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

***Technical Plan***

*No. 306 / September 2010*

*(The GASB Report No. 268)*

***GASB Calendar***

The GASB has scheduled the following public meeting dates:

***October 25 and 26, and October 28 (East Elmhurst, NY)***

***December 7–9***

The GASB also is scheduled to meet via **teleconference** on **November 17** and **December 29.** 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 be holding a public hearing on pensions on October 27 and meeting with the Governmental Accounting Standards Advisory Council on October 28 and 29 in East Elmhurst, New York (Crowne Plaza Hotel at LaGuardia Airport).

Finally, a meeting of the FAF’s Board of Trustees will be held on November 16 in Norwalk.

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.

***GASB Requests Input on Emerging Issues***

Although some of the GASB’s time is spent monitoring practice for developing issues in governmental accounting and financial reporting, those who prepare, audit, and use governmental financial statements are best positioned to identify potential practice issues when they arise. As a result, the Board depends on its constituents to help identify emerging issues that may require its attention. The GASB’s agenda is full; however, the Board remains committed to addressing important emerging issues that are faced by state and local governments as they arise.

***How Issues Come to the Board’s Attention***

The GASB has several processes in place that assist its staff in identifying emerging issues. These include the activities of its advisory council, the Governmental Accounting Standards Advisory Council (GASAC), which meets three times a year to, among other things, consider whether there are matters that the GASB should investigate. Constituents also indirectly help the GASB identify potential issues when they contact its staff with questions about its standards. The GASB tracks the technical inquiries that it receives, and if a number of questions about a particular topic are posed, the Board, GASAC, and staff consider whether there may be an issue that requires further consideration.

In addition to these procedures, the GASB encourages constituents to notify its staff if issues come to their attention, including raising those issues at constituent liaison meetings and presentations made by the Board members and staff at conferences around the country.

***How to Notify the GASB of Potential Accounting Issues***

If you are aware of new issues for which accounting and financial reporting guidance is needed or any issues with the interpretation or implementation of GASB standards or with the financial reporting information that results from application of existing guidance, please let the GASB know. Potential concerns can be sent via email to the GASB’s Director of Research and Technical Activities at director@gasb.org. Alternatively, a letter can be sent to:

Director of Research and Technical Activities

GASB

401 Merritt 7

PO Box 5116

Norwalk, CT 06856-5116

When submitting a description of an issue, please be sure to include your name and contact information so that the staff can follow up with you. Matters brought to the GASB’s attention will be explored by the staff and, based on the results of that review, may be considered either for addition as a project on the GASB’s technical agenda along with competing projects or for inclusion in a question and answer in the GASB *Comprehensive Implementation Guide.*

***Board Meeting Summary***

The GASB met via teleconference on August 27 to conclude its discussion of the technical plan for the final-third of 2010 and to discuss its projects on fiscal sustainability as it relates to economic condition reporting, pension accounting and financial reporting, and codification of pre-November 30, 1989 FASB and AICPA pronouncements.

The Board also met on September 14–16 to discuss issues associated with codification of pre-November 30, 1989 FASB and AICPA pronouncements, the Statement 14 reexamination (financial reporting entity), the statement of net position, pension accounting and financial reporting, service concession arrangements, fiscal sustainability as it relates to economic condition reporting, and recognition and measurement attributes under the conceptual framework. Due to publication deadlines, details of those deliberations are not described in this issue of *The GASB Report,* but they will be discussed in the next issue.

***Technical Plan***

Continuing its discussion of the proposed technical plan for the final-third of 2010, the Board resumed consideration of issues surrounding the request for reexamination of the accounting for hedge terminations, which was submitted just prior to the August public meeting. Specifically, the Board considered the application of termination provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* to interest rate swaps that involve bankrupt counterparties.

The Board tentatively concluded that the issue could be addressed in a narrow scope practice project to clarify how to address assignments and in-substance assignments that would not result in the reexamination of Statement 53. After considering Board members’ views, the chairman accepted the Board’s recommendation that a practice issue project on this topic be added to the current technical agenda.

