



FINANCIAL REPORTING OF DEFERRED OUTFLOWS OF RESOURCES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION.

The Governmental Accounting Standards Board (GASB) has issued an exposure draft (E.D.) titled, “Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position”. The comment period for this E.D. ends February 25, 2011. Comments should be directed to the Director of Research and Technical Activities at director@gasb.org, and reference Project No. 3-22.

The E.D. is applicable to all state and local governments, and has a proposed effective date for financial statements for periods beginning after June 15, 2011 (i.e. calendar year 2012, and fiscal years ending June 30, 2012).

With this E.D., the GASB recognizes deferred outflows and deferred inflows of resources in the entity-wide and fund-level statements as appropriate, and on equal footing with the reporting of assets, and liabilities, respectively. As such, deferred outflows are not combined and subtotaled with assets, but are reported separately, as are deferred inflows reported separately from liabilities.

With the introduction of deferred outflows and deferred inflows of resources to government financial statements, the concept of net assets is updated to incorporate deferred outflows and deferred inflows to arrive at what the E.D. terms “net position”. As a result, the former Statement of Net Assets will be retitled as the Statement of Net Position. Net position in the entity-wide statements will continue to be presented in three categories – invested in capital assets net of related debt, restricted and unrestricted. Deferred outflows of resources and deferred inflows of resources reported at the governmental fund level, using the current resources measurement focus will be incorporated into the calculation of fund balance as reported for each governmental fund as applicable. Proprietary funds reporting under the economic resources measurement focus, will report deferred outflows and inflows as in the entity-wide statements.

Additional disclosures may be required in the notes to basic financial statements to clarify deferred outflows and deferred inflows by type if the distinction is not apparent on the face of the financial statements. Disclosure of any significant effect of deferred outflows or deferred inflows of resources on a particular classification of net position (e.g. resulting in a deficit reported in restricted net position).

As currently written, deferred outflows and deferred inflows are only to be reported if specifically identified as such and required by other GASB statements (i.e. GASB 53 requires the reporting of changes in qualified hedging agreements as deferred outflows or deferred inflows of resources). Other items currently reported in governmental financial statements that may appear to meet the definitions of deferred outflow of resources or deferred inflows of resources should not be reclassified and reported under this E.D.

In the year of implementation, restatement of beginning balances is required, along with related disclosures in the notes to basic financial statements explaining the impacts of implementation. Further, any reclassifications as deferred outflows or inflows of amounts previously reported should be disclosed in the notes to basic financial statements.