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

***No. 320 / November 2011***

*(The GASB Report No. 282)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***December 13–15***

***January 24–26***

The GASB also is scheduled to meet via **teleconference** on **January 4** and **February 9.** 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.

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.

***FAF Trustees Reappoint Jan Sylvis to the GASB***

The Financial Accounting Foundation (FAF) has announced that Jan I. Sylvis has been appointed to a second five-year term as a member of the GASB beginning July 1, 2012. The reappointment was made by the FAF Board of Trustees, which oversees the activities of the GASB and the Financial Accounting Standards Board.

Appointed to her first term with the GASB on July 1, 2007, Ms. Sylvis has served as the chief of accounts for the state of Tennessee since 1995. She functions as the state’s controller and manages the state’s centralized accounting system. Ms. Sylvis has held a variety of senior accounting positions with the state dating back to 1979, including director of auditing and consulting services. She is a past president of the National Association of State Auditors, Comptrollers and Treasurers and the National Association of State Comptrollers. In addition, Ms. Sylvis was a member of the American Institute of Certified Public Accountants’ State and Local Government Expert Panel.

Ms. Sylvis is a certified public accountant and has authored numerous articles about government financial matters. She holds a bachelor’s degree in business administration from the University of Memphis.

FAF Chairman Jack J. Brennan said, “Ms. Sylvis has been a tremendous asset to the GASB. Her extensive knowledge of state and local governments and their financial issues is well demonstrated in her work and will continue to serve the GASB and its constituents well.”

Robert H. Attmore, chairman of the GASB, added, “Jan brings an indispensable talent to the GASB team and has displayed a steadfast commitment to improving financial reporting throughout her tenure. I am pleased that she will continue to serve as a valued colleague on the GASB.”

Ms. Sylvis’s new five-year term extends until June 30, 2017.

***Board Meeting Summary***

The GASB held a public meeting on November 8 and 9 in Norwalk, Connecticut to discuss issues associated with its projects on financial projections related to economic condition reporting, pension accounting and financial reporting, government combinations, other postemployment benefits accounting and financial reporting, recognition and measurement approaches under its conceptual framework, financial guarantees, and measurement and application of fair value. The Board and staff also met on November 10 at the LaGuardia Plaza Hotel in New York City with members of the American Institute of Certified Public Accountants’ State and Local Government Expert Panel to discuss issues of mutual interest. No conclusions were reached at that meeting.

The Board also met via teleconference on November 29 to discuss the ballot draft of the Preliminary Views, *Economic Condition Reporting: Financial Projections.* Due to publication deadlines, details of the deliberations are not presented in this issue of *The GASB Report* but will be highlighted in the next issue.

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

The Board discussed the preballot draft of the Preliminary Views, *Economic Condition Reporting: Financial Projections.* Revisiting its previous tentative agreement that projections of major individual cash outflows should be presented by program or function, in light of a Board member proposal on that issue, the Board tentatively agreed that the Preliminary Views should include a proposal that would allow projections of major individual cash outflows to be presented by object (for example, personnel, contracts, or utility costs) as an alternative to the function or program format.

The Board also had previously tentatively agreed that financial projections and related narrative discussions should be reported for the primary government, including both governmental activities and business-type activities with subtotals for governmental activities and business-type activities and totals for the entire primary government. Again, after consideration of a Board member proposal, the Board tentatively agreed that the Preliminary Views should include a proposal that subtotals also be provided for the general fund and other governmental activities.

***Pension Accounting and Financial Reporting***

In its project addressing pension accounting and financial reporting, the Board discussed a tentative plan for the completion of the project relating to pensions that are provided through qualified trusts or equivalent arrangements. This plan included a high-level overview of the issues raised during the comment period on the Exposure Drafts, *Accounting and Financial Reporting for Pensions,* and *Financial Reporting for Pension Plans,* and presented a tentative timeframe for addressing these issues.

The Board tentatively agreed to begin deliberating project scope and plan definition issues raised by respondents at its December 2011 meeting. In addition, the Board reviewed a summary of feedback from the field tests that were conducted during the comment period for the Exposure Drafts. While no related tentative decisions were reached, the Board will refer to the field test results as individual topics are discussed going forward.