***Economic Condition Reporting—Fiscal Sustainability***

The Board resumed its deliberation of the definition of fiscal sustainability as it relates to the project on economic condition reporting and reached tentative agreement on how the term should be defined. Under the Board’s tentative agreement, fiscal sustainability is defined as “a government’s ability and willingness to generate inflows of resources necessary to honor current service commitments and to meet financial obligations as they come due, without transferring financial obligations to future periods that do not result in commensurate benefits.”

***Pension Accounting and Financial Reporting***

The Board addressed a number of issues related to financial statement recognition of assets by defined benefit pension plans. In reexamining the provisions of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans,* the Board reached the following tentative decisions:

• Receivables should not be recognized solely based on evidence of a formal commitment.

• Requirements related to recognition of long-term receivables should be carried forward from Statement 25 to the plan Exposure Draft.

• Requirements related to recognition of investments, including recognition at fair value and the definition and related discussion of fair value should be carried forward from Statement 25 to the plan Exposure Draft.

***Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements***

The Board began redeliberations on the Exposure Draft, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* based on comments received from respondents. The Board addressed due process comments received during the comment period, which ended July 31, which were categorized into four groupings: General Disagreement, Disagreement with the Inclusion or Exclusion of Certain Provisions, Guidance Included in the Proposed Statement Considered by Respondents to Be in Conflict with GASB Standards, and Comments Seeking Guidance or Clarification.

The Board tentatively decided to add a sentence in the summary of the proposed Statement further clarifying the Statement’s effect on paragraph 7 of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting,* that is, that FASB pronouncements issued after November 30, 1989 that do not conflict with or contradict GASB pronouncements would still be considered “other accounting literature.” The Board is scheduled to continue its discussion of respondents’ comments and deliberate on changes to the proposed Statement recommended by the staff at the September public meeting.

An overview of the GASB’s current technical agenda

***GASB Current Technical Agenda: Overview*** (As of 8/30/10)

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

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

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 and Measurement Attributes Ken Schermann 206

 Kathryn Price 303

Economic Condition Reporting— 4Q11 TBD TBD Lisa Parker 351

 Fiscal Sustainability Dean Mead 294

 Dan Brown 308

 Jay Fountain (consultant)

Postemployment Benefits Accounting 3/09 — — 2Q11 2Q12 Karl Johnson 253

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 Pension Accounting and Financial Scott Reeser 448

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 Cheryl Cochet 227

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 Ken Schermann 206

Service Concession Arrangements — 6/09 — — 4Q10 Todd Webster 441

 6/10 Roberta Reese 324

 Matthew Pelton 228

 Ken Schermann 206

*\*(203) 847-0700*

*DM: Discussion Memorandum ED: Exposure Draft Final: Statement, unless otherwise noted*

*ITC: Invitation to Comment PV: Preliminary Views RED: Revised Exposure Draft*

*TBD: To be determined*

***GASB Current Technical Agenda: Overview*** (As of 8/30/10)

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

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

**Practice Issues:**

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Derivatives: Application of — — — 4Q10 2Q11 Randy Finden 240

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Statement of Net Position — — — 4Q10 2Q11 Ken Schermann 206

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User Guide Series — — — — 2Q11 Dean Mead 294

 Kip Betz 201

*\*(203) 847-0700*

*DM: Discussion Memorandum ED: Exposure Draft Final: Statement, unless otherwise noted*

*ITC: Invitation to Comment PV: Preliminary Views TB: Technical Bulletin*

***Technical Plan for the Final Four Months of 2010***

In August, the Board reviewed its final-third 2010 technical plan and provided input to the GASB chairman. After considering Board members’ views and the views previously stated by the Governmental Accounting Standards Advisory Council members, the chairman approved the technical plan.

