*THE* ***GASB*** *REPORT*

***Technical Plan***

*No. 313 / April 2011*

*(The GASB Report No. 275)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***May 23–25, Washington, DC (Hotel Rouge, 1315 16th Street, NW)***

***June 27–29***

The GASB also is scheduled to meet via **teleconference** on **June 14** and **July 26.** The precise time, as well as the agenda, will be announced approximately two weeks before each meeting. Unless otherwise indicated, all meetings are held at the Financial Accounting Foundation (FAF) offices in Norwalk, Connecticut.

In addition, the FAF Trustees will meet on May 25 in Washington, DC.

Finally, the GASB will meet with the Governmental Accounting Standards Advisory Council on June 29–30 in Norwalk.

Please check the GASB website at www.gasb.org three working days prior to meetings to verify the final agenda.

If you plan to attend *any* meetings, please notify Ragan Vincent at (203) 956-5372 or via email at rpvincent@gasb.org. In addition, due to the FAF’s security procedures, visitors to the Norwalk meetings are required to go to www.gasb.org to register at least 24 hours before each meeting they are planning to attend.

***Project on Financial Guarantees Added to Current Technical Agenda***

In April, after consultation with the Governmental Accounting Standards Advisory Council and the Board, GASB Chairman Robert Attmore moved an item addressing financial guarantees from the research agenda to the current technical agenda. Projects on the current technical agenda are those for which active deliberations by the Board are expected to take place during the coming year.

The objective of this project is to establish additional guidance regarding recognition and disclosure of financial guarantees made and received by state and local governments. Governments typically provide several types of financial guarantees, which are primarily associated with commitments to ensure payments on debt issued by other entities. Financial guarantees represent potential claims on a government’s resources when it is the provider of a guarantee. This project will address what related disclosures should be required and when the guarantor would recognize a liability.

The current economic climate has given rise to a level of financial stress that has impacted many entities and resulted in financial guarantees made or received in the past now coming to light. To the extent that it exists, related accounting and financial reporting guidance for such transactions derives from a variety of sources, including GASB Statements No. 53, *Accounting and Financial Reporting for Derivative Instruments;* No. 60, *Accounting and Financial Reporting for Service Concession Arrangements;* and No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

Due to the increased importance of guarantees and the potential for them to result in claims, the need for clear and consistent recognition and disclosure guidance has become more pressing.

Research conducted by the GASB indicates that numerous types of state and local government entities issue and receive financial guarantees, including general purpose governments, special-purpose governments, and governmental entities that engage in business-type activities. Ultimately, the project is designed to result in more useful information being available to users of governmental financial information, which would enable them to recognize and understand financial guarantees that are issued and received by state and local governments.

Board deliberations on the project are scheduled to begin with a discussion of recognition issues in August. Issuance of an Exposure Draft is scheduled to take place in June 2012.

***Board Meeting Summary***

The GASB met via teleconference on March 22 to review and consider for clearance a proposed Exposure Draft of the American Institute of Certified Public Accountants Audit and Accounting Guide and to discuss issues associated with its projects on pension accounting and financial reporting and the statement of net position.

The Board also held a public meeting at its office in Norwalk, Connecticut, on April 12–14 to discuss issues associated with its projects on pension accounting and financial reporting, recognition and measurement attributes under the conceptual framework, the statement of net position, deferred inflows of resources and deferred outflows of resources, fiscal sustainability as it relates to economic condition reporting, and the technical plan for the second third of 2011.

Finally, the Board met with its task force on fiscal sustainability as it relates to economic condition reporting on April 14.

***AICPA Health Care Guide***

The Board reviewed and, subject to minor revisions and clarifications, cleared chapter 15 of the working draft of the proposed AICPA Audit and Accounting Guide, *Health Care Entities.* (Please see the related story on page X.)

