



# A Look Back at 25 Years of High-Quality Standards-Setting

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Some trace the origins of the Governmental Accounting Standards Board (GASB) back to the reconstitution of the National Council on Governmental Accounting (NCGA) in the early 1970s. However, it was not until 1979, soon after NCGA Statement 1, *Governmental Accounting and Financial Reporting Principles*, was issued that the need for GASB was raised as part of informal discussions between the governmental community and the Financial Accounting Foundation (FAF). The process that led to the establishment of GASB was not a straight line, but neither is the accounting and financial reporting standards-setting process. When the gavel was formally transferred from the NCGA to GASB on June 14, 1984, accounting and financial reporting for state and local governments entered a new era.

This article looks back on GASB's first 25 years, highlighting some of the more significant contributions to the accounting and financial reporting literature and the board members who developed that guidance. It also underscores some of the challenges GASB has faced during this period.

## The First Board (1984–1990)

GASB started as a five-member board. Jim Antonio was the first chairman and served on a full-time basis. Antonio came to GASB after serving as the elected state auditor of the state of Missouri. He had a broad range of experience in government, academia and public accounting. Marty Ives, CGFM-Retired, served as GASB's first vice chairman. He also served as GASB director of research until 1990. Ives previously spent a year with FAF to assist in the negotiations that led to the establishment of GASB and to prepare for GASB to take the standards-setting reins from the NCGA. Prior to joining FAF, he was the first deputy comptroller for the city of New York; he held executive positions with the state of New York and the federal government, and he began his career in public accounting. He also served as a member of NCGA.

Phil Defliese, Gary Harmer and Elmer Staats served on the board as part-time members. Defliese was the former chairman of Coopers and Lybrand (now PricewaterhouseCoopers), he was a professor of accounting at Columbia University, including during his tenure at GASB, and he served as the chairman of the Accounting Principles Board before the Financial

Accounting Standards Board (FASB) was established. Harmer was the assistant superintendent of the Salt Lake City Public Schools during his tenure with the board. He began his career in public accounting and was the last vice chairman of the NCGA. Staats was the former comptroller general of the United States. He also served in several senior positions with the federal government, including deputy director of the Bureau of the Budget under four presidents.

After the handoff from the NCGA was made, GASB set right to work. The board was required by the 1984 structural agreement (*Agreement Concerning the Structure for a Governmental Accounting Standards Board*, dated Jan. 16, 1984) to formally adopt the NCGA literature (Statements, Interpretations and Concepts Statement) as a starting point. With this project as a base, the board set out across the country to receive input on its first technical agenda. Three public hearings were held, written input of potential agenda items was solicited from GASB's constituents, and agenda feedback also was received from the newly constituted 20-member Governmental Accounting Standards Advisory Council (GASAC).



## Original Board

### (left to right)

W. Gary Harmer, Elmer Staats  
Phil DeFliese, Martin Ives

### Seated:

James Antonio

The first technical plan (Figure 1) was discussed at the August 1984 board meeting and was formally adopted by the board by ballot. It is interesting to note that several of the projects on the original technical agenda are currently being revisited by GASB. The periodic reexamination process is discussed later in the article.

As information on potential technical plan projects was being collected, work also began on identifying the needs of financial report users. The published results of this research in 1985, *The Needs of Users of Governmental Financial Reports*, proved not only to be of value to the standards-setting process in the early years, but it also served as a foundation for GASB's later user needs research.

Six classes or types of projects dominated the first six years: the financial reporting model, pensions, practice issues, FASB standards, the reporting entity and the conceptual framework.

After the release of Statement No. 1, *Authoritative Status of NCGA Pronouncements and AICPA Industry Audit Guide*, the next four pronouncements dealt with practice issues and FASB standards. The practice issues focused on important topics of the day, including take-out agreements associated with demand bonds, deferred compensa-

tion plans and GASB's first response to a financial crisis—risks associated with repurchase and reverse repurchase agreements.