***New Practice Issue, User Guide Update Added to Final-Third Technical Plan***

While the final-third technical plan does not include additions to the roster of research projects, it does include a new practice issue related to derivative instruments regarding the accounting for hedge terminations and an update to the GASB User Guide Series, a series of nontechnical guides designed to introduce users to the financial reports of state and local governments. User guides are not Board documents and are not cleared by the Board; however, the Board members review the guides prior to issuance and provide input to the final products.

The technical plan anticipates, in addition to the continued deliberation of projects on the GASB’s current technical agenda, the issuance an Exposure Draft on the statement of net position project; and three final Statements, *Accounting and Financial Reporting for Service Concession Arrangements, The Financial Reporting Entity* (Statement 14 reexamination), and *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements.*

A summary of the objectives and status of each of the projects on the Board’s current agenda, as well as summary information about projects that comprise the research portion of its technical plan, is presented below. Additional information about all of the Board’s projects, as well as about issues identified as potential future projects, is included in the GASB’s technical plan for the final-third of 2010, which can be viewed or downloaded at the GASB website at www.gasb.org.

***Current Agenda Projects***

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

***Primary Objectives:*** This project has two primary objectives. The first objective is to develop recognition criteria for whether information should be reported in state and local governmental financial statements and *when* that information should be reported. The second objective is to consider the measurement attribute or measurement attributes (for example, historical cost or fair value) that conceptually should be used in governmental financial statements. This project ultimately will lead to a Concepts Statement.

***Looking Ahead:*** During the final-third of 2010, Board activities are expected to include a review of concepts for measurement attributes and consideration of measurement attributes for current financial resources, and development of a Preliminary Views document to be released in early 2011.

***Economic Condition Reporting—Fiscal Sustainability***

***Primary Objective:*** The objective of this project is to consider whether guidance or guidelines should be provided for additional information about economic condition, particularly fiscal sustainability, as part of general purpose external financial reporting. This project also will include consideration of the information financial statement users identified as necessary to assess the risks associated with a government’s intergovernmental financial dependencies.

***Looking Ahead:*** During the final-third of 2010, the Board began deliberating definitions of economic condition and its components and developed a tentative definition of fiscal sustainability. The Board also will deliberate on the information necessary for making an assessment of economic condition and its related components, and on the concept of forward-looking information (for example, projections).

***Postemployment Benefit Accounting and Financial Reporting: Pension Accounting and Financial Reporting***

***Primary Objective:*** In the overall project, the Board will consider the possibility of improvements to the existing standards of accounting and financial reporting for postemployment benefits—including pension benefits and other postemployment benefits (OPEB)—by state and local governmental employers and by the trustees, administrators, or sponsors of pension or OPEB plans. One objective of this project is to improve accountability and the transparency of financial reporting in regard to the financial effects of employers’ commitments and actions related to pension benefits and 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 pension or OPEB plans. The Board currently is focusing on issues specifically related to pension accounting and financial reporting.

***Looking Ahead:*** During the final-third of 2010, the Board is expected to deliberate pension note disclosures for employers and plans, and employer and plan reporting for defined contribution arrangements; hold public hearings on the Preliminary Views; discuss comments received in response to the Preliminary Views; and deliberate issues related to insured plans, special-funding situations, and pension-related debt issues.

***Reporting Entity—Statement 14 Reexamination***

***Primary Objective:*** The objective of this project is to reexamine the requirements of Statement No. 14, *The Financial Reporting Entity,* as amended, to determine the effectiveness of the current standards, including the provisions for reporting fiduciary activities. That is, it would determine whether financial statement users, preparers, and attesters believe that reporting entities applying that standard are including all appropriate related organizations and excluding organizations that should not be included. The reexamination also will raise the question of whether the financial information of the included organizations is displayed and disclosed in the most appropriate and useful manner.

***Looking Ahead:*** During the final-third of 2010, the Board will redeliberate inclusion and blending provisions, equity interest and major component unit provisions, and discuss miscellaneous issues raised by respondents to the Exposure Draft. A final Statement is scheduled to be approved by year-end.

