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

***Technical Plan***

*No. 325 / April 2012*

*(The GASB Report No. 287)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***May 30–June 1***

***July 10–12***

The GASB also is scheduled to meet in Seattle, Washington, in conjunction with the American Public Power Association’s National Conference on **June 18** and via **teleconference** on **July 30.** 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 Board of Trustees will meet on May 23 in Washington, D.C.

Also, the GASB will be meeting with the Governmental Accounting Standards Advisory Council on June 18 and 19 in Seattle, Washington, in conjunction with the American Public Power Association’s National Conference.

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 *all* meetings are required to go to www.gasb.org to register at least 24 hours before each meeting they are planning to attend.

***GAAP Hierarchy Project Added to Current Technical Agenda***

In April, after consultation with the Governmental Accounting Standards Advisory Council (GASAC) members and other GASB members, GASB Chairman Robert Attmore added a project to the current technical agenda that will consider possible modifications to the hierarchy of generally accepted accounting principles. The “GAAP hierarchy” project was elevated to the current technical agenda from the GASB research 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 GAAP hierarchy is set forth in Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.* The hierarchy consists of the sources of accounting principles used in the preparation of financial statements of state and local governments that are presented in conformity with GAAP and the framework for selecting those principles. It lists the order of priority of pronouncements that a governmental entity should look to for accounting and financial reporting guidance.

This project will reexamine the hierarchy levels to assess whether the standards-setting process and the governmental financial reporting environment have sufficiently evolved since the establishment of the original hierarchy by the American Institute of Certified Public Accountants (AICPA) in 1992 to warrant reconsideration or reconfiguration of certain aspects of the structure.

Specifically, the GAAP hierarchy project will address a number of key issues, including the possible combination of some categories to provide for fewer levels or a single level of GAAP, potential elevation of AICPA pronouncements and GASB Technical Bulletins within the hierarchy, and addition of a specific reference to the *FASB Accounting Standards Codification*® as “other accounting literature.”

In March, the GASAC reviewed a project prospectus associated with this project. The GASAC members rated the project among its top five priorities for inclusion on the GASB’s agenda.

Board deliberations on the project are due to begin in August with consideration of proposed modifications to the hierarchy and approach to due process. Issuance of an Exposure Draft is scheduled for January 2013.

***Board Meeting Summary***

The GASB met via teleconference on March 27 to discuss issues related to its project on pension accounting and financial reporting.

The Board also held a public meeting on April 18–20 in Norwalk, Connecticut, to discuss issues associated with its projects on pension accounting and financial reporting, financial guarantees, the measurement and application of fair value, recognition and measurement approaches under the conceptual framework, and the technical plan for the second third of 2012. Due to publication deadlines, details of the these deliberations, with the exception of the technical plan for the second third of 2012, are not described in this issue of *The GASB Report* but will be highlighted in the next issue.

***Pension Accounting and Financial Reporting***

In its project addressing pension accounting and financial reporting, the Board continued its deliberation of issues raised by respondents to the Exposure Drafts, *Accounting and Financial Reporting for Pensions* (Employer Exposure Draft) and *Financial Reporting for Pension Plans* (Plan Exposure Draft). Specifically, the Board considered issues related to defined contribution pensions, requirements for the municipal bond rate when used in determining the discount rate, and deferred retirement option programs.

***Defined Contribution Pensions***

With regard to accounting and reporting requirements for circumstances in which an employer’s actual contributions to a defined contribution plan exceeds the pension liability, the Board tentatively agreed that the final Employer Statement should include a provision that provides that the excess amount would be reported as a pension asset.