The FASB-related standard, Statement No. 4, *Applicability of FASB Statement No. 87, "Employers' Accounting for Pensions," to State and Local Governmental Employers*, was the first in a series of what some referred to as "negative standards." When GASB was established, the generally accepted accounting principles (GAAP) hierarchy called for the application of FASB pronouncements in cases in which a GASB standard did not specifically address the issue. This hierarchy effectively placed GASB behind the eight ball. FASB, which was established in 1973, had an 11-year head start on GASB. Moreover, it was a full-time board and had three to four times the number of staff. With GASB in "catch-up" mode, it was faced with a dilemma. The board could either (1) watch the hierarchy force governments to incur cost to adopt private-sector standards (through no fault of FASB) while projects that would be addressing the same issue from a state and local government perspective were being debated (or soon would be debated) by GASB or (2) issue standards that provided state and local governments the ability not

to apply the private-sector standards. The board chose the negative standard alternative.

Two negative standards were directly related to FASB standards and another five were, in large part, a response to a FASB pronouncement in which GASB determined that consideration of the state and local government environment was needed (for example, Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*).

When FASB Statement No. 95, *Statement of Cash Flows*, was released in November 1987, GASB was faced with three choices:

- No change—NCGA Statement 1 identified a statement of changes in financial position as a basic financial statement, so the application of FASB Statement 95 was not required; however, provisions of FASB Statement 95 that were consistent with Accounting Principles Board (APB) Opinion No. 19, *Reporting Changes in Financial Position*, could be applied.
- Adopt FASB Statement 95.
- Consider a cash flow statement from the state and local government perspective.

In January 1988, GASB decided to encourage the first path, primarily because of competing priorities on the board's agenda. However, questions continued to be raised in practice because of what was perceived to be conflicting language in NCGA Statement 1. Paragraph 139 of that pronouncement did require a statement of changes in financial position; however, paragraph 18 provided that "generally accepted accounting principles here are those applicable to similar businesses in the private sector...." The resulting confusion in practice caused the board to reconsider its initial recommendation, and a project was added to the technical agenda. The end result departed



in many different ways from FASB Statement 95. The most obvious was the addition of a new category of cash flows, Cash Flows from Noncapital Financing Activities. This category resulted in large part from the subsidies in the form of grants and tax revenues that are often found in government proprietary activities but not in the private sector. Use of different terminology and definitions sent an even stronger signal that the board was willing to depart from private-sector standards. These decisions were not made just to be different than FASB. The conclusions were reached after carefully considering the government environment, including the needs of financial report users and what terminology would most clearly communicate information to those users.

The era of negative standards-setting came to a close as the result of the five-year review of GASB by FAF in 1989. The hierarchy as outlined by FAF Trustees was incorporated into the auditing literature with the issuance of the American Institute of Certified Public Accountants (AICPA) Statement of Auditing Standards (SAS) No. 69, *The Meaning of Present Fairly in Conformity With Generally Accepted Accounting Principles*, in 1992. This SAS provided that FASB standards would authoritatively apply to state and local governments only when GASB's pronouncements called for their application.

When GASB was created, pension accounting and financial reporting was considered to be one of the board's highest priorities. In fact, some point to the inclusion of state and local government pension plans within the scope of FASB Statement No. 35, *Accounting and Reporting by Defined Benefit Pension Plans*, as one of the primary reasons that a standards-setting body, which was an authority equal to FASB, was needed for state and local governments. The board took a two-step approach to developing pension standards. The first step in the pension project was to provide

disclosure requirements for public employee retirement systems (PERS) and government employers. A disclosure standard was released in 1986; however, it was not until 1994 that government employer and PERS accounting standards were issued. This set of standards is addressed in the discussion of the board's next phase.

While recognizing that the issues of the day needed to be addressed, the board did not neglect the conceptual framework. In May 1987, GASB released Concepts Statement No. 1, *Objectives of Financial Reporting*, without much fanfare; however, it has had a profound effect on state and local accounting and financial reporting for more than 22 years. Many of the concepts were retained from the NCGA Concepts Statement. These features include the identification of financial statement users that extended well beyond the investor/creditor community and the recognition that governmental financial reporting has a focus beyond the bottom line because of the absence of a profit motive and the need for governments to provide information to users from an accountability standpoint because of the powers that have been granted to state and local governments. One of the major breakthroughs of Concepts Statement 1 was the introduction of the interperiod equity concept. Although it took the application of accrual accounting for its full potential to begin being realized, this concept has helped to shape many GASB standards.

