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

***Technical Plan***

*No. 341 / August 2013*

*(The GASB Report No. 303)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***September 17–19***

***October 29–31***

The GASB also is scheduled to meet via **teleconference** on **October 7** and **November 18.** The precise time, as well as the agenda, will be announced approximately two weeks before each meeting. All meetings, with the exception of the October 29 meeting, which will be held in Boston, Massachusetts, are held at the Financial Accounting Foundation (FAF) offices in Norwalk, Connecticut.

The GASB will be meeting with the Governmental Accounting Standards Advisory Council on October 28 and 29 in Boston, Massachusetts, in conjunction with the Association of School Business Officials International’s Annual Meeting and Expo.

The GASB also will hold a combined **public hearing** on the Preliminary Views, *Fair Value Measurement and Application,* and the Exposure Draft, *Measurement of Elements of Financial Statements.* The hearing will be held on November 1 beginning at 8:30 a.m. at the Sheraton LaGuardia East Hotel, Flushing, NY.

Finally, the FAF Board of Trustees will meet on November 19 in Norwalk, Connecticut.

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.

***Project on Fiduciary Responsibilities Added to Current Technical Agenda***

After consultation with the Governmental Accounting Standards Advisory Council in June, the Board voted unanimously to add a project on Fiduciary Responsibilities to the current technical agenda at its August meeting. The project was elevated from the pre-agenda research portion of the technical plan.

The primary objective of this project is to develop guidance regarding the application of the fiduciary responsibility criteria in deciding whether and how governments should report fiduciary activities in their general purpose external financial reports. Other objectives of this project include assessing whether additional guidance should be developed to:

1. Clarify the difference between a private-purpose trust fund and an agency fund
2. Clarify whether a stand-alone business-type activity (BTA) engaging in fiduciary activities should present fiduciary fund financial statements
3. Require a combining statement of changes in assets and liabilities for agency funds
4. Amend existing disclosure requirements or require additional disclosures for fiduciary activities.

Research conducted by the GASB as well as technical inquiries received from constituents have indicated that there is inconsistency in the current reporting of various types of fiduciary Project on Fiduciary Responsibilities Added to Current Technical Agenda (continued from page X) activities, with different governments reporting or not reporting identical activities. This inconsistency results from confusion in practice regarding what constitutes *fiduciary responsibility.* Research has further indicated a general inconsistency in the reporting of fiduciary activities between BTAs and general purpose governments.

A project on fiduciary responsibility was added to the GASB’s long-term projects list in 2000. In 2008, that project was incorporated into the Statement No. 14, *The Financial Reporting Entity,* reexamination project. The Statement 14 reexamination project staff conducted limited research into the state of reporting for fiduciary activities and found that the meaning of fiduciary responsibility is not well defined but that some commonalities in reporting may provide a basis for further guidance. At that time, the Board concluded that the issues associated with fiduciary responsibility were broader than reporting entity considerations and removed those issues from that project. The topic was moved to the GASB’s research agenda (now referred to as pre-agenda research).

In the second quarter of 2013, the project staff conducted telephone interviews with users who were interested in a government’s accountability for its fiduciary activities. Interviewees generally stated that most of the fiduciary activity information required to be reported by current standards was important to their assessment of a government’s accountability for its trust and agency activities.

Board deliberations on Fiduciary Responsibilities are due to begin at the August teleconference. Issuance of an Exposure Draft on Fiduciary Responsibilities is scheduled for September 2014.

***Board Meeting Summary***

The GASB held a public meeting August 6–8 to discuss issues associated with its projects on Other Postemployment Benefits (OPEB), Leases, Conceptual Framework—Recognition, and the Hierarchy of Generally Accepted Accounting Principles (GAAP Hierarchy). The technical plan also was discussed. In addition, the GASB held a teleconference meeting on August 26 to discuss issues associated with its project on Fiduciary Responsibilities. Due to publication deadlines, details of the August teleconference meeting are not discussed in this issue of *The GASB Report* but will be presented in the September issue.

***Other Postemployment Benefits***

In the OPEB project, the Board discussed issues related to parameters for certain assumptions to be used in an alternative measurement method calculation of an employer’s OPEB liability for small employers that is not based on an actuarial valuation. The Board tentatively agreed that the alternative measurement method proposal should include the same general considerations for employers in regard to selection of assumptions for the measurement of OPEB liabilities as were provided in Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions.* The Board also tentatively agreed to propose that the following assumptions be used in applying the alternative measurement method for use in the measurement of an employer’s total OPEB liability:

* The current marital and dependency status
* Mortality assumptions based on current published tables (and that plan members would be projected to live until their expected age in relation to those tables)
* Select and ultimate assumptions about healthcare cost trends in future years derived from one or more objective sources
* Experience-rated, age-adjusted current healthcare insurance premium rates as the assumption for initial per capita healthcare rates for the purposes of projecting future healthcare benefit payments
* Experience of an employer’s covered group in determining coverage option assumptions, considering the choices of pre- and post-Medicare eligible plan members.