***Government Combinations***

In its project addressing government combinations, the Board initially considered several matters related to acquisition arrangements. The Board first considered whether explicit measurement guidance for specific assets and liabilities acquired in government acquisition should be included in the proposed standard and discussed possible measurement methods for receivables, bonds, notes payable, capital assets, intangible assets, and infrastructure. The Board tentatively agreed that it is not necessary to include explicit descriptions about measurements for these items.

The Board tentatively concluded that liabilities for employee benefits, municipal solid waste landfill closure/post-closure care liabilities, and pollution remediation obligations should be determined using existing GAAP when accounting for government acquisitions.

Turning to the issue of attribution periods for deferred outflows of resources resulting from differences between the financial consideration paid or given and the net assets acquired, the Board tentatively agreed that deferred outflows of resources in this situation should be attributed to future periods in a systematic and rational manner based on the relevant circumstances of the acquisition and determined by professional judgment. The Board also tentatively agreed that the proposed guidance should require subsequent review and revision of estimates used for amortization periods.

The Board next considered several topics relating to working definitions of project terms. The Board tentatively agreed that:

• The term *government merger* should replace the term *government consolidation,* as previously defined in this project.

• The working definition for the term *government acquisitions* should be: “transactions in which a government acquires another entity in exchange for significant financial consideration.”

• The working definition for the term *government combinations* should be: “*government mergers, government acquisitions* and other combinations. Other combinations include (1) reorganizations or annexations that include transfers of assets and liabilities between two or more legally separate governments that will continue to exist and (2) shared service arrangements in circumstances in which governments jointly agree to provide services and transfer resources to either new or existing legally separate entities in order to provide those services.”

In considering topics related to the description of financial consideration, the Board tentatively agreed that the proposed guidance should specify that combinations should not be regarded as *government acquisitions* for situations in which the only form of consideration is the assumption of liabilities. Finally, the Board tentatively agreed on use of the phrase *significant financial consideration* as a qualitative characteristic of financial consideration that is necessary for the application of acquisition accounting.

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

The Board reviewed the results of the staff research on other postemployment benefits (OPEB) accounting and reporting using Comprehensive Annual Financial Reports and considered some conceptual issues related to accounting and financial reporting for other postemployment benefits.

The Board tentatively agreed that an employer’s obligation for OPEB meets the definition of a liability in Concepts Statement No. 4, *Elements of Financial Statements.* Furthermore, the Board tentatively agreed that the liability for OPEB is measurable with sufficient reliability and meets the criteria for recognition in financial statements.

Acknowledging that different decisions may be reached for OPEB than were reached for pensions, the Board tentatively agreed to consider at future meetings issues related to measurement of the liability and recognition in expense.

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

The staff provided the Board with constituent comments received on the Preliminary Views, *Recognition of Elements of Financial Statements and Measurement Approaches.* The comments presented to the Board related to the overall project, to the economic resources measurement focus and the related recognition concepts for deferred outflows of resources and deferred inflows of resources, and to measurement approaches.

Noting a low volume of responses for proposed recognition concepts, the Board considered several options for proceeding with the project and tentatively decided not to split the recognition and measurement concepts into separate projects at this time.

The Board further tentatively concluded that it had not received sufficient feedback, particularly from financial statement users, to move the project forward. The Board requested that the staff draft questions seeking additional user feedback on the Preliminary Views for consideration at the December meeting.

***Financial Guarantees***

The Board continued discussions on issues regarding the recognition of financial guarantees of a government that extends a financial guarantee as a result of a nonexchange transaction.

The Board tentatively agreed that a guarantee that is legally enforceable or is a constructive commitment meets the definition of an obligation. In addition, the Board tentatively agreed that a guarantee becomes a liability of a government extending the guarantee when qualitative factors indicate that it is more likely than not that a payment will be made as a result of the guarantee.