No review of the first six years of GASB would be complete without a discussion of the financial reporting model. The formal due process on the model began with the release of the discussion memorandum, *Measurement Focus and Basis of Accounting—Governmental Funds*, in February 1985. Although the process was not culminated until 1999, several important milestones were reached during this period. The first reporting model Exposure Draft, also titled, *Measurement Focus and Basis of Accounting—Governmental Funds*, was

issued in December 1987. As evident by the titles of the first two due process documents, the board initially focused its attention on governmental funds. The Exposure Draft proposed the adoption of accrual accounting within the governmental funds using the total financial resources measurement focus. This approach received a mixed reaction from the board's constituents. After considering the comments received on the first Exposure Draft, the board decided to narrow the scope of the project and focused the second Exposure Draft, released in August 1989, on governmental fund operating statements. By narrowing the scope of the project, the board was provided with additional time to deal with balance sheet-related issues while moving the adoption of accrual accounting forward. This Exposure Draft also was met with mixed reactions; however, this time, a majority of respondents expressed support for the board's approach. In May 1990, Statement No. 11, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements*, was issued.

The initial board can look back at many accomplishments during its six-year tenure; however, the most significant accomplishment was establishing GASB's credibility. Many believed that the FAF Trustees would sunset GASB after the first five-year review of GASB's operations and blend the operations into the FASB. However, the board's actions and the constituents' positive response to those actions clearly demonstrated the need for a state and local government standards-setting body. It was during this period that AICPA formally designated GASB as the standards-setting body to establish financial accounting principles for state and local governments in Ethic's Rule 203, *Accounting Principles*. In addition, many state governments recognized GASB in statutes and regulations as the body to establish accounting and financial reporting standards for governments within their states.





## It Is All about the Financial Reporting Model and Many Other Issues (1990–1997)

The next seven years saw many changes, including a complete turnover of the original board. The change started with Bob Freeman and Tony Mandolini succeeding Staats and Defliese, respectively, at the end of their terms in July 1990. Freeman was a professor of accounting at Texas Tech University during his tenure with the board. He also was member of NCGA and worked in public accounting, as well as academia. Freeman had the distinction of being the first member of GASAC to be appointed to the board. Mandolini was a retired national partner with Peat Marwick (now KPMG LLP) and held key executive positions in government. He also was a member of NGCA during the development of Statement 1.

Shortly after Freeman and Mandolini joined the board, Ives became a full-time GASB member. It was thought by some that this shift would culminate in a full-time board. However, when Ives retired at the end of his second term in 1994, only the chairman continued to be a full-time member.

This board configuration was in place for one year. During that period, the board concentrated its efforts primarily on completing the reporting entity standard and attempting to reach a consensus view on the governmental fund balance sheet issues associated with the reporting model. The board was successful on one count with the approval of Statement No. 14, *The Financial Reporting Entity*, in June 1991; however, the discussion on the financial reporting model continued long into the decade.

Statement 14 was ground-breaking from the standpoint that it based the foundation of the reporting entity on a financial accountability principle. NCGA Statement 3, *Defining the Governmental Reporting Entity*, referenced oversight responsibility, which is an

accountability-based notion versus a private sector-based control notion. Statement 14 took the accountability notion one step further by requiring entities that meet the financial accountability criteria to be included in the reporting entity. Statement 14 also significantly expanded the application of the discrete presentation format for presenting component unit financial information.

The transition of the board continued when Barbara Henderson joined GASB, as a member, in July 1991. She succeeded Harmer when his second term ended in June 1991. Henderson was the finance director in Fullerton, CA, before her retirement. She also held other senior positions with local governments during her career. Henderson had the distinction of being the last NCGA member to join GASB.

This board configuration also was only in place for one year. During this period, the board again focused its attention on the financial reporting model. It clarified the college and university financial reporting models that should be applied by public institutions with the issuance of Statement No. 15, *Governmental College and University Accounting and Financial Reporting Models*, in October 1991. By this time, a majority of the members who unanimously approved Statement 11 had retired from the board. The new board members wanted to defer the effective date of Statement 11; however, they were concerned that a call for deferral would jeopardize the credibility of GASB. The two remaining original board members continued to strongly believe that Statement 11 should be implemented on schedule. As a result, both groups developed proposals to implement Statement 11. A Preliminary Views document, *Implementation of GASB Statement No. 11, "Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements,"* was issued

in April 1992. The respondents' reaction was clear—none of the above. Rather than attempting to implement Statement 11, the constituents encouraged the board to step back and consider the implementation of accrual-based standards in a broader context.

