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

***No. 314 / May 2011***

*(The GASB Report No. 276)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***June 27–29***

***August 17–19***

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 GASB will meet with the Governmental Accounting Standards Advisory Council on June 29–30 in Norwalk. Finally, the FAF Trustees will meet on August 23 in New York City.

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.

***User Guide Series Update Under Way***

The GASB’s user guide series, which introduces the financial reports of state and local governments to a broad, nonaccountant audience, is currently being revised and updated for publication. The *What You Should Know* guides—originally published in 2000–2001—provide a comprehensive, easy-to-read introduction to the annual financial reports of local governments, school districts, and—new for 2011—business-type activities, such as utilities, hospitals, and colleges. The titles in the revised series will be:

• *What You Should Know about Your Local Government’s Finances*

• *What You Should Know about Your School District’s Finances*

• *What You Should Know about Your Government’s Business-Type Activities*

• *An Analyst’s Guide to Government Financial Reports.*

The 2011 editions of the first three guides will cover more note disclosures and supporting information and include the major new pronouncements issued since the publication of the original guides, including those on other postemployment benefits, derivative instruments, and fund balance.

*An Analyst’s Guide,* which is aimed at experienced, regular users of governmental financial statements, will update and combine the current guide with *What Else You Should Know about a Government’s Finances,* the GASB’s guide to notes and supporting information, to create a comprehensive updated guide to the full financial report.

The 2011 editions of the guides are scheduled for publication during the summer and fall.

The new guides will be available in the store section of the GASB website, www.gasb.org/store, by clicking on the User Guides item in the menu on the left-hand side of the screen.

***Board Meeting Summary***

The GASB met via teleconference on May 3 to discuss issues associated with its projects on pension accounting and financial reporting, deferred inflows of resources and deferred outflows of resources, and the user guide series.

The Board also held a public meeting on May 23–25 in Washington, D.C. to discuss issues associated with its projects on pension accounting and financial reporting, the statement of net position, fiscal sustainability as it relates to economic condition reporting, the user guide series, government combinations, derivatives, and deferred inflows of resources and deferred outflows of resources. Due to publication deadlines, details of those deliberations 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 on pension accounting and financial reporting, the Board made tentative decisions regarding requirements for presentation of pension information in required supplementary information (RSI) by cost-sharing employers and by governmental nonemployer contributing entities. The Board considered additional issues related to application of the entry age normal actuarial cost method and the impact of earlier tentative Board decisions related to the timing of pension measurements on pension plan financial statements.

With regard to RSI for cost-sharing employers, the Board tentatively agreed to propose that cost-sharing employers with no special funding situations be required to present the following:

• A 10-year schedule of changes in the net pension liability *at the collective level* presenting the total pension liability and plan net position at the beginning of the period, components of the current-period change, and the ending period balances of the total pension liability and plan net position.

• A set of 10-year schedules presenting the following:

– *At the collective level:* the total pension liability, the amount of the plan trust’s net position, the net pension liability, the plan trust’s net position as a percentage of the total pension liability, covered payroll, and the net pension liability as a percentage of covered payroll

– *At the individual-employer level:* the employer’s proportionate share (percent) of the collective net pension liability, the employer’s share (amount) of the collective total pension liability, the employer’s share (amount) of the collective amount of the plan trust’s net position, the employer’s share (amount) of the collective net pension liability, the employer’s covered payroll, and the employer’s share of the collective net pension liability as a percentage of the employer’s covered payroll.

• A set of 10-year schedules—one at the collective level and one at the individual-employer level—presenting the actuarially calculated employer contribution, if one is determined; the contractually required contribution, if different; employer contributions made; the difference between the actuarially calculated contribution and actual contributions made; covered payroll; and contributions made as a percentage of covered payroll. If not otherwise disclosed, significant methods and assumptions used in determining the actuarially calculated contributions should be presented as notes to the schedule.

For cost-sharing employers that have special funding situations, the Board tentatively agreed to propose that the same information as for cost-sharing employers with no special funding situations be presented, with the addition of the certain information in the individual-employer level schedules, as follows:

• A 10-year schedule of changes in the net pension liability *at the collective level* presenting the total pension liability and plan net position at the beginning of the period, components of the current-period change, and the ending period balances of the total pension liability and plan net position.

• A set of 10-year schedules presenting the following:

– *At the collective level:* the total pension liability, the amount of the plan trust’s net position, the net pension liability, the plan trust’s net position as a percentage of the total pension liability, covered payroll, and the net pension liability as a percentage of covered payroll

*– At the individual-employer level:*

 Amounts *before the support of the other entity:* the employer’s proportionate share (percent), the employer’s share (amount) of the collective total pension liability, the employer’s share (amount) of the collective amount of the plan trust’s net position, and the employer’s share (amount) of the collective net pension liability

 The reduction in the employer’s share (amount) of the net pension liability for the portion that is assumed by the other entity

 The net pension liability recognized by the employer

 The employer’s proportionate share (percent) of the net pension liability after the other entity’s support

 The employer’s covered payroll

 The employer’s recognized net pension liability as a percentage of the employer’s covered payroll.

