

GASB Today and Tomorrow

How Did We Get Here and
How I Can Participate?

Government Finance Officers Association of Texas – Fall Conference
San Antonio, Texas

Kevin W. Smith

November 14, 2014

Today's Speaker



Kevin Smith, CPA

Partner

Kevin is the partner in-charge of Crowe's National Government Audit practice. He has more than twenty years of experience in public accounting, with a focus on providing services to state and local governments. He is a frequent speaker at AICPA conferences and webinars. Additionally, he currently serves on the AICPA's State and Local Government Expert Panel.

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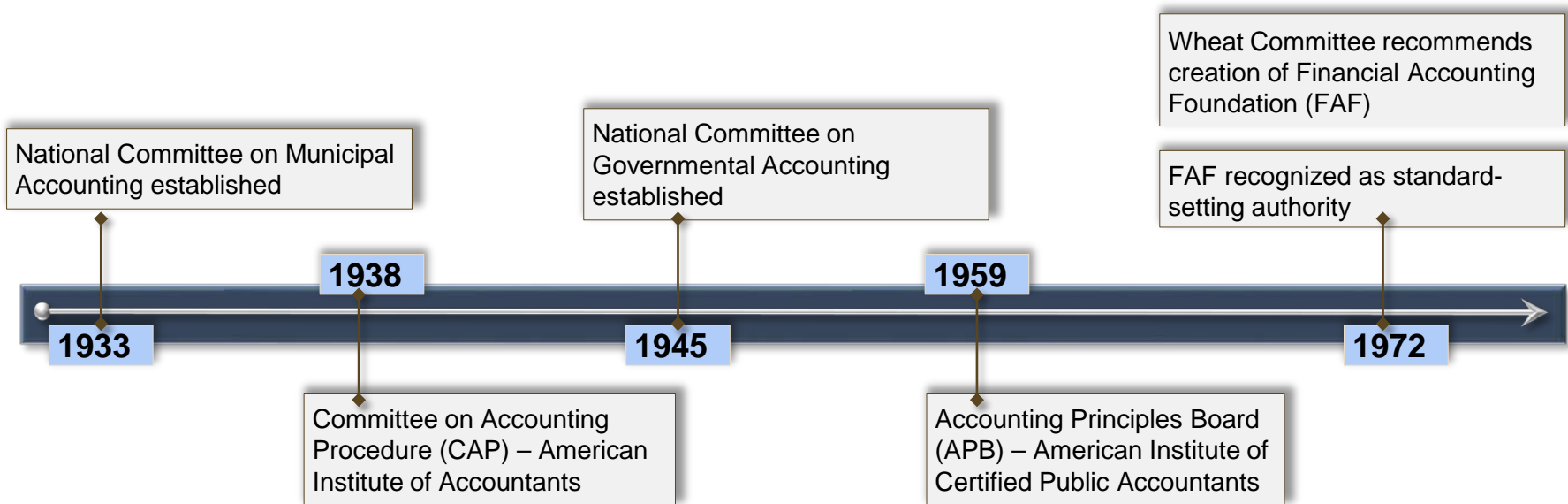
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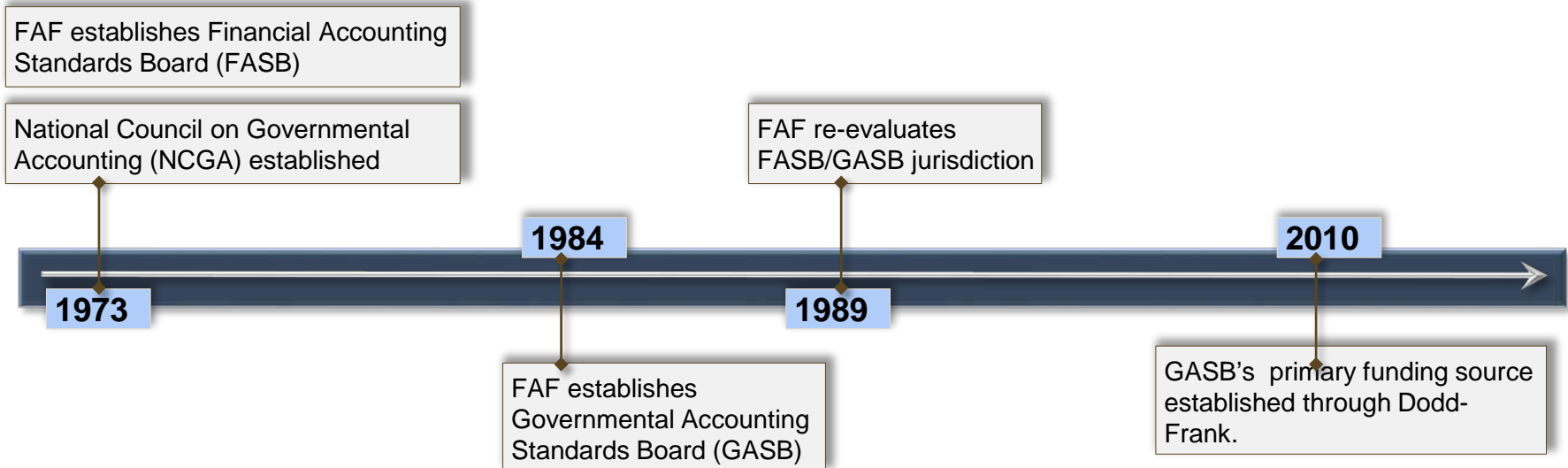
Learning Objective