Changes in the board's membership continued. When Mandolini's first term ended, he retired from the board. After retaining the original five members for the first six years of existence, this represented the third consecutive year of board member changes. With the departure of Mandolini, Ed Klasny joined the board in July 1992. Klasny was a national partner for government services with Ernst & Whinney (now Ernst & Young, LLP) before joining the board.

This board configuration stayed in place for two years. During this period, the board remained split on the Statement 11 implementation issue. The Exposure Draft, *Measurement Focus and Basis of Accounting—Governmental Fund Operating Statements: Amendment of the Effective Dates of GASB Statement No. 11 and Related Statements*, was issued in December 1992. The Exposure Draft contained a proposal to defer the effective date of Statement 11 until related reporting model projects were completed and an alternative view that called for the implementation of GASB Statement 11 on schedule. The Exposure Draft was finalized as a pronouncement with the issuance of Statement 17 in June 1993. The dissenting board members warned that the deferral period would not be short and they were correct. However, the reporting model that emerged in 1999 was significantly different than the model envisioned in the 1987 Exposure Draft that led to Statement 11.

During this period, the reporting model received the lion's share of the board's attention; however, model-related projects were not the sole focus of the technical agenda. Pensions also received a consider-



## Tom Allen Board

*(left to right)*

Cynthia Green, Paul Reilly, Tom Allen, Richard Tracy, William Holder, James Williams, Edward Mazur

able amount of attention. Like the reporting model, the board was split on this issue. After the pension disclosure standard was issued in 1986, the board focused its attention in this area on employer accounting and financial reporting matters. The first due process document on this project was issued by the original board in 1988. It was GASB's first Preliminary Views document, *State and Local Governmental Employers' Accounting for Pensions*. This document contained both a primary view of a majority of board members and an alternative view. The primary area of disagreement is still a source of controversy in pension accounting today: Should pension accounting reflect funding-based notions, or should it be a liability-based approach? At that time, strong support for a funding-based approach was expressed by constituents in response to the Preliminary Views. That document was followed up in January 1990 with an Exposure Draft, *Accounting for Pensions by State and Local Governmental Employers*. Although an alternative view still was expressed by two members, the differences between the two camps narrowed. As the deliberations of the issues raised by the responses to the Exposure Draft took place, the board membership changed. Ultimately, this change had a profound effect on the direction of the project.

Antonio and Ives, who expressed alternative views to the first two due process documents, found themselves also disagreeing with the revised Exposure Draft that was issued in February 1994. Their position had not changed significantly over the years; however, with the board membership change, the board moved from the liability-focused approach of the original board to being more closely aligned with a funding-based notion based on broader parameters.

The reporting model and pensions were not the only topics of discussion during this period. Important practice issues such as landfill closure costs, in response to federal legislation, and refundings of debt were addressed. The board also dealt with the ongoing issue of the application of the FASB pronouncements to proprietary funds. Another topic addressed at that time, which still proves to be controversial today, was Service Efforts and Accomplishments (SEA) reporting. Building on NCGA Concepts Statement 1, GASB Concepts Statement 1, the board's original technical agenda, and subsequent research, the board developed a Concepts Statement on SEA reporting.

Concepts Statement No. 2, *Service Efforts and Accomplishments Reporting*, was issued in April 1994 after extensive due process that included both a Preliminary Views and an Exposure Draft. The Concepts Statement provided a basis for experimentation by state and local governments over the past 15 years, and it also provided the board with conceptual guidance that is currently being used in the development of suggested guidelines for voluntary reporting of SEA information.

In 1994, Ives retired from the board after completing his second term. His dedication to the board was unsurpassed. Although he had several disappointments along the way, his legacy lives on through the board's many accomplishments during his tenure. Tom Allen succeeded Ives on the board in July 1984. Allen was the


elected state auditor for the state of Utah and had worked in government and public accounting.