***Pension Accounting and Financial Reporting***

The Board discussed nine topics associated with the pension accounting and financial reporting project at the March teleconference and the April meeting. At the March meeting, the Board discussed certain issues related to accounting for a nonemployer entity’s involvement with cost-sharing arrangements, accounting issues related to an employer’s liability to a pension plan for contributions, certain disclosures by sole and agent employers regarding plan net assets, and follow-up issues related to accounting for defined contribution pension benefits. At the April meeting, the Board continued its discussion of issues related to accounting for a nonemployer entity’s involvement with cost-sharing arrangements and discussed the attribution of a net pension liability and related measures for pension benefits provided through a cost-sharing defined benefit pension plan to employers and to nonemployer governments that have a legal responsibility for a portion of total contributions; accounting for the role of nonemployer entities that have a legal requirement to contribute to a defined benefit single-employer or agent multiple-employer pension plan; note disclosures and required supplementary information for governments that would be required to recognize a net pension liability for a cost-sharing pension arrangement; certain note disclosure and required supplementary information requirements for agent pension plans; and transition and effective date provisions. In addition, the Board reviewed draft Standards sections for the employer and plan Exposure Drafts.

On the topic of a nonemployer entity’s responsibility to contribute to a cost-sharing defined benefit pension plan, the Board tentatively agreed that the role of the nonemployer entity that has a legal responsibility for a portion of total contributions to satisfy the total liability of the employers is tentatively viewed by the Board as support or assistance to the employers that results in an assumption by the nonemployer entity of a portion of each employer’s net pension liability and related measures. The Board specifically excluded from this approach nonemployer entities whose requirements to contribute are contingent, for example, in circumstances in which there is a requirement to contribute amounts collected under a specific tax assessment. The Board further tentatively agreed that the general approach discussed in Statement No. 24, *Accounting and Financial Reporting for Certain Grants and Other Financial Assistance,* which results in employers recognizing expense in an amount that reflects the total cost of compensation, would continue to be applied to cost-sharing employers.

With respect to note disclosures about plan net assets for sole and agent employers, the Board tentatively agreed that if a plan financial report that includes disclosure about plan net assets is publicly available, either as a stand-alone financial statement or included as a fiduciary fund of another entity, the employer may refer to the plan’s financial report for disclosures about plan net assets. In this situation, the Board tentatively agreed that the employer also would be required to disclose that the components of plan net assets and changes in plan net assets have been determined on the same basis as is used in financial reporting by the plan and to include a brief summary of the plan’s basis of accounting, including the policies with respect to benefits and refunds paid, and the valuation of investments. The Board also tentatively agreed that if significant changes have occurred that would indicate that the disclosures included in the plan’s financial report generally would not reflect the facts and circumstances at the employer’s year-end, additional disclosure describing the substance and magnitude of the changes would be required. In circumstances in which plan-level information is not included in a publicly available financial report, the Board tentatively agreed that the employer should disclose all information required by other standards about plan net assets.

Concerning the topic of accounting for defined contribution benefits, the Board tentatively agreed that an employer that provides defined contribution benefits would report pension expense net of forfeitures of nonvested employer contributions that are removed from employees’ accounts. In addition, the Board tentatively agreed that employers that provide defined contribution benefits would disclose a brief description of vesting and forfeiture provisions, if any, including a description of how forfeitures are used and the amount of forfeitures reflected in net pension expense recognized in the period. The Board also discussed the classification of pension benefits that have both defined contribution and defined benefit characteristics and tentatively affirmed that such a benefit would be accounted for as a defined benefit.

With regard to the attribution of the collective cost-sharing liability and related measures to employers and to nonemployer governments that have a legal responsibility for a portion of total contributions, the Board tentatively decided that the proportionate share would be based on a measure reflective of the long-term expectation of the individual entity’s contribution requirements relative to the expected total legally required contribution requirements of all entities, determined at the time of the latest actuarial valuation. In addition, the Board agreed that for each entity, the net effect of a change in its proportionate share would be calculated for accounting and financial reporting purposes as of the beginning of its fiscal year. The net effect would be accounted for as a deferred outflow (inflow), with pension expense recognized over a weighted-average period based on the expected remaining service lives of all active employees. Finally, the Board tentatively decided that any difference between the amount of a government’s actual contribution recognized by the pension plan and the proportionate share of all contributions allocated to the government in the period would be recognized as a deferred outflow (inflow), with pension expense recognized over a weighted-average period based on the expected remaining service lives of all active employees.

