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

***Technical Plan***

*No. 345 / December 2013*

*(The GASB Report No. 307)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***January 21–22***

***March 3–5***

***April 8–10***

The GASB also is scheduled to meet via **teleconference** on **February 10** and **March 24.** The precise time, as well as the agenda, will be announced approximately two weeks before each meeting. With the exception of the March 5 meeting, which is a joint meeting with the Federal Accounting Standards Advisory Board and will be held in Washington, D.C., all meetings are held at the Financial Accounting Foundation (FAF) offices in Norwalk, Connecticut.

Also, there will be a Leases Task Force meeting on January 23, beginning at 8:30 a.m. at the Sheraton LaGuardia East Hotel in Flushing, New York.

In addition, the FAF Board of Trustees will meet on February 25 in Norwalk.

Finally, the GASB will be meeting with the Governmental Accounting Standards Advisory Council on March 11 and 12 in Reno, Nevada, in conjunction with the 2014 annual conference of the National Association of State Comptrollers.

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.

GASB public meetings held in Norwalk are available by video webcast; teleconference meetings are available by audio-only webcast. To access the webcasts, visit the Meetings section of the GASB website, www.gasb.org, and click on the picture of the Board room on the Live Meeting Webcasts page.

***GASB Statement Resolves Pension Transition Issue***

The GASB recently approved and issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* The Statement, which addresses the transition provisions of Statement No. 68, *Accounting and Financial Reporting for Pensions,* eliminates a potential source of understatement of beginning net position and expense in a government’s first year of implementing Statement 68.

Specifically, the issue relates to amounts associated with contributions made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government’s beginning net pension liability.

Statement 68 requires an employer or nonemployer contributing entity to recognize a net pension liability measured as of a date no earlier than the end of its prior fiscal year. If an employer or nonemployer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government’s reporting period, Statement 68 requires that the contribution be recognized as a deferred outflow of resources.

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or nonemployer contributing entity that arise from other types of events. At transition to Statement 68, if it is not practical for an employer or nonemployer contributing entity to determine the amounts for all deferred outflows of resources and deferred inflows of resources, a provision in Statement 68 requires the beginning balances for deferred outflows of resources and deferred inflows of resources not to be reported.

As a result, if it is not practical to determine the amounts of all deferred outflows of resources and deferred inflows of resources related to pensions, contributions made after the measurement date of the beginning net pension liability would not be reported as deferred outflows of resources at transition. This could result in a significant understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation.

To address this potential understatement, Statement 71 provides guidance requiring a government, when transitioning to the new pension standards, to recognize a beginning deferred outflow of resources for its pension contributions made during the time between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. This amount is recognized regardless of whether it is practical to determine the beginning amounts of all other deferred outflows of resources and deferred inflows of resources related to pensions.

***Effective Date***

The provisions are effective simultaneously with the provisions of Statement 68, which is required to be applied in fiscal years beginning after June 15, 2014.

***How to Obtain Copies of Statement 71***

Statement 71 may be downloaded free of charge at www.gasb.org by visiting the Pronouncements page under the Standards & Guidance tab and then navigating to the Statement. Printed copies of Statement 71 may be ordered through the Pronouncements page of the GASB Store section of the website.

***Board Meeting Summary***

The GASB held a teleconference meeting November 18 to discuss issues associated with its projects on Pension Transition, Other Postemployment Benefits (OPEB), and Leases.

The Board also held a public meeting December 10–12 to discuss its projects addressing the GAAP Hierarchy, the Pension Implementation Guide, OPEB, Leases, Fair Value Measurement and Application, Fiduciary Responsibilities, and the Technical Plan for the first third of 2014. Due to publication deadlines, details of the December public meeting, other than discussion of the Technical Plan, are not discussed in this issue of *The GASB Report* but will be presented in the next issue.

***Pension Transition***

The Board reviewed a ballot draft of Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date.* After discussion of the draft, the Board unanimously voted to approve Statement 71 for issuance. (Please see the article about Statement 71 on page 1.)

***Other Postemployment Benefits***

In addressing its project on OPEB, the Board discussed issues related to defined contribution OPEB plans. Specifically, the Board discussed the definition of a defined contribution plan, classification of plans that have both defined benefit and defined contribution characteristics, accounting and financial reporting by governmental employers and governmental nonemployer contributing entities participating in defined contribution OPEB plans, and accounting and financial reporting by defined contribution OPEB plans.