***Fair Value—Measurement and Application***

The Board continued deliberations for the fair value measurement and application project with specific focus on markets and orderly transactions.

In relation to markets, the Board tentatively agreed that fair value is a market-based measurement, rather than an entity-specific measurement. In addition, the Board tentatively agreed that fair value should be based on a government’s principal market or, when there is not a principal market, on the government’s most advantageous market. Using the Financial Accounting Standards Board and International Accounting Standards Board’s definition of fair value as a starting point for the development of a fair value definition, the Board tentatively agreed to propose that a revised GASB definition should no longer refer to willing parties but to market participants.

With respect to orderly transactions, the Board tentatively agreed to propose that a revised definition of fair value refer to orderly transactions as defined by the FASB and the IASB. Finally, the Board tentatively agreed that in order to address adverse market circumstances adequately, a fair value standard should include how a fair value measurement should consider the effect of a decrease in volume or level of activity, what factors might suggest a decline in activity, and how a market or quoted price may be adjusted if that price does not represent fair value.

***FAF Appoints New Members to Its Board of Trustees***

The FAF has announced that Paul G. Camell, W. Daniel Ebersole, and Michelle R. Seitz have been appointed to its Board of Trustees. The new trustees will each serve a five-year term that begins January 1, 2012. The FAF is the independent, private-sector organization responsible for the oversight of the FASB and the GASB.

“The FAF Board of Trustees is proud to welcome its newest Board members Paul, Dan, and Michelle,” said FAF Chairman John J. Brennan. “Their wide-ranging experience and extensive financial backgrounds will add significant value to the Trustees as we work to support the FASB and GASB’s mission of independent and open standard setting.”

Paul G. Camell is executive vice president of mergers & acquisitions and chief administrative officer for CDM, a global consulting, engineering, construction, and operations firm. He previously served as the firm’s chief financial officer and senior vice president of finance.

Dan Ebersole served as the state treasurer for the state of Georgia from 1997 to 2010, and was responsible for investing more than $14 billion of state and local government funds and administering two local government investment pools. Mr. Ebersole has more than 30 years of experience in both the executive and legislative branches of Georgia state government and served as a member of the GASAC from 2003 to 2010. He was chairman of the GASAC from 2008 until 2010.

Michelle R. Seitz is a member of the Executive Committee of William Blair & Company, L.L.C. She has more than 24 years of investment experience and leads William Blair Investment Management, consisting of the institutional, mutual fund, and private wealth management businesses.

***GASAC Members Appointed***

The Financial Accounting Foundation (FAF) Trustees approved the appointment of five new members of the Governmental Accounting Standards Advisory Council (GASAC), who will begin two-year terms on January 1, 2012. The five new members are:

• Jacqueline L. Reck, professor of accounting, School of Accountancy, University of South Florida, representing the American Accounting Association

• Odd Stalebrink, associate professor of public administration, School of Public Affairs, Pennsylvania State University, representing the Association for Budgeting and Financial Management

• Joseph Stefko, director of public finance, Center for Governmental Research, representing the Governmental Research Association

• Charles A. Tegen, comptroller, Clemson University, representing the National Association of College and University Business Officers

• Glen Whitley, Tarrant County judge, Texas, representing the National Association of Counties.

“We are proud to welcome Jacqueline, Odd, Joseph, Charles, and Glen to the GASAC,” said Martin J. Benison, chairman of the GASAC. “Their deep and broad experience will be valuable in providing the GASB with feedback toward setting high-quality state and local government financial reporting standards,” he said.

Robert H. Attmore, chairman of the GASB stated, “The GASAC plays an important advisory role in the development of GASB standards and guidelines. We look forward to the advice and counsel of the incoming GASAC members as we work to improve financial reporting for state and local governments.”

