Fact Sheet on the GASB’s Research on Statement 34

In August 2013, the members of the Governmental Accounting Standards Board (GASB) decided to begin research reexamining the standards related to the financial reporting model for state and local governments—most notably, Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments.

Below are questions and answers that should help explain why the GASB members made this decision and what the research will entail.

1. **Why did the GASB decide to reexamine Statement 34?**

   The GASB is committed not only to establishing standards of accounting and financial reporting, but also to ensuring that those standards continue to be effective over time. The GASB traditionally has reexamined its standards after they have been in effect for a period long enough to allow for meaningful evaluation. Most of the requirements of Statement 34 became effective in three phases, depending on the size of a government, between 2002 and 2004. The provisions related to reporting existing general infrastructure assets were fully effective in 2006 and 2007.

   More importantly, Statement 34 is one of the most significant pronouncements the GASB has ever issued, establishing the basic blueprint for a financial report—management’s discussion and analysis, basic financial statements, notes to the financial statements, and required supplementary information. No GASB standards are more wide-ranging and fundamental to financial reporting that Statement 34 and it related pronouncements:

   - Statement No. 35, Basic Financial Statements—and Management’s Discussion and Analysis—for Public Colleges and Universities
   - Statement No. 37, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments: Omnibus
   - Statement No. 41, Budgetary Comparison Schedules—Perspective Differences
   - Statement No. 46, Net Assets Restricted by Enabling Legislation
   - Interpretation No. 6, Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.
2. **Implementing Statement 34 was a major undertaking for governments that was completed not too long ago. Will governments have to make major changes to their financial reports in the near future?**

It is expected that the research on the financial reporting model will last until the middle of 2015. At that time, if the GASB members believe that significant improvements can be made to the standards, they will begin to deliberate over potential changes to propose for public review and comment. Statement 34 was the result of 15 years of research, deliberation, and public due process. Although this reexamination is not likely to take that long, it is reasonable to expect deliberations and public review lasting at least several years. Furthermore, if major changes are made to the standards, governments would be given ample time to implement them.

3. **What will the research on the financial reporting model entail?**

Initially, the GASB staff is performing three research activities. First, the staff will review the relevant professional and academic literature related to Statement 34. Second, the staff will examine the financial reports of randomly selected governments of various sizes (ranging from those with a few million dollars in annual revenue to billions of dollars) and types (states, counties and localities, school districts, and business-type activities such as colleges and universities, water and sewer utilities, and power utilities). Third, the staff will conduct 11 roundtables in 8 cities around the U.S. Each roundtable will bring together about 15 knowledgeable persons from a variety of constituencies among the preparers, auditors, and users of financial reports.

The primary purpose of the initial research is to identify any major, overarching issues that have arisen in the time since Statement 34 was implemented. In early 2014, the GASB staff will begin to conduct a mix of surveys and interviews with constituents to delve further into the issues identified in the initial research. The ultimate objective of the pre-agenda research as a whole is to amass comprehensive information upon which to base a recommendation to the GASB members as to whether revisions to the existing standards should be considered.
4. **How can I get involved in the GASB’s research?**

   At any time, you may bring to the GASB’s attention issues about Statement 34 and its related pronouncements in practice. You can provide information to the GASB by using the email address director@gasb.org. When the GASB begins to conduct surveys and interviews in 2014, be prepared to respond to requests to participate by volunteering to be interviewed or by completing a survey.

5. **How can I follow the progress of the research and any ensuing standards-setting activities?**

   Every project on the GASB’s current technical agenda and every pre-agenda research activity has its own page on the GASB website, www.gasb.org. These pages contain detailed descriptions of the project or research activity, work plans, and assigned staff. If the research results in a project being added to the current technical agenda, the project pages also present minutes from the GASB’s meetings and summaries of major tentative decisions made to date by the GASB members.

6. **How can I find out about the results of the research?**

   The GASB staff summarizes its research activities in a memorandum that is discussed with the GASB members at a public meeting. Documents discussed at public meetings of the GASB generally are part of the GASB’s public file and are available to constituents. The results of research on major projects—such as the research on pension standards in 2004–2006—often are made available on the GASB website, www.gasb.org.

7. **How does this reexamination research differ from a Post-Implementation Review conducted by the Financial Accounting Foundation (FAF)?**

   The GASB’s reexamination research efforts and the FAF’s Post-Implementation Review share the same objectives, with the FAF additionally examining the due process activities that lead to the issuance of a particular pronouncement. Due to the comprehensive nature of Statement 34 and the impact any improvements could have on governmental accounting and financial reporting, the GASB and the FAF agreed that this reexamination would best be conducted by the GASB.