• A set of 10-year schedules—one at the collective level and one at the individual-employer level—presenting the actuarially calculated employer contribution, if one is determined; the contractually required contribution, if different; employer contributions made, separately identifying contributions made directly by the employers, amounts contributed by nonemployer entities, and the total contributions made by employers and nonemployer entities; the difference between the actuarially calculated contributions and actual contributions made; covered payroll; and contributions made as a percentage of covered payroll. If not otherwise disclosed, significant methods and assumptions used in determining the actuarially calculated contributions should be presented as notes to the schedule.

With regard to RSI for governmental nonemployer contributing entities that report a portion of the net pension liability of the employer(s) assumed as a result of their legal requirement to contribute to a pension plan, the Board tentatively agreed to propose that a 10-year schedule be presented by the nonemployer entity that includes for each year the following, aggregated for the entity’s involvement in all such benefit arrangements: (1) the total amount of the net pension liabilities recognized by the entity as a result of pension support to employers and (2) the amount of on-behalf contributions made by the nonemployer entity as support for pension benefits of others.

Regarding the entry age normal actuarial cost method, the Board tentatively affirmed its prior decision to exclude for accounting and financial reporting purposes applications of the cost method that assign future service costs in amounts that are a different percentage of pay than service costs assigned to past periods. The Board also tentatively affirmed its prior tentative decision to propose that the effects of all benefit changes be recognized by employers in pension expense in the period of the change.

On the topic of the timing of the measurement of plan net position for purposes of employer recognition of a net pension liability (asset), the Board tentatively affirmed its prior decision to propose that such measures be determined as of the employer’s year-end.

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

Continuing deliberations on the deferred inflows and deferred outflows of resources omnibus project, the Board reviewed staff analysis of regulated activities and other remaining project issues including the major fund calculation, order of liquidity presentation, classification of current versus noncurrent, the appropriate use of the term *deferred,* and the effective date of the Statement.

The Board deliberated whether certain regulatory liabilities and regulatory assets should continue to be classified as an asset or liability, be reclassified as deferred outflows or deferred inflows of resources, or be recognized as an outflow or inflow of resources in the current period. The Board considered feedback and examples received from the deferrals project task force as well as input from a group of auditors and preparers familiar with financial statements for regulated business-type activities.

The Board tentatively concluded that the following items should be classified in the listed categories:

*Assets*

• Capitalized incurred costs related to regulated activities (Statement 62)

*Liabilities*

• Refunds imposed by a regulator (Statement 62)

*Deferred Inflows of Resources*

• Revenues generated by current rates intended to recover costs that are expected to be incurred in the future (Statement 62)

• Gains or other reductions of net allowable costs intended to reduce rates over future periods (Statement 62).

In addition, the Board tentatively agreed that the criteria for major fund determination should be proposed to be amended to combine deferred outflows of resources with assets and deferred inflows of resources with liabilities in the calculation of major funds. The combined total of deferred outflows of resources with assets and the combined total of deferred inflows of resources with liabilities of an individual governmental or enterprise fund would be compared to the corresponding total for all funds of that category or type (that is, total governmental or total enterprise funds) using the 10 percent threshold. In addition, the combined total of deferred outflows of resources and assets and the combined total of deferred inflows of resources and liabilities of an individual governmental fund or enterprise fund would be compared to the corresponding total for all governmental enterprise funds combined using the 5 percent threshold.

The Board tentatively agreed that the proposal should not include specific guidance regarding the order of liquidity and classification of current versus noncurrent for deferred outflows and deferred inflows of resources. The Board also tentatively concluded to propose that the use of the term deferred be limited to the financial statement elements of deferred outflows and deferred inflows of resources.

Finally, the Board tentatively agreed that the effective date of the project should be proposed for periods beginning after June 15, 2012.

***The User Guide Series***

The Board discussed a draft of an updated and revised version of the GASB User Guide, *What You Should Know about Your Local Government’s Finances: A Guide to Financial Statements.* The Board commented on the level of prior knowledge necessary to read and understand the guide, which is intended for laypersons with no prior knowledge of governmental accounting, and identified certain portions that could be further revised to make them less complex. The Board also discussed the schedule for revising and reviewing the remaining user guides.

***GASB Podcasts Examine Elements of Pension Project***

The GASB has posted a series of podcasts to its website that provide an overview of the Board’s tentative decisions on the key elements of measuring an employer’s total pension liability that are expected to be included in an Exposure Draft of a proposed Statement, *Accounting and Financial Reporting for Pension Benefits by Employers and by Nonemployer Contributing Entities.*

The brief audio presentations examine:

• Projecting benefit payments

• Discounting projected benefit payments

• Attributing benefits to periods.

The podcasts are available at www.gasb.org by clicking on the Podcast menu item under the Education tab. Additional information about the GASB’s reexamination of its standards on pension accounting and financial reporting is available on the GASB website by clicking on the Current Projects menu item under the Projects tab.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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