach

The authoritative guidance in this standard identifies “net position” as the residual of all other elements presented in a statement of financial position. It is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Deferred outflows of resources should be reported in the statement of financial position in a separate section following assets, and deferred inflows of resources should be reported in a separate section following liabilities.

GASB Statement No. 53 provides for the recognition of deferred outflows of resources and deferred inflows of resources that arise from an effective hedging relationship. GASB Statement No. 60 includes requirements to report deferred inflows of resources in specific cases for consideration received in a service concession arrangement.

Implementation

The University will change the captions on the financial statements from “net assets” to “net position” to implement GASB Statement No. 63.

The University has qualified for hedge accounting on certain interest rate swap transactions held for the UCLA and UCSF medical centers under GASB Statement No. 53. As of June 30, 2011, these hedging derivatives had negative fair values; therefore, changes in the fair values for these interest rate swaps were reported as deferred outflows of resources. Reclassifications to the financial statements as of and

for the year ended June 30, 2011 will be made to implement GASB Statement No. 63 to report these deferred outflows in a separate section from assets. Additionally, disclosure of the reclassification will be included in the notes to the financial statements in accordance with GASB Statement No. 63.

The University will record the value of capital assets constructed by third-party developers as service concession arrangements in the financial statements when implementing GASB Statement No. 60 during the year ending June 30, 2012. A corresponding deferred inflow of resources will be recorded on the financial statements consistent with the provisions of GASB Statement No. 60. When adopting GASB Statement No. 60, these deferred inflows of resources will be reported in a separate section from liabilities on the financial statements to comply with GASB Statement No. 63.