Next, the Board tentatively agreed to propose that the discount rate, and process for determining the rate, used in the alternative measurement method be the same as the discount rate used by employers that do not apply the alternative measurement method. After the discussion, the Board also tentatively agreed to propose that the alternative measurement method be allowed for only those governments with fewer than 100 total plan members defined as active employees eligible to receive benefits, inactive employees eligible for benefits but not yet receiving benefits, and inactive employees receiving benefits.

In discussing issues related to recognition and measurement, and frequency and timing of those measurements, for OPEB offered by employers that participate in multiple-employer, cost-sharing defined benefit OPEB plans, the Board tentatively agreed to propose that employers that participate in a cost-sharing OPEB plan be viewed as having an obligation for a portion of the collective unfunded OPEB obligation of the plan and that the net OPEB liability of a cost-sharing OPEB plan be measured using the same timing and measurement requirements as single or agent employer plans.

In addition, the Board tentatively agreed to propose that:

* A cost-sharing employer measure its OPEB liability as the proportion of its contributions to the total contributions of all contributing entities to the cost-sharing OPEB plan consistent with the manner in which contributions to the plan are determined
* The calculation of an employer’s proportionate share of a cost-sharing plan’s collective net OPEB liability allow for professional judgment to determine the proportion of the employer’s contributions to all participating entity contributions to the cost-sharing OPEB plan
* The collective OPEB expense of a cost-sharing OPEB plan be measured using the same requirements as single or agent employer plans
* An employer measure its OPEB expense and deferred outflows of resources and deferred inflows of resources related to OPEB for its participation in a cost-sharing OPEB plan using the same proportionate share used to measure the employer’s net OPEB liability
* Contributions made by a cost-sharing employer subsequent to the measurement period but before the end of its reporting period be recognized as a deferred outflow of resources
* A cost-sharing employer recognize amounts from its participation in a cost-sharing OPEB plan reported as deferred outflows of resources and deferred inflows of resources related to OPEB over the same periods as single and agent employers.

The Board also discussed issues related to special funding arrangements in relation to defined benefit OPEB obligations and tentatively agreed to propose that:

* A nonemployer contributing entity recognize a portion of the net OPEB liability of the employer and the employer recognize a reduction in its net OPEB liability in circumstances in which there is a special funding situation
* A special funding situation be defined as a circumstance in which a nonemployer entity is legally responsible for making contributions directly to an OPEB plan and either of the following conditions exist: (1) the amount of contributions for which the nonemployer entity legally is responsible is not dependent upon one or more events or circumstances unrelated to OPEB or (2) the nonemployer entity is the only entity with a legal obligation to make contributions directly to the OPEB plan
* A nonemployer contributing entity measure a net OPEB liability, OPEB expense, and deferred outflows of resources and deferred inflows of resources related to OPEB in the same manner as cost-sharing employers
* An employer measure its net OPEB liability in a special funding situation as (1) the collective OPEB liability less the nonemployer contributing entity’s proportionate share related to the employer in single or agent OPEB plans or (2) the employer’s proportion of contributions in relation to the collective contributions of the plan in a cost-sharing OPEB plan
* An employer measure OPEB expense in a special funding situation as its proportionate share of the collective expense of the OPEB plan and that the employer recognize revenue and expense equal to the amount of the expense recognized by the nonemployer contributing entity

Both the cost-sharing and the special funding arrangement proposals are based on the provisions established in the new pension standards.

***Leases***

The Board began deliberations on the Leases project by reviewing the history of lease accounting standards and current literature, the tentative scope of the project, the definition of a lease, and related scope issues. The Board tentatively agreed to propose the following definition of a lease:

A contract that conveys the right to use an asset (the underlying asset) for a period of time in an exchange or exchange-like transaction.

Next, the Board discussed the inclusions and exclusions to the scope of lease guidance. The Board tentatively agreed to propose including contracts not identified as leases but that meet the definition of a lease. The Board also tentatively agreed to propose continuing to exclude the following from the scope of the lease guidance:

* Agreements that are contracts for services that do not transfer the right to use capital assets from one contracting party to the other
* Agreements for exploration of, or use of, minerals, oil, natural gas, and similar nonregenerative resources
* Licensing agreements for such items as motion picture films, video recordings, plays, manuscripts, patents, and copyrights
* Agreements that meet the definition of a service concession arrangement.