On the topic of note disclosures and required supplementary information for governments that recognize cost-sharing pension liabilities, the Board tentatively decided the following general information would be required:

• The aggregate (total for all benefit arrangements) recognized net pension liabilities, pension expenses, deferred pension outflows, and deferred pension inflows

• General information about the plan, including descriptions of benefit provisions and the authority for establishing or amending those provisions, descriptions of employees covered by the benefit arrangement, and the availability of stand-alone plan financial reports

• Assumptions used in measurement

• Descriptions of changes in assumptions or plan terms

• Information about the basis for the determination of contributions to the plan by employees, the employer, and other contributing entities.

The Board tentatively agreed to also require disclosure of information about the net pension liability and related measures associated with each cost-sharing plan for which the government recognizes a pension liability.

Governments also would be required to disclose the amount of government-specific deferred outflows (inflows) attributable to the net effect of the government’s current-period change in proportionate share and the current-period difference between the government’s actual contributions recognized by the plan and the government’s proportionate share of collective contributions recognized by the plan in the period, the period over which those deferred outflows (inflows) will be recognized as pension expense, and the amount of prior-period individual-government deferred pension outflows (inflows) recognized as pension expense in the current period.

In addition, the Board tentatively agreed that a cost-sharing *employer* would be required to disclose the revenue it recognized as a result of the support provided by the nonemployer contributing entity, as well as the amount of net pension liability and deferred pension outflows (inflows) assumed by the nonemployer contributing entity and the amount of the net pension liability and deferred pension outflows (inflows) that would have been recognized by the employer if a portion of those amounts had not been assumed by a nonemployer contributing entity.

With regard to situations in which a nonemployer entity has a legally enforceable responsibility to contribute to a single-employer or agent multiple-employer plan, the Board tentatively agreed that the employer(s) and the nonemployer entity would account for that support in the same way that a cost-sharing employer would account for such support under the tentative decisions identified above. In addition, the Board tentatively agreed that the nonemployer contributing government would follow the same disclosure requirements tentatively agreed upon related to nonemployer governments’ involvement in cost-sharing arrangements. It also tentatively was decided that sole or agent employers that receive support from a nonemployer entity would report in notes and required supplementary information the same information as required by sole and agent employers that do not have other-entity support. Detailed information presented in notes and required supplementary information of a sole or agent employer would be measured without the effects of the other entity’s support, with additional identification of the amount of net pension liability and deferred pension outflows (inflows) assumed by the nonemployer contributing entity and the revenue recognized as a result of the support provided by the nonemployer contributing entity.

On the topic of transition and effective dates, the Board tentatively decided that the provisions of the proposed Statements would be applied retroactively to the extent it is practical in employer and plan financial statements. In cases in which it is not practical, for example, as might be the case with deferral balances related to differences between actual and projected earnings on plan investments for an employer whose fiscal year-end differs from the plan’s, the employer’s retroactive application would be limited to the net pension liability. In regard to required supplementary information, the Board tentatively agreed that amounts would not be required to be presented for periods prior to implementation; however, retroactive application would be encouraged.

In regard to the effective date for employers, the Board tentatively decided the effective date would be for financial reporting periods beginning after June 15, 2012, for large, sole employers that are not involved in arrangements in which another entity would be required to report a share of the employer’s net pension liability and related measures as a result of a legally enforceable requirement to make contributions. For all other employers, the requirements of the proposed Statement would be effective for periods beginning after June 15, 2013. The Board will continue deliberations at a future meeting regarding the definition of “large” for this purpose. The Board tentatively agreed that pension plans would follow the same effective date requirements as tentatively decided for the employers.

The Board also reviewed draft Standards sections of both the employer and the pension plan Exposure Drafts and considered additional issues related to those drafts. Board members provided feedback and suggestions to the project staff related to the text of the drafts. In addition, the Board made tentative decisions related to detailed requirements for display of information in pension plan financial statements, generally agreeing to carry forward existing requirements to the Exposure Draft. The Board also discussed terminology and issues related to further alignment of the employer and plan requirements for note disclosures and required supplementary information.

***Concepts—Recognition and Measurement Approaches***

The Board reviewed the preballot draft of the Preliminary Views, *Recognition of Elements of Financial Statements and Measurement Approaches.* The Board offered various suggestions to improve the document and requested that the staff prepare a revised preballot draft of the Preliminary Views for review at the June teleconference meeting.