With respect to the display of pension liabilities and pension assets in employer financial statements, the Board tentatively agreed that pension liabilities for benefits provided through different plans may be displayed in the aggregate in the financial statements and that pension assets for benefits provided through different plans may be displayed in the aggregate, with (aggregate) assets and (aggregate) liabilities separately displayed. The tentative display requirements would be applied separately to defined benefit pension and defined contribution pensions. With changes to reflect this tentative decision, the Board tentatively affirmed that the Employer Exposure Draft proposals related to defined contribution pensions should be included in the final Employer Statement. It also tentatively agreed that the Plan Exposure Draft proposals related to defined contribution pension plans should be included in the final Plan Statement.

***Discount Rate: Requirements for the Municipal Bond Rate***

With respect to the municipal bond rate to be used when net assets are not expected to be available to be invested for the long term to make benefit payments, the Board tentatively affirmed that the maturity should be 20 years. The Board also tentatively agreed that the high-quality municipal bond index rate that is used in the determination of the blended discount rate, if applicable, should represent a yield or index rate for tax-exempt *general obligation* bonds that have an *average* rating of AA/Aa or higher.

***Deferred Retirement Option Programs***

With regard to deferred retirement option programs (DROPs), the Board tentatively agreed that, for financial reporting purposes, retirement begins upon participation in a DROP and that guidance should be included in the final Statements to clarify this provision.

In addition, the Board tentatively decided that amounts in DROP accounts should not be recognized by the pension plan as a liability until the amounts are due and payable to the employee. Those amounts related to DROPs should be reported as net position restricted for pensions until a liability is recognized or benefits have been paid. The Board also tentatively agreed that pension plans should be required to disclose information about amounts held in DROP accounts.

***Technical Plan***

The Board reviewed and provided input to the GASB chairman on the proposed technical plan for the second third of 2012. After considering other Board members’ input, previous input from Governmental Accounting Standards Advisory Council members, and staff recommendations, the chairman added a project addressing the hierarchy of generally accepted accounting principles to the current technical agenda, and a project addressing tax abatement disclosures to the research agenda. (Please see the article on the GAAP hierarchy on page 1 of this issue.)

An overview of the GASB’s current technical agenda

***GASB Current Technical Agenda: Overview*** (As of 4/20/12)

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

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

Conceptual Framework—Recognition 6/11 — — 2Q13 2Q14 Todd Webster 441

 and Measurement Approaches Roberta Reese 324

 Ken Schermann 206

 Maria Cancro 303

Economic Condition Reporting— 12/11 — — 1Q13 1Q14 Lisa Parker 351

 Financial Projections Dean Mead 294

 Ben Berryman 308

 Jay Fountain (consultant)

Fair Value Measurement and — — — 1Q13 1Q14 Randy Finden 240

 Application Todd Webster 441

 Emily Clark 228

 Meagan Weyland 227

Financial Guarantees — — — 2Q12 1Q13 Scott Reeser 448

 Randy Finden 240

 Ken Schermann 206

 Meagan Weyland 227

Government Combinations — 3/12 — — 1Q13 Jeff Bridgens 210

 Ken Schermann 206

 Jaclyn Geary 216

Postemployment Benefit Accounting

 and Financial Reporting:

 Other Postemployment Benefit — — — 3Q13 2Q14 Roberta Reese 324

 Accounting and Financial Michelle Czerkawski 293

 Reporting Maria Cancro 303

 Pension Accounting and 3/09 6/11 — — 2Q12 Michelle Czerkawski 293

 Financial Reporting 6/10 Roberta Reese 324

 Scott Reeser 448

 Blake Rodgers 253

 Emily Clark 228

 Jaclyn Geary 216

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*DPD: Due Process Document ED: Exposure Draft Final: Statement, unless otherwise noted*

*ITC: Invitation to Comment PV: Preliminary Views*

***GASB Current Technical Agenda: Overview*** (As of 4/20/12)

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

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

**Practice Issues:**

Comprehensive Implementation Guide— Jeff Bridgens 210

 Annual Update — — — — 3Q12 Michelle Czerkawski 293

 Mid-Year Supplement — — — — 1Q13 Ken Schermann 206

 Randy Finden 240

 Dean Mead 294

 Roberta Reese 324

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GAAP Hierarchy — — — 1Q13 4Q13 Blake Rodgers 253

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 3Q12 Kip Betz 201

*\*(203) 847-0700*

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

*ITC: Invitation to Comment PV: Preliminary Views*

***Technical Plan for the Second Four Months of 2012***

In April, the Board reviewed its second third 2012 technical plan and provided input to the GASB chairman. After considering other Board members’ views and the views previously stated by the Governmental Accounting Standards Advisory Council members, the chairman approved the following technical plan.