The first accomplishment of the new board was the issuance of the three postemployment benefit standards in November 1994. After many years of discord with competing standards, GASB finally had a comprehensive suite of pension standards.

The issuance of the Preliminary Views, *Governmental Financial Reporting Model: Core Financial Statements*, in June 1995, marked the close of Antonio's 11 years as GASB's first chairman. The Preliminary Views presented the basic elements of the new financial reporting model. The new financial reporting model owes its success to a number of people; however, the stalwart leadership of Chairman Antonio provided the environment needed for the model to evolve. Chairman Antonio's successor was chosen by the FAF Trustees from GASB membership. Allen became GASB's second chairman in July 1995.

Allen's appointment resulted in a part-time member vacancy. Paul Reilly, director of finance and comptroller for Madison, WI, became a member of the board in July 1995. In addition to his responsibilities in Madison, Reilly also was a lecturer at the University of Wisconsin, Madison. He was the second GASAC member appointed to the board.

During Allen's first two years as GASB's chairman, the board continued its work on the financial reporting model. In January 1997, the board issued an Exposure Draft, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*. From the due process that preceded the issuance of Statement 11, to the due process that led to the deferral of that Statement, to the three rounds of due process documents associated with the final phase of the financial reporting model, controversy was evident throughout. More than 400 responses were submitted by GASB



constituents in response to the proposals set forth in the Exposure Draft. This by far was the largest number of responses to a GASB due process document. When one considers that an additional 900 “form” letters were submitted, the magnitude of the issues being considered, including the reporting of infrastructure assets, becomes evident. Although the form letters were counted in the final tally as one letter, the fact that 900 governments and individuals took the time to submit such a letter was not lost on the board.

Due process has never been a popular vote; however, every letter is carefully analyzed and considered by GASB members and staff. Given the broad range of views submitted on any issue, the board cannot expect everyone to agree with a proposal or even a final pronouncement. One of Chairman Allen’s top priorities was to communicate that even when there are disagreements, GASB’s constituents need to know that they have been heard. With the level of response received during the financial reporting model due process, there certainly was a lot to hear.

Again, the reporting model received a significant amount of attention; however, model-related projects were not the only items on GASB’s agenda during this period. In July 1995, a project was added to the board’s technical agenda to consider the valuation of investments for financial reporting purposes. The board’s research and due process ultimately led to the issuance of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, in March 1997. This Statement introduced fair value recognition in the financial statements for many government investments.

## Issuing and Implementing the Financial Reporting Model and the Transactions That Made the Model Come to Life (1997–2005)

During the development of the financial reporting model Exposure Draft, Chairman Allen concluded that the board would operate more effectively with seven board members (which, at the time, was the size of the full-time FASB). After presenting his case to FAF trustees, the trustees considered his views and the impact that the change would have on GASB’s budget. In the end, the trustees approved the expansion of the board from five to seven members, with six serving on a part-time basis.

Although board members do not represent any one constituency, their experiences provide them with the ability to offer context to the deliberations. By adding a member with a state preparer background and a member with a financial statement user background, additional balance was brought to the board. (The board was then composed of two members with local government experience and two members with state government experience as auditors or preparers, a financial statement user, an academic and a member with a public accounting firm background.)

Cindy Green and Ed Mazur were chosen by the FAF trustees for these new positions. Green was the vice president for state studies at New York’s Citizens Budget Commission. She also was a former GASAC member and was a faculty member at the New School in New York City. Mazur was the vice president for administration and finance at Virginia State University. He also was the former comptroller of the Commonwealth of Virginia and was the first controller of the United States. Mr. Mazur previously worked in public accounting and also worked for the AICPA.

The introduction of two new members initially did slow down the process. However, given the importance


of the issues being discussed at the time—financial reporting model and nonexchange transactions—the additional time taken to incorporate the views of Green and Mazur required the board to take a fresh look at the issues. This fresh look resulted in improved standards.

The issuance of Statement No. 33, *Accounting and Financial Reporting for Nonexchange Transactions*, in December 1998 and Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, in June 1999 set the foundation of the new financial reporting model. When this suite of standards was issued, some asserted that GASB’s job was done or that it should at least shift into maintenance mode. However, GASB’s mission was far from complete.