***Statement of Net Position***

The Board began its redeliberations of the issues raised by respondents to the Exposure Draft by agreeing that it would not be necessary or appropriate to redeliberate conclusions reached in other pronouncements that gave rise to this project. Specifically, the establishment of the separate elements of deferred outflows of resources and deferred inflows of resources in Concepts Statement No. 4, *Elements of Financial Statements,* and the requirements to report deferred outflows and deferred inflows of resources in Statements No. 53, *Accounting and Financial Reporting for Derivative Instruments,* and No. 60, *Accounting and Financial Reporting for Service Concession Arrangements.*

The Board tentatively agreed to make certain clarifications for the final Statement, including:

• Adding a specific indication in the Standards section that reporting deferred outflows and deferred inflows of resources is limited to those items that “are required to be reported” as such

• Specifically stating that the residual amount in a statement of financial position would be reported as net position, rather than net assets, fund balance, or equity.

The Board also tentatively concluded that:

• Progress should continue toward issuing a final Statement to provide guidance for reporting deferred outflows and deferred inflow of resources as soon as possible, rather than delaying this project and combining it with the separate deferrals omnibus project.

• The proposal in the Exposure Draft to report deferred outflows of resources separately from deferred inflows of resources would be carried forward to the final Statement.

• Subtotals for assets and deferred outflows of resources and liabilities and deferred inflows of resources would be allowed to be presented.

• The option to use a balance sheet format would be reinstated for the final Statement.

• The description of the components of net position in paragraphs 10–12 in the Exposure Draft would be retained, modified as needed to accommodate additional deferred items that may be identified in the separate deferrals omnibus project.

• The effective date of the Statement would be changed to periods beginning after December 15, 2011, rather than June 15, 2011, as proposed in the Exposure Draft.

***Deferred Inflows of Resources and Deferred Outflows of Resources—Omnibus***

The Board continued deliberations on the deferred inflows of resources and deferred outflows of resources—omnibus project by reviewing the staff analysis of the remaining balances and determining whether those balances would continue to be classified as an asset or liability, would be reclassified as deferred outflows or deferred inflows of resources, or would be recognized as an outflow or inflow of resources in the current period. The Board tentatively concluded that the following items would be proposed to be classified in the listed categories:

*Deferred Outflows of Resources*

• Deferred loss resulting from sale-leaseback transactions (Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*)

• The difference resulting from overpayment of the initial investment to purchase a loan or group of loans relative to the principle amount of the related loan or loans at the date of purchase (Statement 62)

• Net balance (debit) of direct loan origination costs for mortgage loans held for resale prior to the point of sale (Statement 62)

• Fees paid to permanent investors to ensure the ultimate sale of loans prior to the point of sale (Statement 62).

*Outflows of Resources*

• Acquisition costs for insurance entities and public entity risk pools (Statement 62 and Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*)

• Initial direct costs of operating leases (Statement 62)

• Debt issuance costs (Statement 62)

• Net balance (debit) of direct loan origination costs related to lending activities (Statement 62)

• Net balance (debit) of direct loan origination costs for mortgage loans held for investment (Statement 62)

• Net balance (debit) of direct loan origination costs for mortgage loans held for resale after the sale occurs (Statement 62)

• Fees paid to permanent investors to ensure the ultimate sale of loans after the ultimate sale occurs (Statement 62).

*Liabilities*

• Commitment fees charged for entering into an agreement that obligates the government to make or acquire a loan or to satisfy an obligation of the other party under a specified condition (Statement 62)

• Fees that are received for guaranteeing the funding of mortgage loans (Statement 62).

*Deferred Inflows of Resources*

• Deferred revenue related to special assessments and other unavailable revenue related to the application of modified accrual accounting (Statements No. 6, *Accounting and Financial Reporting for Special Assessments,* and No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*)

• Net investment in capital leases—accounting for sales-type and direct financing leases by the lessor (Statement 62)

• Deferred gain resulting from sale-leaseback transactions (Statement 62)

• The difference resulting from underpayment of the initial investment to purchase a loan or group of loans relative to the principle amount of the related loan or loans at the date of purchase (Statement 62)

• Net balance (credit) of loan origination fees for mortgage loans held for resale prior to the point of sale (Statement 62)

• Fees received for arranging a commitment directly between a permanent investor and a borrower (Statement 62).