At the end of this session, the participant should understand the history of GASB, along with why they are important and what a finance officer's role should be with them, how to know what's coming, and prepare for what they do, etc.

History of Standard Setting

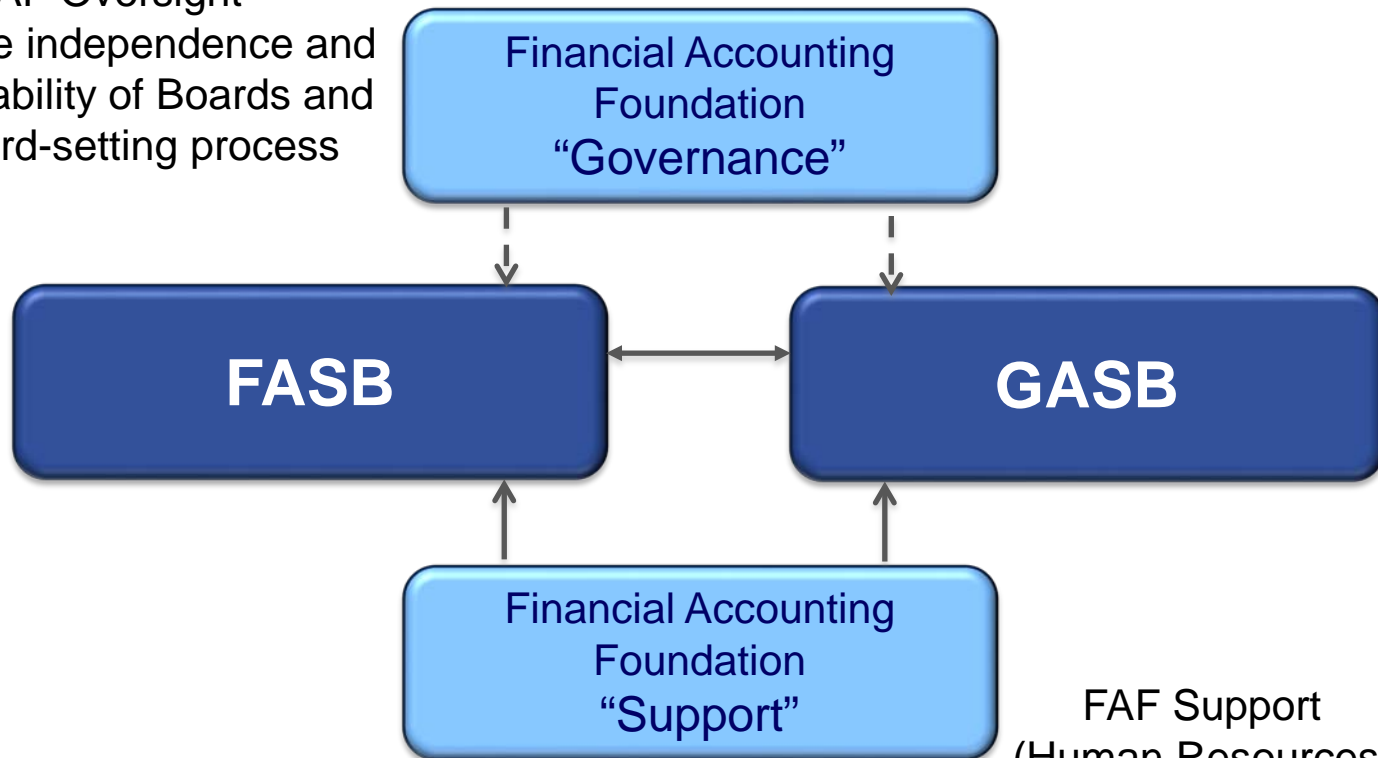


History of Standard Setting