After Statement 34 was approved, Henderson retired from the board. Dick Tracy, director of audits, city of Portland, OR, was named as a GASB member to succeed Henderson by the FAF trustees effective July 1999. Prior to joining the city of Portland, Tracy worked in the Office of the Auditor General in the state of California.

During the next year, GASB refocused on projects that had taken a temporary back seat to the financial reporting model. The board also issued a standard that provided additional context and clarification to the nonexchange transaction standard.

After completing a 10-year term as a member and the second vice chairman of GASB, Freeman retired from the board in June 2000. Bill Holder was appointed to the board to succeed Freeman effective July 2000. Holder is a professor of accounting at the University of Southern California (USC). Before joining the USC faculty, Holder held academic positions at other institutions, including Texas



Tech University. He also worked extensively with the AICPA and several other organizations on practice issues during his career.

During the next two years, the board addressed a number of projects, including note disclosures. Although Statement 34 included requirements for note disclosures associated with the new financial reporting model, it did not comprehensively update many of the previous note disclosure requirements. Statement No. 38, *Certain Financial Statement Note Disclosures*, was issued in June 2001 to provide those updates and also to address concerns about the adequacy of certain disclosures (for example, interfund transfers) that were raised over the years by financial statement users.


In July 2002, Jim Williams was appointed to the board. He succeeded Klasny, who completed his 10-year term with GASB in June of that year. Williams was a partner with Ernst & Young LLP and served as the firm's director of public sector accounting and assurance services. Prior to joining Ernst & Young, he worked for the Municipal Finance Officers Association (now the Government Finance Officers Association [GFOA]) and in academia. He also served as the director of NCGA during the development of NCGA Statement 1.

With this board configuration, several important projects were completed over the next two years. The first of those standards, Statement No. 40, *Deposit and Investment Risk Dis-*

*losures* (an amendment of GASB Statement No. 3), represented GASB's first formal effort to reexamine previously issued pronouncements. Although GASB had always employed a continuous improvement program, the board's strategic plan called for the periodic reexamination of its standards to assure that its stated objectives were being met.

The issuance of Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*, in November 2003 was noteworthy as it represented the first standard in which the board coordinated research efforts with the International Federation of Accountants' Public Sector Committee (now the International Public





Sector Accounting Standards Board). The board continues this practice today with the IPSASB on projects of mutual interest.

When the board issued Statement No. 44, *Economic Condition Reporting: The Statistical Section* (an amendment of NCGA Statement 1) in May 2004, it focused on an area of the comprehensive annual financial report that had not received a considerable amount of attention by a standards-setter since the issuance of NCGA Statement 1. The primary objectives of the Statement were to update the Statistical Section by incorporating the new information included in the new financial reporting model and to improve the content of information that was previously called for in the financial reporting literature.

The approval of Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, in June 2004 was the culmination of a multi-year effort to establish standards for retiree health care and other benefits. Although prior standards had called for some disclosures in this area, this pronouncement provided financial statement users with their first look at the unfunded actuarial accrued liability and accrual-based costs associated with these benefits. Because of the revealing nature of the information, some view Statement 45 as one GASB's most important standards.

The Chairman Allen years can be looked back at as a period of great accomplishment. Certainly, the completion of the financial reporting model is the most high profile of the standards that were issued during this period. However, it was Allen's leadership in steering GASB through some rather difficult times that may be looked at as the greatest accomplishment during this period. GASB emerged stronger and in a better position to meet the challenges that reach well beyond the financial reporting model.

## The Post Model Years (2004–2009)

Bob Attmore was appointed as GASB's third chairman effective July 2004. He succeeded Allen, who retired from the board after serving for 10 years (nine years as chairman). Attmore was with the state of New York for almost 24 years, serving most recently as a deputy state comptroller (and serving in the state auditor's capacity). He also was the president of a consulting firm and worked in public accounting.

During Chairman Attmore's first term, GASB broke new ground with the issuance of Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*. This Concepts Statement established a framework to assist the board in determining where information should be presented in financial reports (for example, disclosing information in the notes to the basic financial statements versus reporting that information in required supplementary information).