The Board tentatively decided that defined contribution OPEB plans are OPEB plans that are used to provide defined contribution OPEB with *defined contribution* OPEB defined as: OPEB having terms that (1) provide an individual account for each employee; (2) define the contributions that an employer is required to make (or the credits that it is required to provide) to an active employee’s account for periods in which that employee renders service; and (3) provide that the OPEB an employee will receive will depend only on the contributions (or credits) to the employee’s account, actual earnings on investments of those contributions (or credits), and the effects of forfeitures of contributions (or credits) made for other employees, as well as OPEB plan administrative costs, that are allocated to the employee’s account. The Board also tentatively decided that an OPEB plan that has any features of a defined benefit plan should continue to apply the accounting and reporting requirements for defined benefit plans. These provisions are consistent with the standards set forth in Statement No. 68, *Accounting and Financial Reporting for Pensions.*

In relation to accounting and financial reporting by governmental employers and governmental nonemployer contributing entities participating in defined contribution OPEB plans, the Board tentatively decided to propose the same provisions for recognition and measurement in financial statements, note disclosures, and required supplementary information as governmental employers and governmental nonemployer contributing entities participating in defined contribution pension plans in Statement 68.

***Leases***

In its project on Leases, the Board discussed certain topics related to the initial measurement of assets that are created when entering into a lease. Specifically, the Board discussed prepayments, lease incentives, and initial direct costs. The Board tentatively agreed to propose that prepayments (amounts paid for the lease prior to measuring the lease liability) be included in the value of the reported lease asset. The Board also tentatively decided to propose that lease incentives received be reductions in the cost of lease assets. In addition, the Board tentatively decided to propose that initial direct costs be either capitalized (if they are ancillary charges to place the asset into use) or expensed (all other costs). The Board also discussed measurement in governmental funds and tentatively decided to propose that lease liabilities be measured consistent with the current measurement requirements for capital leases.

***Technical Plan***

The Board reviewed the proposed Technical Plan for the first third of 2014, including the proposed addition of a Tax Abatement Disclosures project to the current technical agenda and the proposed additions of issues associated with asset retirement obligations, blending requirements for certain business-type activities, and irrevocable charitable trusts to the pre-agenda research portion of the Technical Plan. After discussing these potential additions, the Board unanimously approved the Technical Plan. (Please see the article on the addition of the Tax Abatement Disclosures project on page X and the pre-agenda research items in the article on the Technical Plan for the first four months of 2014 on page X.)

An overview of the GASB’s current technical agenda

***GASB Current Technical Agenda: Overview*** (As of 12/18/13)

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

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

Conceptual Framework—

Measurement 6/11 2Q13 — — 1Q14 Roberta Reese 324

Ken Schermann 206

Recognition 6/11 — — TBD TBD Meredith Hightower 303

Economic Condition Reporting— 11/11 — — TBD TBD No Staff Assigned

Financial Projections

Fair Value Measurement and 2Q13 — — 2Q14 1Q15 Randy Finden 240

Application Deborah Beams 210

Jialan Su 339

Mitchell Harrison 308

Kathryn Walsh 228

Fiduciary Responsibilities — — — 3Q14 2Q15 Lisa Parker 351

Blake Rodgers 253

Ken Schermann 206

Cody Domasky 254

Christopher Teats 216

Jay Fountain (consultant)

Leases — — — 4Q14 4Q15 Deborah Beams 210

Randy Finden 240

Jialan Su 339

Ken Schermann 206

Cody Domasky 254

Christopher Teats 216

Postemployment Benefits Accounting

and Financial Reporting:

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

Accounting and Financial Michelle Czerkawski 293

Reporting—Employer Emily Clark 457

Other Postemployment Benefits Meredith Hightower 303

Accounting and Financial Francisco Loredo 441

Reporting—Plan

Benefit Accounting and Financial — — — 2Q14 2Q15

Reporting—Plan

Pensions Not within Statement 68 — — — 2Q14 2Q15

Scope

*\*(203) 847-0700*

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

*PV: Preliminary Views ITC: Invitation to Comment*

*TBD: To be determined*

***GASB Current Technical Agenda: Overview*** (As of 12/18/13)

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

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

**Practice Issues:**

Comprehensive Implementation Guide: Michelle Czerkawski 293

Annual Update—Category (d) — — — — 3Q14 Ken Schermann 206

Emily Clark 457

Annual Update—Category (b) — — — 3Q15 1Q16 Meredith Hightower 303

GAAP Hierarchy: Blake Rodgers 253

Reexamination — — — 1Q14 2Q15 Michelle Czerkawski 293

Ken Schermann 206

Implementation Guide—Category (b) — — — 1Q14 2Q15 Christopher Teats 216

Implementation Guide—

Pension Accounting and Financial Reporting

Employer Reporting — — — — 1Q14 Michelle Czerkawski 293

Roberta Reese 324

— — — — Emily Clark 457

Tax Abatement Disclosures — — — 4Q14 3Q15 Dean Mead 294

Ken Schermann 206

Mitchell Harrison 308

Jay Fountain (consultant)