*Inflows of Resources*

• Net balance (credit) of loan origination fees related to lending activities (Statement 62)

• Commitment fees realized upon exercise or expiration of the commitment (Statement 62)

• Net balance (credit) of loan origination fees for mortgage loans held for investment (Statement 62)

• Net balance (credit) of loan origination fees for mortgage loans held for resale after the sale occurs (Statement 62)

• Fees that are realized after the funding of mortgage loans has occurred or after the commitment to guarantee the funding of mortgage loans expires (Statement 62)

• Fees realized when a commitment is arranged directly between a permanent investor and a borrower (Statement 62).

***Financial Condition Reporting—Fiscal Sustainability***

The Board discussed which basis or bases of accounting to use when projecting fiscal sustainability information and whether to include governmental activities, business-type activities, and component units when projecting fiscal sustainability information. The Board also discussed how to determine what is a “major” inflow of resources, outflow of resources, and financial obligation in relation to the specific measures of fiscal sustainability.

The Board reached a tentative agreement that the cash basis of accounting would be used when projecting cash inflows and cash outflows. The Board also reached a tentative agreement that the accrual basis of accounting would be used when projecting financial obligations. Further, the Board reached a tentative agreement that the reported fiscal sustainability information would include notes to explain those instances when the reported inflows and outflows on the cash basis does not reflect the full extent of the impacts on a governmental entity’s fiscal sustainability.

The Board reached a tentative agreement that fiscal sustainability information would be reported for the primary government, including both governmental activities and business-type activities with net subtotals (cash inflows less cash outflows) for governmental activities and business-type activities and a net total for the entire primary government. The Board also reached a tentative agreement that note disclosures within required supplementary information are necessary in instances when one or more activities are determined to significantly affect (positively or negatively) the fiscal sustainability of the primary government.

The Board reached a tentative agreement that governmental entities would not be required to report fiscal sustainability information about their discretely presented component units.

Finally, the Board reached a tentative agreement that in order for an individual cash inflow, cash outflow, and financial obligation to be considered “major,” it needs to represent at least 10 percent of total cash inflows, cash outflows, and financial obligations, respectively. The Board also reached a tentative agreement that any other cash inflow, cash outflow, and financial obligation that government officials believe is particularly important to users when making an assessment of a governmental entity’s fiscal sustainability would be reported as major.

An overview of the GASB’s current technical agenda

***GASB Current Technical Agenda: Overview*** (As of 4/30/11)

**Issued**  **To Be Issued Staff/Consultant Phone\***

**Project ITC/PV ED ITC/PV ED Final Assigned Extension**

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Kathryn Price 303

Economic Condition Reporting— — — 4Q11 4Q12 3Q13 Lisa Parker 351

Fiscal Sustainability Dean Mead 294

Janna Lovell 261

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Reporting Dean Mead 294

Pension Accounting and 3/09 — — 2Q11 2Q12 Roberta Reese 324

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*\*(203) 847-0700*

*ED: Exposure Draft Final: Statement, unless otherwise noted*

*ITC: Invitation to Comment PV: Preliminary Views*

***GASB Current Technical Agenda: Overview*** (As of 4/30/11)

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**Project ITC/PV ED ITC/PV ED Final Assigned Extension**

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*ED: Exposure Draft Final: Statement, unless otherwise noted*

*ITC: Invitation to Comment PV: Preliminary Views*

***Technical Plan for the Second Four Months of 2011***

In April, the Board reviewed its second third 2011 technical plan and provided input to the GASB chairman. After considering Board members’ views and the views previously stated by the Governmental Accounting Standards Advisory Council members, the chairman approved the technical plan.

***Project on Financial Guarantees Added to Current Agenda***

The technical plan for the second third of 2011 includes a new current agenda project on financial guarantees. (Please see the related article on page 1.) In addition, projects addressing lease accounting and the hierarchy of generally accepted accounting principles were added to the research agenda. The technical plan also reflects the start of Board deliberations on other postemployment benefits as part of the broader postemployment benefits project.

