

University of California

Governmental Accounting Standards Board (GASB) Statement No. 61, *The Financial Reporting Entity: Omnibus*

Issues Resolution Memo No. 61-1

Evaluation of GASB Statement No. 61 as it Relates to the UC Reporting Entities

Issued: February 22, 2012

Background

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, was adopted by the University during the year ended June 30, 2012. This Statement modifies certain requirements for inclusion of component units in the financial reporting entity. For organizations that previously were required to be included as component units by meeting the fiscal dependency criterion, a financial benefit and burden relationship also would need to be present between the primary government and that organization for it to be included in the reporting entity as a component unit. This statement also clarifies the manner in which the determination should be made and the types of relationships that generally should be considered when evaluating whether it is misleading to exclude an organization as a component unit in the financial reporting entity.

Define Issues

The University must determine whether GASB Statements No. 61 changes the determination of the inclusion of any existing component units in the financial reporting entity.

Authoritative Guidance and Approach

The authoritative guidance in this standard was considered and the University's GASB #14 checklist contained in our policies was updated.

Additionally, each of the existing entities that are included as component units in the University's financial reporting entity were evaluated to assess whether our determination to include the entity would change under this new authoritative guidance. Our evaluation was limited to entities that are already reported as a component unit in the University's financial statements since the statement raises the thresholds for including other entities. The purpose of our analysis was to determine whether existing entities would still meet the criteria to be reported as component units under the new thresholds.

Implementation

The University includes the following entities as component units in our financial statements based upon the criteria outlined in GASB #14, prior to the revisions in GASB #61:

- UCI East Campus II Student Housing
- UCI East Campus III Student Housing
- CFIA (UCSF)
- Sanford Consortium (UCSD)

The arrangements for each of these entities was considered under the GASB #14 criteria as revised by GASB #61. Based upon the analysis, each of these entities should continue to be combined as component units in the University's financial statements. In addition to meeting the fiscal dependency criterion under GASB #14, a financial benefit or burden relationship is also demonstrated as required under the the GASB #61 criterion as follows:

	Financial Burden/Benefit
UCI East Campus II Student Housing	Section 6 of the Ground Lease Agreement requires all surplus funds to be distributed to the University
UCI East Campus III Student Housing	Section 6 of the Ground Lease Agreement requires all surplus funds to be distributed to the University
CFIA (UCSF)	Upon dissolution of CFIA, ownership of the building would revert to the University under Article 22 of the Ground Lease between CFIA and the University
Sanford Consortium (UCSD)	Pursuant to the Debt Service Payment Agreement, The Regents are obligated to pay in full the debt service on the bonds to the extent the funds available to the trustee for the bonds are not fully sufficient to pay such debt service.
UC Foundations	All foundations have been organized for the benefit of the University in accordance with Regental policies.

Since the University has a financial benefit/burden relationship with all the above entities, it is appropriate to continue to combine each of them in the University's financial statements.