*\*(203) 847-0700*

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

*ITC: Invitation to Comment PV: Preliminary Views*

***Technical Plan for the First Four Months of 2014***

At its December meeting, the Board approved the following Technical Plan for the first third of 2014.

***Project on Tax Abatement Disclosures Added to Current Agenda***

A project addressing tax abatement disclosures was added to the current technical agenda. (Please see the related article on page X.) In addition, the Board added three topics associated with asset retirement obligations, blending requirements for certain business-type activities, and irrevocable charitable trusts to the pre-agenda research portion of the Technical Plan.

The Technical Plan anticipates, in addition to the continued deliberation of projects on the GASB’s current technical agenda, the issuance of a final Concepts Statement on measurement and an Implementation Guide on Statement No. 68, *Accounting and Financial Reporting for Pensions.*

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 first third of 2014, which can be viewed or downloaded at the GASB website at [www.gasb.org](http://www.gasb.org).

***Current Agenda Projects***

***Conceptual Framework—Measurement***

***Primary Objective:*** The objective of this project 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 of financial statement elements.

***Looking Ahead:*** Redeliberation of issues raised by respondents to the June 2013 Exposure Draft of a proposed Concepts Statement, *Measurement of Elements of Financial Statements,* is scheduled to begin in January 2014. Once redeliberations have concluded and drafts of a proposed final document have been reviewed, the Board is scheduled to issue a final Concepts Statement on Measurement in March 2014.

***Conceptual Framework—Recognition***

***Primary Objective:*** This project has two primary objectives, which will be addressed in two subprojects. The objective of this project 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. This project ultimately will lead to a Concepts Statement on recognition of financial statement elements.

***Looking Ahead:*** This project remains on hold.

***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:*** This project remains on hold.

***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:*** Redeliberations of portions of the June 2013 Preliminary Views, *Fair Value Measurement and Application,* are due to begin in January 2014. Once redeliberations have concluded and drafts of a proposed Exposure Draft have been reviewed, the Board is scheduled to issue an Exposure Draft in the project 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* criteria 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; thus, there has been diversity in practice regarding the interpretation of governments’ fiduciary responsibilities.

***Looking Ahead:*** During the first third of 2014, the Board will consider liability recognition and requiring a combining statement of changes in assets and liabilities for agency funds, discuss issues relating to business-type activities and fiduciary fund types, and consider note disclosures. The Board is scheduled to issue an Exposure Draft in the project in September 2014.

***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 first third of 2014, the Board will discuss issues including lessee disclosures, lessor recognition and measurement, and lessor disclosures. The Board is scheduled to issue an Exposure Draft in the project in November 2014.

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

***Primary Objective:*** The Board will consider the possibility of 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. 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:*** During the first third of 2014, the Board will review the final remaining issues before issuing Exposure Drafts on employer and plan OPEB accounting and financial reporting and pensions not within the scope of Statement 68, which is scheduled for 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 was issued in September 2013. During the first third of 2014, the staff will develop material for the 2014–2015 guide.

***GAAP Hierarchy:*** This project considers 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 reviewed the remaining chapters of the current *Comprehensive Implementation Guide* and approved for issuance in January an Exposure Draft of a proposed Statement, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments.*

***Implementation Guide—Pension Accounting and Financial Reporting:*** The objective of this project is to publish guidance to assist pension plans, employers, and governmental nonemployer contributing entities as they prepare to implement Statement No. 67, *Financial Reporting for Pension Plans,* or Statement No. 68, *Accounting and Financial Reporting for Pensions.* In June 2013, the Board reviewed and cleared for issuance the *Guide to Implementation of GASB Statement 67 on Financial Reporting for Pension Plans.* During the final third of 2013, the staff developed additional material for the employer implementation guide, which was distributed to the GAAP Hierarchy Advisory Committee for review. The final employer guide is scheduled for issuance in January 2014.