The technical plan anticipates, in addition to the continued deliberation of projects on the GASB’s current technical agenda, the issuance of a Preliminary Views on recognition and measurement attributes under the conceptual framework; two Exposure Drafts in the pension accounting and financial reporting project: one on employer accounting and financial reporting, and one on plan accounting and financial reporting; and the 2011–2012 *Comprehensive Implementation Guide.*

A summary of the objectives and status of each of the projects on the Board’s current agenda, as well as summary information about projects that comprise the research portion of its technical plan, is presented below. Additional information about all of the Board’s projects, as well as about issues identified as potential future projects, is included in the GASB’s technical plan for the second third of 2011, which can be viewed or downloaded at the GASB website at www.gasb.org.

***Current Agenda Projects***

***Conceptual Framework—Recognition and Measurement Approaches***

***Primary Objectives:*** This project has two primary objectives. The first objective is to develop recognition criteria for whether information should be reported in state and local governmental financial statements and *when* that information should be reported. The second objective is to consider the measurement approach or measurement approaches that conceptually should be used in governmental financial statements. This project ultimately will lead to a Concepts Statement.

***Looking Ahead:*** During the second third of 2011, Board activities will continue to focus on development of a Preliminary Views. The Preliminary Views is expected to be approved for release in June.

***Economic Condition Reporting—Fiscal Sustainability***

***Primary Objective:*** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly fiscal sustainability, as part of general purpose external financial reporting. This project also will include consideration of the information financial statement users identified as necessary to assess the risks associated with a government’s intergovernmental financial dependencies.

***Looking Ahead:*** During the second third of 2011, Board activities will continue to focus on development of a Preliminary Views. The Preliminary Views is scheduled to be released in October.

***Financial Guarantees***

***Primary Objective:*** The objective of this project is to establish additional guidance regarding the recognition and disclosure of financial guarantees made and received by state and local governments.

***Looking Ahead:*** During the second third of 2011, Board activities will include consideration of scope issues, review of relevant accounting literature, and deliberation of recognition issues.

***Government Combinations***

***Primary Objective:*** The objective of this project is to consider the financial reporting requirements for government combinations that are accomplished through annexation, consolidation, acquisition, or other means. In addition, the project addresses certain spin-off issues; for example, accounting for a library district that was formerly a department in a primary government.

***Looking Ahead:*** During the second third of 2011, the Board will deliberate issues related to general purpose government combinations in which no consideration is given (for example, mergers, consolidations, and annexations). Issuance of an Exposure Draft is planned for April 2012.

***Postemployment Benefit Accounting and Financial Reporting: Other Postemployment Benefit Accounting and Financial Reporting***

***Primary Objective:*** The Board will consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits—including other postemployment benefits (OPEB)—by state and local governmental employers and by the trustees, administrators, or sponsors of OPEB plans. One objective of this project is to improve accountability and the transparency of financial reporting in regard to the financial effects of employers’ commitments and actions related to OPEB. This objective would include improving the information provided to help financial report users assess the degree to which *interperiod equity* has been achieved. The other objective of this project is to improve the *usefulness* of information for decisions or judgments of relevance to the various users of the general purpose external financial reports of governmental employers and OPEB plans.

***Looking Ahead:*** In preparation for deliberations that will take place in the final third of 2011, the Board will begin to examine OPEB issues at the August meeting, including the identification of potential differences between pension and OPEB accounting and financial reporting. An Exposure Draft is planned for June 2012.

***Postemployment Benefit Accounting and Financial Reporting: Pension Accounting and Financial Reporting***

***Primary Objective:*** The Board will consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits—including pension benefits—by state and local governmental employers and by the trustees, administrators, or sponsors of pension plans. One objective of this project is to improve accountability and the transparency of financial reporting in regard to the financial effects of employers’ commitments and actions related to pension benefits. This objective would include improving the information provided to help financial report users assess the degree to which *interperiod equity* has been achieved. The other objective of this project is to improve the *usefulness* of information for decisions or judgments of relevance to the various users of the general purpose external financial reports of governmental employers and pension plans.

***Looking Ahead:*** During the second third of 2011, the Board will discuss remaining technical issues associated with employer and pension plan reporting and then prepare for approval in June Exposure Drafts on employer and plan pension accounting and financial reporting issues.