View of FAF—Where Does the GASB Fit?

FAF Oversight
to ensure independence and
accountability of Boards and
standard-setting process



FAF Support
(Human Resources,
Government Relations,
Communications, IT, etc.)

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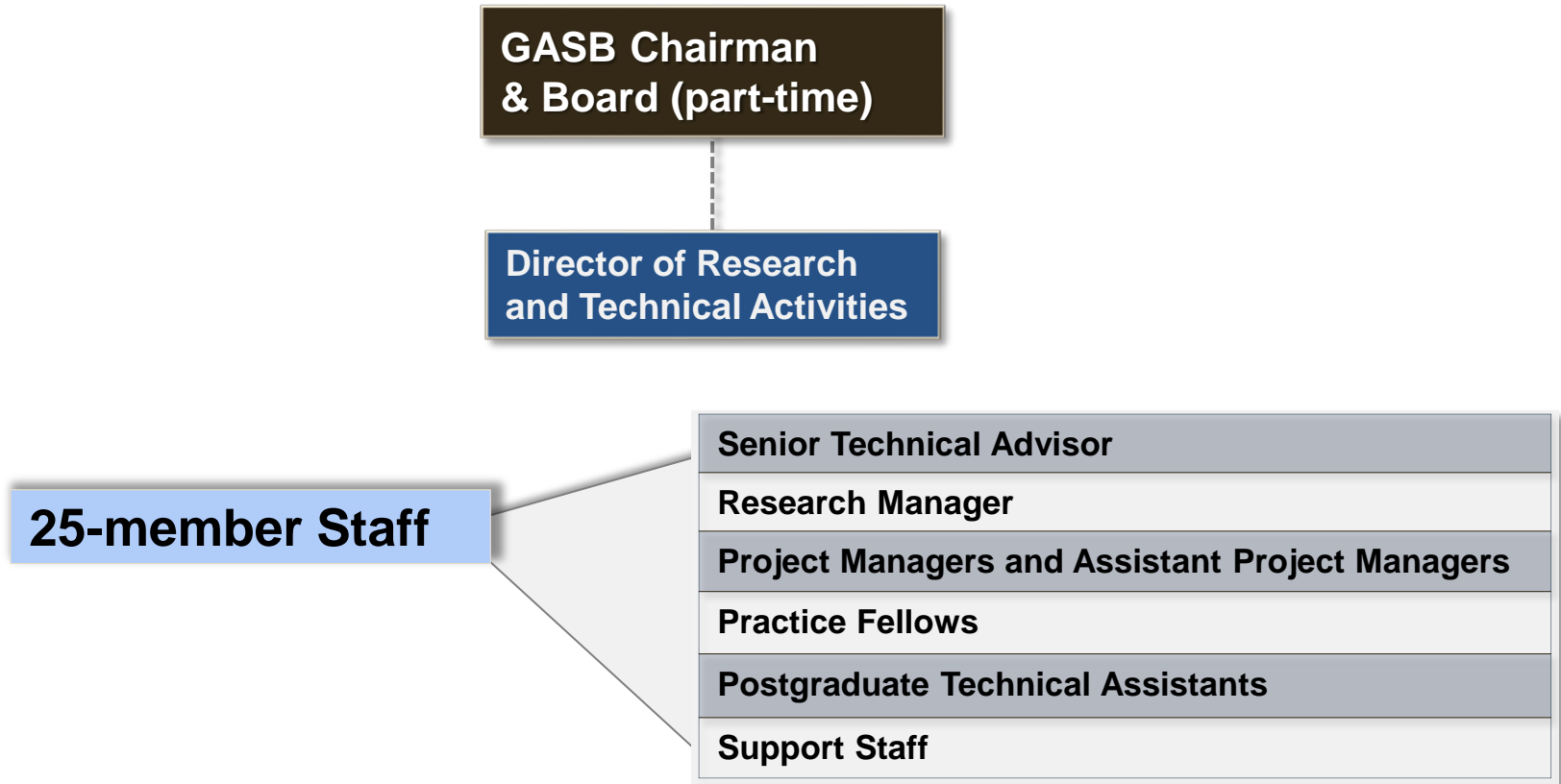
GASB Mission

