



**State of Louisiana**  
Division of Administration  
**Office of Statewide Reporting and Accounting Policy**

May 28, 2013

**OSRAP MEMORANDUM 13-32**

TO: Fiscal Officers  
All State Entities

FROM: Afranie Adomako, CPA  
Director

SUBJECT: Implementation of GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*

In June 2011, the Governmental Accounting Standards Board (GASB) issued Statement No. 63 (GASB 63), *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The objective of GASB 63 is to provide guidance for reporting deferred outflows of resources, deferred inflows of resources, and net position in a statement of financial position and related disclosures. The statement amends the net asset reporting requirements in GASB Statement No. 34, *Basic Financial Statements-and Management's Discussion and Analysis-for State and Local Governments*, and other pronouncements by incorporating deferred outflows of resources, deferred inflows of resources, and net position into a statement of net position, rather than net assets. The requirements of GASB 63 are applicable to the financial statements of all state and local governments.

As explained in GASB 63, paragraph 2, "State and local governments enter into transactions that result in the consumption or acquisition of net assets in one period that are applicable to futures periods. GASB Concepts Statement 4, *Elements of Financial Statements*, identifies those consumptions or acquisitions as deferred outflows of resources and deferred inflows of resources, respectively, and distinguishes them from assets and liabilities." Concept Statement 4 defines deferred outflow of resources as a consumption of net assets by the government that is applicable to a future reporting period, deferred inflow of resources as an acquisition of net assets by the government that is applicable to a future reporting period, and net position as the residual of all other elements presented in a statement of financial position.

The GASB has already identified certain transactions that require the use of deferred outflows of resources or deferred inflows of resources in the GASB pronouncements. GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, provides for the reporting of deferred outflows of resources and deferred inflows of resources for the changes in fair value of

qualified hedging derivatives. GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements*, also includes a requirement to report deferred inflows of resources in specific cases for consideration received in a service concession arrangement. GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources and deferred inflows of resources; however, GASB 65 does not go into effect until state fiscal year 2014 or for periods beginning after December 15, 2012.

GASB 63 replaces the statement of net assets with the statement of net position. The statement of net position will include the following sections:

- Assets
- Deferred outflows of resources
- Liabilities
- Deferred inflows of resources
- Net position (= assets + deferred outflows – liabilities – deferred inflows)

Net position should be displayed in three components: net investment in capital assets, restricted, and unrestricted.

GASB 63, paragraph 7, states “Amounts that are required to be reported as deferred outflows of resources should be reported in a statement of financial position in a separate section following assets. Similarly, amounts that are required to be reported as deferred inflows of resources should be reported in a separate section following liabilities. The total of deferred outflow of resources may be added to the total for assets, and the total for deferred inflows of resources may be added to the total for liabilities to provide subtotals.”

According to GASB 63, paragraph 12, “Deferred outflows of resources and deferred inflow of resources that are required to be reported on a governmental fund balance sheet should be presented in a format that displays *assets plus deferred outflows of resources, equals liabilities plus deferred inflows of resources, plus fund balance.*”

Disclosure in the notes to the financial statements is required when balances reported in the deferred outflows of resources or deferred inflows of resources are aggregations of different types of deferred amounts. Details of the different types of deferred amounts must be presented in the notes if significant components of the total deferred amounts are obscured by aggregation and are not displayed on the face of the financial statements. Also, if the amount reported for a component of net position is significantly affected by the difference between a deferred outflow or inflow of resources and their related assets or liabilities, governments should disclose an explanation of that effect on its net position in the notes.

GASB 63 is effective for periods beginning after December 15, 2011, which is fiscal year 2013 for the State’s Comprehensive Annual Financial Report. The 2013 Annual Fiscal Report (AFR) that OSRAP will place on its website before the end of the fiscal year will contain the new format (i.e., the statement of net position). Entities that have a fiscal year end other than June

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30<sup>th</sup> should also include a statement of net position when submitting their AFR to OSRAP for the 2013 CAFR.

GASB 63 can be found on GASB's website at the following web address:

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1176160042391>. You may contact Ms. Kimberly Dwin at (225) 219-4445 or via email at [Kimberly.Dwin@la.gov](mailto:Kimberly.Dwin@la.gov) with any questions regarding GASB 63.

AA:kd