



**STATE OF VERMONT**  
LEGISLATIVE JOINT FISCAL OFFICE

Draft Memorandum

To: Bill Pound, Executive Director, National Conference of State Legislatures

From: Stephen Klein, Fiscal Officer Vermont Legislative Joint Fiscal Office  
Appointed Representative to the Government Accounting Standards Advisory Committee  
(GASAC)

Date: March 31, 2014

Re: Meeting report: March 11-12 GASAC meeting Reno, Nevada

I have attended my first Government Accounting Standards Board Meeting as an appointee representing NCSL's, legislative, and my own perspectives. Attached is my first meeting report. Please let me know if this is useful or how I can be more informative to other fiscal officers, legislators, and staff who wish to know more about the GASAC directions.

All the Best!

Government Accounting Standards Advisory Council  
March 11-12 Reno, Nevada Meeting Report  
Submitted by Stephen Klein, Vermont Legislative Fiscal Office

**Background:**

The Government Accounting Standards Advisory Council (GASAC) met in Reno on March 11-12 along with the annual meeting of the National Association of State Comptrollers (NASC). GASAC tries to schedule one of its three annual meetings in conjunction with a conference of one of its constituent organizations as a way to promote communication.

The Government Accounting Standards Board (GASB) consults with the GASAC on technical issues on the Board's agenda, project priorities, matters likely to require the attention of the GASB, selection and organization of task forces and such other matters as may be requested by the GASB or its chair. The Council has 30 members who represent preparers, auditors, and users of financial information. The GASAC meeting includes about 40 people. These include the members of GASB, some members of the Financial Accounting Foundation (FAF) - the parent of GASB and the Financial Accounting Standards Board (FASB) - as well as GASAC members and GASB staff. Given the breadth of the GASAC membership, it does not speak with one voice. Users groups such as NSCL, the National Governors Association represent a minority of attendees.

**Meeting Highlights:**

**1. Recommendation on implementation of GASB 68:** There was discussion on postponement of implementation of Statement 68. Statement 68 requires state or local governments that offer defined benefit pensions to report a net pension liability and related accounts in their financial statements. This specifically raised concerns centered on reporting by governments in some multiple-employer pension plans. The issue involves the audit responsibilities for participants in these larger group plans. Would each participant need to do an audit or could the entity audit suffice and some limited due diligence suffice? While the concerns are real, GASAC members indicated that there would be ways for governments to address audit needs and minimize risks. GASAC and GASB had received letters both supporting and opposing the delay. There was no clear guidance by the GASAC and, based partly on the discussion, the GASB board subsequently did not support a delay. See [GASB Press Release](#).

**2. Prioritization of work:** The GASAC conducts an annual discussion of the prioritization of accounting and financial reporting issues which could become the subject of future standards setting by the GASB. The top two issues were:

A. Financial Reporting Model Statements 34, 35, 37, 41, and 46 and Interpretation 6. This is already part of the GASB pre-agenda research and is moving forward. The financial reporting model standards detail the required contents of a financial report—the format and measurement focus of the basic financial statements, certain related notes to the financial statements, and required supplementary information, including management's discussion and analysis—and are

primarily found in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

B. Electronic Financial Reporting - The objective of this activity is to monitor the effect of the electronic media on information delivery and user needs. Monitoring and supporting of research into the evolving state of the art in electronic financial reporting by state and local governments is designed to provide the Board with a basis for evaluating the need to develop standards for financial reports intended for this medium. GASB is trying to decide what role, if any, it should play in offering guidance in this area.

The next three issues identified as high priority were interim financial reporting, note disclosures, and popular reporting.

- Interim financial reporting would involve guidance for financial reports that cover less than a full fiscal year (for instance, quarterly reporting by public hospitals). This would not necessarily create additional reporting responsibilities for states. This initiative may, in part, be coming from a general concern over the need for timely information on government condition and, in part, on private sector financial reporting practices.
- Note Disclosures: Statement 38 has specific requirements for disclosures of notes on financial statements. Statement 38 was released in 2001. There is concern that the disclosure requirements should be reexamined in light of changing knowledge related to government finance.
- Popular reporting would examine how governments choose to make information available generally and potentially how GASB could offer guidance in this area. Many states provide popular financial information and there is considerable variance in how it is reported. It is not clear whether greater guidance or uniformity is warranted or useful.

These issues will be discussed further by GASAC and GASB before entering GASB’s work agenda.

### **3. Other discussions of concern to states:**

- Leases: There is continued work on treatment of leases. One issue of concern is at what point leases should be reported on financial statements and to what extent would lease obligations be taken into account when assessing the governmental entity’s capacity for capital borrowing. The GASB is tentatively planning to propose only one type, capital leases. This is what FASB originally proposed but backed away from. The tentative decision by the board would require operating leases for accounting and reporting purposes to be treated similar to the current treatment of capital leases. This would, as noted above, impact a state’s capacity for capital borrowing.
- Strategic Planning: The Financial Accounting Foundation is involved in a process to establish an organization-wide strategic plan. The GASB’s prior plan expired. Over the

next few months, there may be opportunities for participation in discussions about the FAF's strategic plan, and any subsequent plan specifically developed by the GASB.

- The GASAC heard a presentation on the accounting issues for carbon and natural assets. With carbon emissions trading, such as “cap and trade,” there is the creation of a new asset which can be bought and sold. There is some thinking that other natural assets such as water resources could be valued and impact balance sheets. The GASAC did not discuss any recommendation noted the issue.

## **Other**

- Please let me know if there are specific issues which would be useful for me to watch or report on or areas of concern. As areas arise that I can identify as having a direct impact on state finance, I will send out updates or alerts.
- GASB staff and Board members are willing to participate in presentations in states and at NCSL meetings. To the extent that it would be useful, such a presentation or interchange could be arranged.
- GASB has created several resources on their website which might be useful to legislative staff and fiscal offices:
  - Plain Language Documents [GASB plain language web documents](#)
  - Video presentations [GASB Video](#)
- The upcoming meetings of the GASAC are open to the public and are:
  - July 10/11 - Marriott LaGuardia
  - November 13/14 Norwalk GASB Offices
- Disclaimer: Finally, this is my first attempt at relaying impressions of the GASAC meeting. I am open to suggestions, criticisms, and recommendations to cease and desist! If this is an area of great interest to you or someone in your fiscal office, please let me know. Much of the GASAC agenda content is quite foreign to me and if someone wants to become a knowledgeable player in this area that would be great!