In addition to the five new member appointments, the FAF also has approved the reappointment of the following GASAC members for two-year terms covering 2012 and 2013:

• Martin J. Benison, comptroller of the Commonwealth of Massachusetts, representing the National Association of State Auditors, Comptrollers and Treasurers

• Eric S. Berman, partner, Brown Armstrong, representing the Association of Government Accountants

• Dominic Colafati, chief budget examiner, state of New York budget division, representing the National Association of State Budget Officers

• Mary Kay Cooney, vice president, First Southwest, representing the National Federation of Municipal Analysts

• Vance Holloman, deputy treasurer, state of North Carolina, at-large seat

• Jim Reardon, commissioner of finance and management, state of Vermont, representing the National Governors Association

• Pat Robertson, executive director, Public Employees’ Retirement System of Mississippi, representing the National Association of State Retirement Administrators

• Gary VanLandingham, director, Results First, The Pew Center on the States, representing the National Conference of State Legislatures

• Mindy Willis, director, accounting services, Orlando Utilities Commission, Florida, representing the American Public Power Association.

The FAF expects to announce one additional appointment before the end of the year.

***GASAC Meeting—November 2011***

Members of the Governmental Accounting Standards Advisory Council (GASAC) met on November 10 and 11 in East Elmhurst, New York. The Council’s agenda included updates on the activities of the FAF and on projects on the GASB’s current technical agenda.

GASAC members advised the Board on issues associated with several projects, offered input on tentative decisions made by the GASB, and provided feedback on open questions that the Board will address in the future.

With respect to the project on government combinations, GASAC members provided input on issues including the Board’s tentative decisions regarding combinations both with and without financial consideration, issues scheduled for future project deliberation, such as the types of assets and liabilities reported by governments that should be excluded from fair value measurement when financial consideration is paid in an acquisition, and on additional issues for Board consideration, including disposals of a segment of a business and spin-offs.

GASAC members also provided feedback on the fair value measurement and application project with respect to issues such as whether the Financial Accounting Standards Board’s definition of fair value as defined in Accounting Standards Codification Topic 820, Fair Value Measurement, should serve as a starting point for development of a comprehensive fair value definition, and regarding fair value measurement of alternative investments, including private placements, hedge funds, and derivative instruments.

Regarding the financial guarantees project, members of the GASAC offered input on issues including the Board’s tentative decisions regarding certain scope issues, including application to component units, exchange-based financial guarantees, and recognition and measurement issues related to measurement of nonexchange-based guarantees extended by a guarantor government. GASAC members also shared their views on disclosure information for related notes to the financial statements.

Members of the GASAC also provided feedback on the Board’s lease accounting and financial reporting research project. In anticipation of the Board’s consideration of whether this project should be moved to the GASB’s current technical agenda, the staff is assembling information identifying potential issues to be addressed. GASAC members shared their views regarding the types of government-specific leasing issues the Board should be considering as it prepares to reexamine issues associated with leases and considers improvements to existing guidance.

Finally, members of the GASAC offered their advice regarding the GASB’s role in electronic financial reporting and what the nature of the Board’s role should be going forward in the development and evolution of this area for state and local governments.

In addition, the five outgoing members of the GASAC, whose terms will conclude on December 31, 2011, were recognized for their many contributions at the November GASAC meeting:

• Jane Driskell, commissioner/chief financial officer, City of Lexington, Kentucky, representing the U.S. Conference of Mayors

• Eric Lupher, director of local affairs, Citizens Research Council of Michigan, representing the Governmental Research Association

• Sue Menditto, director, Accounting Policy, NACUBO, Washington, D.C., representing the National Association of College and University Business Officers

• Mark D. Robbins, associate professor of public policy, University of Connecticut, representing the Association for Budgeting and Financial Management

• G. Robert Smith, associate professor of accounting, Middle Tennessee State University, representing the American Accounting Association.

The next GASAC meeting is scheduled for March 8 and 9 in Norwalk, Connecticut. Additional information about the projects referenced above is available at www.gasb.org.

***About the GASAC***

The GASAC is responsible for consulting with the GASB on technical issues on the Board’s agenda, project priorities, matters likely to require the attention of the GASB, and other such matters as may be requested by the GASB or its chairman. The GASAC’s 30 members are appointed by the FAF Trustees primarily from nominations by GASB constituent groups and are broadly representative of the preparers, auditors, and users of state and local governmental financial information.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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