To establish and improve standards of state and local government accounting and financial reporting that will:

- Result in useful information for users of financial reports
- Guide and educate the public, including issuers, auditors, and users of those financial statements

Accomplished through comprehensive and independent process that encourages broad participation, objectively considers all stakeholder views, and subject to oversight by FAF Board of Trustees

GASB Organization



Current Board Members

Member

David Vaudt, Chair

Jim Brown

Bill Fish

Michael Granof

David Sundstrom

Jan Sylvis

Marcia Taylor

Term Expires

2020—single term

2017—first term

2016—first term

2015—first term

2019—second term

2017

2015

Due Process Overview— How To Participate



Technical Plan for the Last Four Months of 2014

- At its August 2014 meeting, the Board approved the following Technical Plan for the final third of 2014.
 - The Board added two projects to its current technical agenda
 - Asset retirement obligations,
 - Blending requirements for certain business-type activities.
- In addition, the Board decided to commence pre-agenda research on accounting and financial reporting for 2a-7-like external investment pools.
- The Technical Plan anticipates, in addition to the continued deliberation of projects on the GASB's current technical agenda, the issuance of three due process documents prior to the end of 2014:
 - Exposure Draft on tax abatement disclosures,
 - Preliminary Views – Leases, and
 - Preliminary View – Fiduciary Responsibilities

Current Technical Agenda—Concepts Statements

Conceptual Framework—Recognition

- **Primary Objective:** 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, pending completion of the pre-agenda research on the effectiveness of Statement No. 34, *Basis Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*.

Current Technical Agenda—Major Projects

Asset Retirement Obligations (new project)

- ***Primary Objective:*** The objective of this project is to develop requirements on recognition and measurement for asset retirement obligations (ARO) other than landfills. The achievement of this objective would reduce inconsistencies in current reporting and, therefore, enhance comparability between governments, and it would improve the usefulness of information for decisions and analysis of various users of external financial reports of governments by developing disclosure requirements for these obligations.
- ***Looking Ahead:*** Deliberations are scheduled to begin in November. Initially, the Board will consider the pre-agenda research results and relevant literature. Topics will include

Current Technical Agenda—Major Projects , continued

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.

Current Technical Agenda—Major Projects , continued

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:*** The comment period on the Exposure Draft, *Fair Value Measurement and Application*, ended August 15, 2014. Redeliberations of the provisions of the Exposure Draft, in light of the public feedback received by the Board, resumed in September. A final Statement is planned for the first quarter of 2015.