***Practice Issues***

***Comprehensive Implementation Guide—Update:*** The objective of this project is to update the *Comprehensive Implementation Guide* for the effects of new pronouncements and for additional issues that have come to the attention of the staff. The 2011–2012 guide is scheduled for approval in June and issuance in August 2011.

***Deferred Inflows of Resources and Deferred Outflows of Resources—Omnibus:*** The objectives of this project are to (1) identify requirements in the existing authoritative literature to recognize balances that appear to meet the definitions of deferred outflows of resources or deferred inflows of resources and (2) determine whether those balances should continue to be recognized as assets or liabilities, be reclassified as deferred outflows and deferred inflows, or be recognized as revenue or expenses/expenditures for financial reporting purposes. An Exposure Draft is planned for issuance in July 2011.

***Derivatives: Application of Termination Provisions:*** The objective of this project is to clarify when the termination provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* apply in situations where a default event under the terms of the swap agreement occurs related to the counterparty for an interest rate swap. The comment period on the January 2011 Exposure Draft concluded in April. The Board will redeliberate issues based on public comment in May. Approval of a final Statement is planned for June 2011.

***Statement of Net Position:*** The objectives of this project are to develop guidance for the display of deferred inflows and deferred outflows of resources in the financial statements, and to consider the effects of the related changes on other elements presented in a statement of financial position. The project would determine what amendments, if any, should be made to the requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.* The comment period on the November 2010 Exposure Draft concluded in February. Approval of a final Statement is planned for June 2011.

***The User Guide Series:*** The objective of this project is to update the GASB’s User Guide Series to address accounting and financial reporting standards issued since the publication of the original guides, which was several years ago in some cases. The updated guide on local governments is scheduled for publication in July 2011. The analyst’s guide is scheduled for publication in July, and the school district guide and the guide on business-type activities are scheduled for publication in September.

***Research Projects***

***Electronic Financial Reporting:*** The objective of this research project is to monitor the effect of electronic media on information delivery and user needs. Research into the evolving state of the art in electronic financial reporting by state and local governments will provide the Board with a basis for evaluating the need to develop standards for financial reports intended for this medium.

***Fair Value Measurements:*** The objective of this research project is to review and consider alternatives for the further development of the definition of fair value, the methods used to measure fair value, and the potential disclosures about fair value measurements. Within this review, specific issues including fair value measurement of alternative investments, such as private placements and hedge funds, real estate investment trusts, and partnership interests are to be addressed.

***Fiduciary Responsibilities:*** The objective of this research project is to assess whether additional guidance should be developed regarding the application of the *fiduciary responsibility* criterion in deciding whether and how governments should report fiduciary activities in their financial reports. Existing standards do not provide a basis for a clear answer to those questions and thus there has been diversity regarding the interpretation of governments’ fiduciary responsibilities.

***GAAP Hierarchy:*** The objective of this research project is to consider possible modifications to the GAAP hierarchy, as set forth in Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* It will reexamine the hierarchy levels to assess whether the standards-setting process and governmental financial reporting have sufficiently evolved since the establishment of the original hierarchy by the American Institute of Certified Public Accountants in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure.

***Lease Accounting:*** The objective of this research project is the reexamination of issues associated with lease accounting and consideration of improvements to existing guidance.

***AICPA Issues Draft Guide on Health Care Entities***

The AICPA has issued a working draft of its proposed Audit and Accounting Guide, *Health Care Entities,* which was developed by the AICPA Health Care Expert Panel and the Health Care Audit and Accounting Guide Overhaul Task Force. The first comprehensive revision of the guide since 1996, the working guide provides guidance to assist management in the preparation of financial statements and to assist auditors in auditing and reporting on such financial statements.

The working draft includes a new chapter on unique considerations of state and local governmental health care entities. This chapter was cleared by the Governmental Accounting Standards Board. Additional new information in the working draft includes expanded discussions on health care industry specific topics, including medical malpractice claims, patient receivables, and revenue recognition.

The working draft is intended to solicit comments from preparers, auditors, and users of financial statements and other interested parties to further inform the development of this guide, which will be issued once comments are received, considered, and appropriately acted upon. The working draft is available at: http://bit.ly/AICPAWorkingDraft. The comment deadline is June 6, 2011.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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