After Reilly completed his 10 years of service in June 2005, Marcia Taylor was appointed to the board effective July of that year. Taylor is the assistant manager of Mt. Lebanon, PA. She was the finance officer of Mt. Lebanon before assuming her current position and worked in public accounting. In addition, Taylor served on the GASAC for four years.

The first round of employee benefits was completed soon after Taylor joined the board with the issuance of Statement No. 47, *Accounting for Termination Benefits*. With Statement 47, GASB had a full suite of employee benefit standards that covered compensated absences, pension benefits, retiree health care benefits and now termination benefits.

Over the years, GASB had issued many standards that departed from those found in the private sector. GASB has always provided a basis

for reaching its conclusions; however, there was not a single-source document that described why state and local governmental accounting standards in the United States are different from those found in the private sector. Attmore considered the need for this document to be a top priority. As a result, a white paper, *Why Governmental Accounting and Financial Reporting Is—And Should Be—Different*, was issued in 2006 that describes why these differences exist, and it serves as a reference for those who are not familiar with unique or distinguishing characteristics of the government environment.

In November 2006, the board introduced a new approach to governmental accounting in the measurement of liabilities—expected cash flows with the issuance of Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*. This measurement approach was first introduced in June 2001 to the private-sector practice with FASB Statement No. 143, *Accounting for Asset Retirement Obligations*.

In June 2007, the board took the next step in completing its conceptual framework with the issuance of Concepts Statement No. 4, *Elements of Financial Statements*. Concepts Statement 4 built on the state and local government framework by incorporating the concept of interperiod equity into the financial statement element definitions. This approach resulted in the introduction of the deferral elements and also provided a basis for inflow and outflow definitions that was not solely driven by changes in assets and liabilities.

The appointment of Girard Miller and Jan Sylvis to the board in July 2007 represented the first turnover of two board members since 1990. Miller succeeded Green, who retired from the board after serving for 10 years. Miller previously was the president of the Janus Funds and chief operating officer of the Janus Group. Prior to joining Janus, he was president and chief executive officer of the ICMA

Retirement Corporation and was the senior vice president of government markets for Fidelity Investments. Miller also served as the director of technical services for GFOA and held a number of local government senior management positions.

Sylvis succeeded Mazur, who also retired from the board after serving for 10 years. She is the chief of accounts for the state of Tennessee, where she functions as the state comptroller. Prior to joining the Tennessee Department of Administration, Sylvis worked for the Tennessee Comptroller of the Treasury, including serving as the director of auditing and consulting services.

In June 2008, another multi-year project drew to a close with the issuance of Statement No. 53,

### Current Board

#### *(back row L to R)*

Mike Belsky, Jan Sylvis,  
Richard Tracy, Marcia Taylor


#### *(front L to R)*

William Holder, Robert  
Attmore, James Williams



*Accounting and Financial Reporting for Derivative Instruments.* This standard filled a major gap in GASB's guidance for financial instruments by requiring that most derivatives be reported at fair value. It also provided for the use of hedge accounting within the context of the government environment and employed the deferral elements introduced in Concepts Statement 4.

The board's work on the conceptual framework continued with the issuance of Concepts Statement No. 5, *Service Efforts and Accomplishments Reporting* (an amendment of Concepts Statement 2). This amendment reflected what the board had learned from its own research that was conducted since the release of Concepts Statement 2 in 1994 and the work of



other organizations and individuals. It clarified that it was not the role of GASB to establish:

- the goals and objectives of state and local governmental services,
- specific nonfinancial measures or indicators of service performance, or
- standards of, or benchmarks for, service performance.

In late 2008, the board faced another membership change. Mike Belsky was appointed to the board effective Dec. 31, 2008, after Girard Miller resigned from the board to pursue other business interests. Belsky is the mayor of Highland Park, IL. He also served in senior management for Fitch Ratings and worked in the investment banking industry.

Soon after Belsky joined the board, Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, was approved. Statement 54 provides much needed guidance on one of the most widely used forms of information in the basic financial statements. After extensive research efforts that began in 2004, the board determined that the classification system needed to be overhauled to provide financial statement users with a clearer picture of the spending constraints that have been placed on the net resources reflected in fund balance. To further those efforts, certain changes also were made to fund type definitions, in particular, special revenue and capital projects fund types.