Current Technical Agenda—Major Projects , continued

Fiduciary Responsibilities

- ***Primary Objective:*** The objective of this project is to develop guidance regarding the application of the *fiduciary responsibility* criteria in deciding whether and how governments should report fiduciary activities in their 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 final third of 2014, the Board will review drafts of a Preliminary Views containing proposals regarding fiduciary responsibilities. The Preliminary Views is expected to be approved in November, with a comment period extending to March 2015. Public hearings are scheduled for April 2015.

Current Technical Agenda—Major Projects , continued

Leases

- **Primary Objective:** The objective of this project is to reexamine issues associated with lease accounting, considering improvements to existing guidance. This project will provide a basis for the Board to consider whether the current operating leases meet the definitions of assets and liabilities. 3
- **Looking Ahead:** During the final third of 2014, the Board will review drafts of a Preliminary Views containing proposals regarding leases. The Preliminary Views is expected to be approved in November, with a comment period extending to March 2015. Public hearings are scheduled for April 2015.

Current Technical Agenda—Major Projects , continued

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 accountability and the transparency of financial reporting in regard to the financial effects of employers' commitments and actions related to OPEB.
 - Another objective of this project is to improve the *usefulness* of information for decisions or judgments of the various users of the general purpose external financial reports of governmental employers and OPEB plans.
- This project also will address accounting and financial reporting for postemployment benefits that are not provided through a trust that meets the criteria in paragraph 4 of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as clarifying amendments to Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68.
- **Looking Ahead:** Redeliberations of the provisions of the Exposure Drafts, taking into account the public feedback the Board received and the results of the field test, commenced in September. The issuance of final Statements is planned for the second quarter of 2015.

Current Technical Agenda—Practice Issues

- ***Blending Requirements for Certain Business-Type Activities (new project)***: The objective of this newly added project is to address issues related to inconsistent presentation of component units in financial reporting of governments engaged only in business-type activities (NTA). The project will seek to balance consistent reporting with the needs of financial statement users by considering comparability and transparency in these circumstances and what information is deemed essential to assess accountability. Deliberations are expected to begin in November and will address the scope of the project, the types of primary governments to be considered, and criteria for blending component units with the primary government.
- ***Comprehensive Implementation Guide—Update***: The objective of this project is to update the *Comprehensive Implementation Guide* (CIG) for the effects of new pronouncements and for additional issues that have come to the attention of the staff. The deadline for commenting on the Exposure Draft of the CIG is December 31, 2014.

Current Technical Agenda—Practice Issues, continued

- **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*. The comment deadline for the Exposure Draft of a proposed Statement, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is December 31, 2014.
- **Irrevocable Charitable Trusts:** The objective of this project is to determine what accounting and financial reporting guidance should be established for irrevocable charitable trusts held for the benefit of governmental entities. Deliberations began in August 2014. Topics to be addressed include recognition and measurement issues and intra-entity beneficial interests.

Current Technical Agenda—Practice Issues, continued

- ***Tax Abatement Disclosures:*** The objective of this project is to determine what disclosure guidance for governments that offer tax abatements 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. During the final third of 2014, the Board will review drafts of an Exposure Draft of a proposed Statement. The Exposure Draft is scheduled to be approved in October 2014, with a comment deadline in January 2015.