***Tax Abatement Disclosures:*** The objective of this project is to determine what disclosure guidance for governments that have granted tax abatements, if any, is essential to financial statement users. The project will not consider guidance for programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The project also will not consider issues related to recognition. Deliberations will begin in the first third of 2014.

***Pre-Agenda Research***

***Asset Retirement Obligations:*** The initial objectives of this pre-agenda research are to (1) research the various types of asset retirement obligations currently encountered in practice and (2) determine whether current accounting and reporting requirements are sufficient or whether additional guidance is necessary. The research is designed to provide the Board with the information necessary to consider whether additional guidance is needed and, if so, support deliberations over developing specific accounting and financial reporting standards.

***Blending Requirements for Certain Business-Type Activities:*** The initial objectives of this pre-agenda research are to (1) research which method of reporting component units for business-type activities will best meet financial statement user needs and (2) consider the need for revisions to existing standards. The research will review the relevant portion of the standards contained in Statement No. 14, *The Financial Reporting Entity,* as amended by Statement No. 61, *The Financial Reporting Entity: Omnibus.* The research is intended to provide the Board with the information necessary to consider whether additional guidance is needed and, if so, support deliberations over developing specific accounting and financial reporting standards.

***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 Statements No. 35, *Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities,* No. 37, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus,* No. 41, *Budgetary Comparison Schedules—Perspective Differences,* and 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.

***Irrevocable Charitable Trusts:*** The initial objectives of this pre-agenda research are to (1) identify the types of irrevocable charitable trusts encountered in the government environment and (2) consider whether resources held for the exclusive benefit of governments in these irrevocable trusts meet the definition of an asset of the beneficiary governments. The research is intended to provide the Board with the information necessary to consider whether additional guidance is needed and, if so, support deliberations over developing specific accounting and financial reporting standards.

***Board Adds Project on Tax Abatement Disclosures to Current Technical Agenda***

In December, the Board voted unanimously to add a project on Tax Abatement Disclosures to the current technical agenda. The project was elevated from the pre-agenda research portion of the Technical Plan after consultation with the Governmental Accounting Standards Advisory Council.

The objective of this Tax Abatement Disclosures project is to determine what disclosure guidance for governments that have granted tax abatements, if any, is essential to financial statement users. For purposes of this project, 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. The project will not consider guidance for programs that reduce the tax liabilities of broad classes of taxpayers, such as senior citizens or veterans, and which are not the product of individual agreements with each taxpayer. The project also will not consider issues related to recognition.

Tax abatement programs are highly prevalent in the United States. Governmental entities in 44 states currently have some form of tax abatement program. The results of external research conducted under a Gil Crain Memorial Research Grant authorized by the GASB suggest that tax abatements are an issue of concern among citizen groups, elected officials, and municipal bond analysts and that each group desires to receive information about the level of abatement activity and the results of the abatement programs. However, the researchers found only a handful of states with statutes requiring any level of external reporting after tax abatements are granted. These findings indicate that there is an important information need that is largely unmet.

Constituents have periodically raised the possibility of a pronouncement requiring governments to disclose additional information about tax abatements. Current accounting and financial reporting standards do not require state and local governments to disclose information specifically related to tax abatements.

In September 2013, the GASB staff conducted interviews and received feedback from several dozen individuals responsible for keeping records on tax abatements within governments that had been identified as authorizing stand-alone tax abatements. This research indicates that governments generally do keep records on the type of information identified by users as being necessary for their decision making and assessment of a government’s accountability of stand-alone tax abatements that have been authorized.

Finally, some tax abatements, depending on how they are structured, do involve cash inflows and cash outflows. In these instances, the taxpayer first pays the taxes, and the government refunds, rebates, or credits the appropriate amount back to them once they have fulfilled their obligations associated with receiving the tax abatement. In other tax abatements, there is no flow of resources but rather a foregone cash inflow. In these instances, the taxpayer pays a tax amount that is net of the tax abatement authorized. However, this foregone flow of resources has affected the government’s net position. The project will consider issues including:

* What information about tax abatements, if any, should be disclosed in the notes?
* What costs, if any, might a government incur to collect information about tax abatements?

After the appointment of a task force and subsequent review of project history and relevant literature in the first quarter of 2014, Board deliberations are scheduled to begin in April with a discussion of criteria for identifying the types of tax abatements that would be within the scope of the project. Issuance of an Exposure Draft is scheduled for October 2014.