As the 25<sup>th</sup> anniversary of GASB was recognized, the occasion also marked the completion of Tracy's 10 years of service as a GASB member. As GASB begins its 26<sup>th</sup> year as the recognized accounting and financial reporting standards-setter for state and local governments in the United States, David Sundstrom joined the board as the newest member in July 2009. Sundstrom is the elected auditor-controller of Orange County, CA. He was first elected to that position in 1998 and before that served as the county's director of internal audit.

Before joining Orange County in 1995, he was the university auditor for the California State University System and the campus audit manager for the University of California-Davis.

## Challenges

Each chairman faced at least one major challenge during his tenure that reached beyond the common disagreements among board members on what direction a particular project should take. All of these challenges went to the core of independent standards-setting for state and local governments. Chairman Antonio's challenge was in 1989–1990 during the first five-year review of GASB. The initial findings called for the continuation of GASB, a credit to the work of the board in its own right. However, the issue of jurisdiction, which was a major stumbling block in the negotiations that led to the establishment of GASB, again became an issue. The review committee called for the jurisdiction of special purpose entities that were divided between the FASB and GASB (for example, hospitals and colleges and universities) to be transferred to the purview of FASB.

This recommendation was not considered to be an acceptable solution to GASB members and the government organizations that sponsored the creation of GASB. The ensuing months of discussions among FAF, GASB and government organizations were at times very tense. At one point, there was even discussion of GASB moving outside the FAF umbrella. Fortunately, this did not come to pass. In fact, GASB emerged from the five-year review a stronger organization with the change to the GAAP hierarchy that was discussed earlier in this article. In addition to playing a key role in the negotiations, during this period Antonio kept the board focused on the technical agenda and kept the staff focused and intact.

Chairman Allen's challenge came during the development of the finan-

cial reporting model. The passion that some organizations and individuals exhibit about financial reporting issues should be encouraged. If people did not care about financial reporting, then accounting standards would lose relevance. There are times when strong feelings have been exhibited outside the normal bounds of due process. There are calls for intervention and changes to structure. GASB is not special in this regard. Financial reporting standards-setters of any relevance around the world have faced similar challenges.

When faced with such a challenge during the development of the reporting model, Allen exhibited strong leadership skills, not by ignoring those who had concerns about the direction that GASB was headed but by ensuring, with the help of the other board members, that the process was open and transparent. The clear message was that GASB listens to and considers the views of all constituents. There may not always be a meeting of the minds, but if someone takes the time to express a view during due process, they will be heard. This has been the strength of GASB during its entire history.

The challenge that Chairman Attmore faced was actually related to a standard that he did not even vote on. Concerns raised by some constituents regarding constructive obligations associated with retiree health care benefits during due process grabbed headlines in 2007. The headlines were created when those concerns translated into calls to overturn—both legislatively and administratively—GASB's standards on other postemployment benefits, specifically Statement 45. As with the challenges faced by the two previous chairmen, the root of the issue was independent accounting and financial reporting standards-setting for state and local government.

When asked, most people will express support for the need to have an independent accounting and financial reporting standards-setter. However, no one is 100 percent independent and everyone should be

accountable for their actions. GASB is accountable directly to the FAF trustees, as its oversight body, and also to its constituents. Like the chairmen before him, Attmore is a strong defender of GASB's independence. He believes that independence and accountability go hand in hand and has gone to great lengths to strengthen the ways in which GASB demonstrates its accountability. For example, GASB's website has been enhanced to provide additional transparency into the standards-setting process. FAF also has stepped up its oversight activities, so that both FASB and GASB constituents can continue to be confident that an open and inclusive due process is being adhered to. Thorough research and a strong due process lead to high-quality standards.

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## Conclusion

When assessing the accomplishments of GASB over the past 25 years, the question that should always be asked is: Has financial reporting been improved? In other words, has information been provided to financial report readers that helps them better assess the government's accountability and place them in a position of making more informed decisions? Based on surveys of financial report users over the years, the answer is yes, GASB is meeting its stated mission. However, there is still much to do.

In the ever-changing world of government finance, GASB's mission is not expected to be fully achieved at any point in time. There will always

be new transactions, twists on old transactions and the need for further transparency for existing transactions. In that spirit, GASB's work continues. ▮



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