In addition, the Board tentatively agreed to propose that biological assets, including timber, be excluded from the scope of the lease guidance, while intangible assets other than licensing agreements continue to be included in the scope of lease guidance.

***Conceptual Framework—Recognition***

Resuming deliberations on concepts for recognition of elements in financial statements prepared using the current financial resources measurement focus, the Board discussed various perceived flaws with the current financial resources measurement focus as it presently is applied in governmental funds. After discussing the potential impact the potential reexamination of the financial reporting model could have on the recognition phase of the conceptual framework, the Board agreed to place this phase of the project on hold pending future coordination with the proposed reexamination of the financial reporting model. (See the technical plan discussion on page X).

***GAAP Hierarchy***

In addressing its GAAP Hierarchy project, the Board examined paragraph 5 of GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments,* and tentatively agreed to propose clarifying language to emphasize that if the guidance for a transaction or event is not specified within a source of authoritative GAAP for governmental entities, a governmental entity should first consider accounting principles for similar transactions and then may consider other accounting literature.

The Board continued its discussion by providing comments and recommendations regarding the staff analysis of the first half of the questions and answers (Q&As) in Chapter 7 of the *Comprehensive Implementation Guide* on an individual Q&A basis. Chapter 7 addresses basic financial statements and management’s discussion and analysis.

***Technical Plan***

The Board reviewed the proposed technical plan for the final third of 2013, including the proposed addition of a Fiduciary Responsibilities project to the major project portion of the current technical agenda and to conduct pre-agenda research on the reexamination of the financial reporting model. After discussing the potential project and the potential pre-agenda research, the Board unanimously approved the proposed technical plan. (Please see the article on the addition of the Fiduciary Responsibilities project to the current technical agenda on page X.)

An overview of the GASB’s current technical agenda

***GASB Current Technical Agenda: Overview*** (As of 8/30/13)

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

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

Conceptual Framework—

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Ken Schermann 206

Recognition 6/11 — — TBD TBD Meredith Hightower 303

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Jay Fountain (consultant)

Fair Value Measurement and 6/13 — — 2Q14 4Q14 Randy Finden 240

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Postemployment Benefits Accounting

and Financial Reporting:

Other Postemployment Benefits — — — 2Q14 2Q15 Scott Reeser 448

Accounting and Financial Roberta Reese 324

Reporting Michelle Czerkawski 293

Erin Bojarzin 441

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

*DPD: Due Process Document PV: Preliminary Views*

*ITC: Invitation to Comment TBD: To be determined*

***GASB Current Technical Agenda: Overview*** (As of 8/30/13)

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

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

**Practice Issues:**

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Annual Update — — — — 3Q13 Ken Schermann 206

Mid-Year Supplement — — — — 1Q14 Randy Finden 240

Dean Mead 294

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GAAP Hierarchy — — — 1Q14 2Q15 Blake Rodgers 253

Michelle Czerkawski 293

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Implementation Guide—

Pension Accounting and Financial Reporting

Employer Reporting — — — — 1Q14 Michelle Czerkawski 293

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— — — — Kelly Amos 308

Pensions—Transition Provision — 6/13 — — 4Q13 Michelle Czerkawski 293

Kelly Amos 308

*\*(203) 847-0700*

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

*ITC: Invitation to Comment PV: Preliminary Views*

***Technical Plan for the Final Four Months of 2013***

At its August meeting, the Board approved the following technical plan for the final third of 2013.

***Project on Fiduciary Responsibilities Added to Current Agenda***

A project addressing fiduciary responsibilities was added to the current technical agenda. (Please see the related article on page X.) In addition, the reexamination of the financial reporting model was added to the pre-agenda research portion of the technical plan. The Board also placed the recognition phase of the Conceptual Framework project on hold pending the outcome of the research activities associated with the financial reporting model reexamination.

The technical plan anticipates, in addition to the continued deliberation of projects on the GASB’s current technical agenda, the issuance of the *Comprehensive Implementation Guide,* and a final Statement, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* in this period.

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 pre-agenda research portion of its technical plan, is presented below. Additional information about all of the Board’s projects is included in the GASB’s technical plan for the final third of 2013, which can be viewed or downloaded at the GASB website at [www.gasb.org](http://www.gasb.org).