***New Electronic Publications to Replace Print Edition of The GASB Report***

In an effort to keep our stakeholders informed about the important work the GASB does and to do this in a timely and engaging way, the Financial Accounting Foundation is in the final stages of preparing the launch of our new quarterly electronic publication. In addition, *The GASB Report* will become an electronic publication. Both will be offered free-of-charge.

Each electronic issue of the quarterly electronic publication will feature about half a dozen short articles and videos focusing on what to watch for in terms of upcoming proposals and standards. It also will decode what you need to know, what the expected impact will be . . . and will do it in plain English.

*The GASB Report* is being discontinued as a printed publication and is being relaunched in a new periodic electronic form with a focus on technical issues and developments. In its new format, *The GASB Report* will provide subscribers with access to need-to-know information.

Together, these companion electronic publication services will replace the traditional monthly print edition of *The GASB Report.*

Because this will be the final printed issue of *The GASB Report,* it is important that you register for the new electronic quarterly publication and periodic notification service by visiting [www.gasb.org/signup](http://www.gasb.org/signup).

By registering for these free subscription services, you will be well-positioned to keep on top of all the latest GASB developments.

Please take a moment to register today.

***Final Policy on GASB Scope of Authority***

In November, the Financial Accounting Foundation (FAF) Board of Trustees adopted a new policy that establishes a process for assessing information the Governmental Accounting Standards Board (GASB) may incorporate into the accounting and financial reporting concepts, standards, and guidance that it issues for state and local governments.

The new policy, described in *GASB Scope of Authority: Consultation Process Policy,* outlines a pre-agenda consultation process for the GASB and the FAF’s Standard-Setting Process Oversight Committee to follow in determining whether certain information the GASB might consider for standard-setting activity is “financial accounting and reporting information” within the scope of the GASB’s standard-setting mission. The GASB’s and the Oversight Committee’s scope considerations will be based on accounting and financial reporting characteristics currently in the GASB’s Concepts Statements. The consultation will not focus on a specific standard-setting project.

The final policy revised the original proposal so that the GASB would consult with the Oversight Committee in the pre-agenda research phase. The policy clarifies that the Trustees’ authority lies in their oversight responsibility and their authority to determine whether information constitutes “financial accounting and reporting information.” It reiterates that the Trustees will have no involvement in setting the GASB’s agenda or in the GASB’s independent standard-setting process.

“In our initial proposal, stakeholders were concerned that the proposed process could involve the Trustees inappropriately in the GASB’s agenda setting and interfere with the GASB’s standard-setting process and independence,” said FAF Chairman Jeffrey J. Diermeier. “The consultation policy clarifies that the Trustees’ authority lies in their oversight responsibility, and in their authority to determine whether information constitutes financial accounting and reporting information. Consultation in the pre-agenda phase limits the Trustees’ involvement to advising and counseling the GASB about whether information it is considering for standard-setting activity is within the context of financial accounting and reporting.”

GASB Chairman David A. Vaudt said “The GASB is pleased that the Trustees addressed stakeholder concerns and established a consultation process based on the GASB’s Concepts Statements. The final policy strikes the right balance by maintaining the independence of the GASB, while ensuring appropriate oversight by the Trustees.”

***Information Classified into Three Groups***

Under the final policy, the GASB will classify governmental financial information as follows:

* Group 1: Information that the GASB assesses is clearly within its standard-setting authority that meets the objectives, and has the characteristics, of governmental financial reporting currently described in Concepts Statement No. 1, *Objectives of Financial Reporting,* and Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements;*
* Group 3: Information that the GASB assesses as clearly outside GASB’s standard-setting authority (such as information that has no relationship to information presented in general purpose external financial reporting, or does not meet at least one of the objectives of governmental financial reporting as defined in Concepts Statements 1 and 3); and
* Group 2: Information that does not clearly possess the characteristics of Group 1 or 3 but that meets at least one of the objectives of governmental financial accounting currently set forth in the GASB’s existing Concepts Statements 1 and 3.

When the GASB believes that certain Group 2 information it is considering for standard-setting activities is within its scope, the policy provides that the GASB and the Oversight Committee consult on whether the information constitutes “financial accounting and reporting information.” The GASB and the Oversight Committee will consider the classification of Group 2 information based on characteristics currently contained in the GASB’s Concepts Statements.

Previously issued GASB concepts, standards, and guidance are not subject to the additional consultation process unless the GASB expands the scope of existing concepts, or expands or reclassifies the information covered by existing standards or guidance.

The final policy is available on the FAF website, www.accountingfoundation.org.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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