
National Association of State Treasurers
Issues Conference On
Public Funds Management

Update on GASB Activities

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Disclaimer

The opinions expressed in this presentation are those of the Mr. Attmore. Official positions of the GASB are established only after extensive public due process and deliberation.

No Need to Describe the Most Recent Financial Crisis

- We all are still feeling the effects
 - We are beginning to more fully understand the causes
 - We are hearing the calls for greater accountability and transparency
 - We are seeing new initiatives being proposed in Congress for reforms of the nation's financial regulatory approach and a particular focus on systemic risk
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What is the GASB's Role?

- How did the GASB get the authority and responsibility to set accounting and financial reporting standards for S&L governments?
- Who oversees the GASB?
- How is the GASB's scope of responsibility determined?
- How is GASB funded?

What Are Some of the Key
Accounting and Financial Reporting
Issues That Have Been Highlighted
as a Result of the Crisis?

Just a Few of the Key Issues

- Derivative Instruments
- Postemployment Benefits
 - Pensions
 - OPEB
- Economic Condition/Fiscal Sustainability

Derivatives

- Even with the enhanced note disclosures that resulted from Technical Bulletin 2003-1 *Disclosure Requirements for Derivatives Not Reported at Fair Value on the Statement of Net Assets* these transactions were still not considered, by report users, to be transparent
- This reinforces the fact that note disclosures are not a substitute for display on the financial statements

New Derivatives Standard

Statement No. 53

Accounting and Financial Reporting for Derivative Instruments

Issued in June 2008 and effective for fiscal years
ending in 2010

What Changes Will Be Noticed?

- Most derivative instruments will be reported on the Statement of Net Assets at fair value
- Changes in investment derivatives (those derivatives that were not determined to be effective hedges or were not intended to be effective) are reported in investment revenue
- Changes in the fair value of effective hedging derivatives will be reported as deferred inflows or deferred outflows on the Statement of Net Assets
- Further enhancements were introduced to note disclosure requirements

Will Changes Prevent Future Losses On Derivatives From Occurring?

- **NO!** Financial Reporting cannot overcome inherent risks—it only makes them more transparent
 - However, the reporting requirements introduced in Statement 53 will provide more decision useful information for financial statement users and provide enhanced public accountability
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Postemployment Benefits Project

Current Focus on Pension Accounting
and Financial Reporting

Pensions and OPEB

Have Grabbed the Headlines

- The GASB Project is not a knee-jerk or any form of reaction to recent headlines
- Instead, the project was a result of the GASB strategic plan commitment to conduct periodic reviews of previously issued standards
- Two years of research prior to issuing an ITC in March 2009 and holding public hearings in August 2009
- Much more public “Due Process” to come
- GASB is independent but operates totally in the sunshine and follows explicit Rules of Procedure which require public due process

What Will the Pension Project Do?

- At a minimum, it will determine or clarify:
 - What the liability on the face of the financial statements will represent
 - How pension expense and related obligations should be calculated and recognized in employer and pension plan financial statements
 - How benefit changes should be accounted for
 - What additional disclosures are needed

Economic Condition/Fiscal Sustainability Reporting

What is Essential Financial
Information to Assess the Well-Being
of State and Local Governments?

Fiscal Sustainability

- Critical information at the Federal level—as noted by in a recent standard issued by the Federal Accounting Standards Advisory Board
- There is a need to know if current programs and services can be sustained in the future based on current fiscal policy
 - Inter-period equity issues
 - Intergovernmental fiscal dependencies
- Balanced budget laws do not offset the need for fiscal sustainability information at the state and local level

Participation in Due Process Is Vital

- State Treasurers are important to the GASB and we believe that the GASB can be helpful to you regarding providing information to capital markets and citizens
- Without NAST member involvement in the standards setting, the process is incomplete
- Appreciate the efforts of:
 - Dan Ebersole
 - Nancy Kopp
- Greater participation is needed

Need For More Timely Reporting

The Best Standards Will Miss the Mark
Without Timely Financial Reporting

Nobody Reads the Statements?

- Actually, sophisticated analysts **do** read CAFRs and other annual financial reports
- However, the audience would be much boarder if those reports were issued in three months after year end instead of six months, a year, or even longer after the fiscal year end
- Interest rates on Build America Bonds indicate that governments pay a premium over the private sector for taxable bonds
 - Could the lack of timely reporting be one reason that this occurs?

Questions?



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