***Current Agenda Projects***

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

***Primary Objectives:*** This project has two primary objectives, which will be addressed in two subprojects. 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 concepts that should be used in governmental financial statements. This project ultimately will lead to a Concepts Statement on measurement and a Concepts Statement on recognition of financial statement elements.

***Looking Ahead:*** An Exposure Draft of a proposed Concepts Statement, *Measurement of Elements of Financial Statements,* was issued in June 2013. The comment period concludes September 30. During the final third of 2013, the Board will conduct a review of the feedback received in comment letters and through the public hearing and then redeliberate issues raised by respondents. A final Concepts Statement on Measurement is scheduled for issuance in March 2014.

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

***Primary Objective:*** The objective of this project is to consider whether guidance or guidelines 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 information financial statement users identified as necessary to assess the risks associated with a government’s intergovernmental financial dependencies.

***Looking Ahead:*** Board deliberations on this project have been placed on hold pending resolution of issues relating to the GASB’s scope.

***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, the applicability of fair value guidance to investments and other items currently reported at fair value, and potential disclosures about fair value measurements.

***Looking Ahead:*** A Preliminary Views, *Fair Value Measurement and Application,* was approved in June 2013. The comment period ends September 30. During the final third of 2013, the Board will conduct a review of the feedback received in comment letters and through the public hearing and then redeliberate issues raised by respondents. An Exposure Draft on Fair Value Measurement and Application is scheduled to be issued in May 2014.

***Fiduciary Responsibilities***

***Primary Objective:*** The objective of this 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.

***Looking Ahead:*** During the final third of 2013, the Board will review project history and relevant literature and then discuss the criterion for identifying fiduciary activities. The Board also will discuss how to report fiduciary activities in general purpose financial reports.

***Leases***

***Primary Objective:*** The objective of this project is to reexamine issues associated with lease accounting, consider improvements to existing guidance, and provide a basis for the Board to consider whether the current guidance is appropriate based on the definitions of assets and liabilities.

***Looking Ahead:*** During the final third of 2013, the Board will discuss issues including lease term, classifications of leases, and lessee recognition and measurement.

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

***Primary Objective:*** The Board will consider improvements to the existing standards of accounting and financial reporting for 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. 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:*** During the final third of 2013, the Board will deliberate issues related to community-rated provisions, contribution constraints, note disclosures, required supplementary information, plan reporting, and coordination with GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues.* The Board will next review drafts of Standards sections of the Exposure Draft on employer and plan OPEB accounting and financial reporting issues. An Exposure Draft on OPEB is scheduled for issuance in April 2014.

***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 2013–2014 guide is scheduled for issuance in September 2013. The GASB also will assess the need for a 2013–2014 mid-year guide supplement. If a supplement is ultimately considered necessary, it would be scheduled for issuance in January 2014.

***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.* During the final third of 2013, the Board will review the remaining chapters of the current *Comprehensive Implementation Guide.* An Exposure Draft of a proposed Statement is scheduled for approval in December and issuance in January 2014.

***Implementation Guide—Pension Accounting and Financial Reporting:*** The objective of this project is to publish guidance to assist employers, and governmental nonemployer contributing entities as they prepare to implement Statement No. 68, *Accounting and Financial Reporting for Pensions.* During the final third of 2013, the staff will develop additional material for the employer implementation guide, which will then be distributed for review by the Advisory Committee. The final employer guide is scheduled for issuance in January 2014.

***Pensions—Transition Provision:*** The objective of this project is to address an issue in Statement 68 for which a technical clarification is needed. During the final third of 2013, the Board will discuss comments received on the Exposure Draft, *Pension Transition for Contributions Made Subsequent to the Measurement Date,* which was approved in late June, and redeliberate issues raised by respondents. A final Statement is scheduled for issuance in November 2013.

***Pre-Agenda Research***

***Financial Reporting Model:*** The objective of this pre-agenda research is to reexamine the financial reporting model, including Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,* as well as reporting model-related pronouncements including Statement No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities,* Statement No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus,* Statement No. 41, *Budgetary Comparison Schedules—Perspective Differences,* Statement No. 46, *Net Assets Restricted by Enabling Legislation,* and Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.* The major provisions that will be reconsidered are those related to management’s discussion and analysis, government-wide financial statements, fund financial statements, capital asset reporting, budgetary comparisons, special-purpose government reporting, and related notes to financial statements.

***Tax Abatement Disclosures:*** The objective of this research is to assess potential disclosure guidance for governments that have granted tax abatement subsidies. Tax abatements are a reduction of or exemption from taxes, offered by a government to a specific taxpayer, typically for the purpose of spurring economic development. They are generally applied to ad valorem taxes, in particular, property taxes.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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