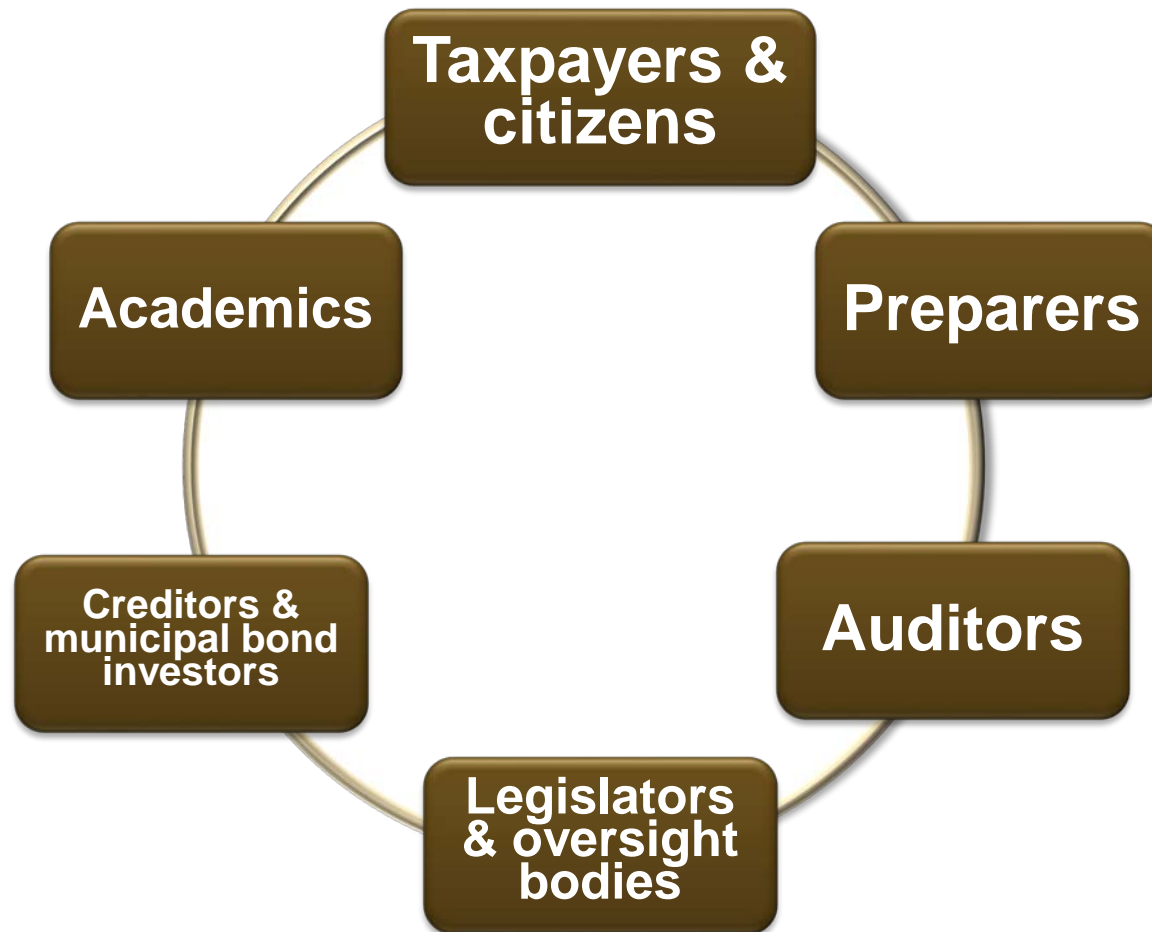
Pre-Agenda Research

- **Debt Extinguishments:** The objectives of this pre-agenda research are to evaluate the effectiveness of Statements No. 7, *Advance Refundings Resulting in Defeasance of Debt*, and No. 23, *Accounting and Financial Reporting for Refundings of Debt Reported by Proprietary Activities*, and relevant sections of Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, and to consider the need for revisions to existing standards. Research activities in the final third of 2014 are expected to include archival research with annual financial reports, a literature review, and stakeholder interviews and surveys.
- **External Investment Pools (new research topic):** The objective of this pre-agenda research is to study the effects of changes adopted by the Securities and Exchange Commission (SEC) on external investment pools that function as money market funds, described as “2a7-like” in the GASB literature. The final third of 2014 will include archival research, a review of the relevant literature, and interviews with stakeholders.

Pre-Agenda, continued

- ***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. Surveys of stakeholders are expected to be completed in the final third of 2014.

GASB Stakeholders— Everyone Needs to Participate



Questions?



For Follow Up Questions:

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