***Project on GAAP Hierarchy Added to Current Agenda***

A project addressing the GAAP hierarchy was added to the current technical agenda. (Please see the related article on page 1.) In addition, a project on tax abatement disclosures was added to the research agenda.

The technical plan anticipates, in addition to the continued deliberation of projects on the GASB’s current technical agenda, the issuance of final standards in the pension accounting and financial reporting project, an Exposure Draft in the financial guarantees project, and new editions in the User Guide series.

A summary of the objectives and status of each of the projects on the Board’s current technical 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 2012, 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 2012, the Board will continue to redeliberate issues raised by respondents and other due process participants to the Preliminary Views.

***Economic Condition Reporting—Financial Projections***

***Primary Objective:*** The objective of this project is to consider whether guidance should be provided for additional information about economic condition, particularly financial projections, 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 2012, the Board will redeliberate issues raised by respondents and other due process participants to the Preliminary Views.

***Fair Value Measurement and Application***

***Primary Objective:*** The objective of this 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 potential disclosures about fair value measurements. Within this review, issues including fair value measurement of alternative investments are to be addressed.

***Looking Ahead:*** During the second third of 2012, the Board is scheduled to deliberate disclosure and application of fair value measurement to specific issues.

***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: The Board is scheduled to finalize an Exposure Draft for issuance in June. The comment period would conclude in September.

***Government Combinations***

***Primary Objective:*** The objective of this project is to consider the financial reporting requirements for government combinations that are accomplished through mergers and acquisitions. This project includes the analysis of government combinations that have taken place in both the general governmental and the business-type activities areas. 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:*** The Board issued an Exposure Draft in March. The comment period concludes in June. Redeliberation of issues raised in response to the Exposure Draft is scheduled to commence in July.

***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 the accountability and 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:*** Board deliberations are currently scheduled to restart in July 2012 with consideration of differences between pensions and OPEB and determination of the overall approach to OPEB standards.

***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 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 the accountability and 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 2012, the Board is scheduled to deliberate the remaining issues raised by respondents to the Exposure Drafts and finalize the Statements for issuance in June.

***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 staff will develop materials for the 2012–2013 guide during the second third of 2012 for review by the Advisory Committee.

***GAAP Hierarchy:*** The objective of this 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.* Beginning in August of 2012, the Board will consider proposed modifications to the hierarchy and the approach to due process.

***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 in the early 2000s. The updated guide on local governments was published in December 2011, and the school district guide and the analyst’s guide are scheduled for publication in the first half of 2012. The business-type activities guide is scheduled for publication in the third quarter of 2012.

***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. Extensive 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 communication medium.

***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 in practice regarding the interpretation of governments’ fiduciary responsibilities.

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

***Tax Abatement Disclosures:*** The objective of this research project is to provide disclosure guidance for governments that have granted tax abatements.

***Who’s Who at the GASB***

***Blake R. Rodgers*** joined the GASB in April as a practice fellow. He comes to the GASB from the Dallas, Texas office of Deloitte LLP, where he was an audit manager serving city government clients, including a number of general purpose governments, school districts, major universities, and special districts.

Blake’s initial significant project assignments include pension accounting and financial reporting and the hierarchy of generally accepted accounting principles. He received master’s and bachelor’s degrees in accounting from Texas A&M University, College Station, Texas, and is a certified public accountant.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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