***Service Concession Arrangements***

***Primary Objective:*** The objective of this project is to develop and provide the appropriate accounting and financial reporting guidance for service concession arrangements, which are a subset of public-private partnerships. Considering the extent of the changes made to the original Exposure Draft based on the feedback received from governments and other constituents, the Board decided it would be appropriate to issue a revised proposal, which it released in June. The comment period ended in mid-August.

***Looking Ahead:*** During the final-third of 2010, the Board will redeliberate issues raised by respondents to the revised Exposure Draft. Issuance of a final Statement is scheduled for November.

***Practice Issues***

***Codification of Pre-November 30, 1989 FASB and AICPA Pronouncements:*** The objective of this project is to specifically identify provisions in Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA Committee on Accounting Procedure, issued on or before November 30, 1989, as referenced in paragraph 17 of GASB Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments,* that do not conflict with or contradict GASB pronouncements and to incorporate those provisions into the GASB’s literature. Redeliberation of due process comments began in August. A final Statement is expected by the end of the year.

***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 2010–2011 guide is scheduled for issuance in September.

***Derivatives: Application of Termination Provisions:*** The objective of this project is to clarify when the termination provisions in Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments,* apply in situations where the counterparty for an interest rate swap is bankrupt—an explicit default event under the terms of the swap agreement. More specifically, the project will clarify if the termination provisions of Statement 53 should be applied to interest rate swap counterparty bankruptcies when there is no retirement or redemption of the hedged debt. An Exposure Draft is expected to be released in the fourth quarter of 2011.

***Statement of Net Position:*** The objectives of this project are to develop guidance for the display of deferred inflows and deferred outflows of resources in the financial statements, and to consider the effects of the related changes on other elements presented in the existing statement of net assets. The project would determine what amendments, if any, should be made to the requirements of Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.* A final Statement is expected in May 2011.

***The User Guide Series:*** The objective of this project is to update the GASB’s User Guide Series to address accounting and financial reporting standards issued since the publication of the guides, which is several years ago in some cases. The updated guides are scheduled for publication in mid-2011.

***Research Projects***

***Electronic Financial Reporting:*** The objective of this research project is to monitor the effect of electronic media on information delivery and user needs. Research into the evolving state of the art in electronic financial reporting by state and local governments will provide the Board with a basis for evaluating the need to develop standards for financial reports intended for this medium.

***Fair Value Measurements:*** The objective of this research project is to review and consider alternatives for the further development of the definition of fair value, the methods used to measure fair value, and the potential disclosures about fair value measurements. Within this review, specific issues including fair value measurement of alternative investments, such as private placements and hedge funds, real estate investment trusts, and partnership interests are to be addressed.

***Fiduciary Responsibilities:*** The objective of this research project is to assess whether additional guidance should be developed regarding the application of the *fiduciary responsibility* criterion in deciding whether and how governments should report fiduciary activities in their financial reports. Existing standards do not provide a basis for a clear answer to those questions and thus there has been diversity regarding the interpretation of governments’ fiduciary responsibility.

***Financial Guarantees:*** The objective of this research project is to assess whether additional guidance should be developed regarding the recognition and disclosure of financial guarantees made and received by state and local governments. Governments typically provide several types of financial guarantees, which are primarily associated with commitments related to debt issued by other entities. If the Board concludes that guidance is warranted, the project could potentially result in a Statement or an Interpretation.

***Government Combinations:*** The primary objective of this research project is to consider the financial reporting requirements for government combinations that are accomplished through annexation, consolidation, acquisition, or other means. This project includes the analysis of government combinations that have taken place in both the general governmental area (city/county consolidations and consolidated school districts, for example) and the business-type activities area (healthcare organizations, for example). In addition, the project addresses certain devolution (spin-off) issues; for example, accounting for a library district that was formerly a department in a primary government.

***The GASB Report***

The GASB welcomes feedback on *The GASB Report.*

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