

DAVID A. VAUDT  
Chairman

September 25, 2013

Mr. John Davidson  
Mrs. Cynthia P. Eisenhauer  
Co-Chairs, Standard-Setting Process Oversight Committee  
Financial Accounting Foundation  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Davidson and Mrs. Eisenhauer:

### **Response of the Governmental Accounting Standards Board**

The Governmental Accounting Standards Board (the GASB or the Board) is pleased to provide this response to the Financial Accounting Foundation's (FAF) Post-Implementation Review (PIR) Report on GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues*, and Statement No. 30, *Risk Financing Omnibus*, dated August 20, 2013 (the FAF PIR Report or the Report).

As noted by the fact the GASB has used an internal post implementation review process for over 15 years, we recognize that post implementation reviews are an important follow-up mechanism that provides insights into the effectiveness of existing standards as well as opportunities to improve the standard-setting process. The recent PIR Report has provided some important constituent feedback on the benefits of and the costs associated with following the requirements of Statements 10 and 30 in light of actual experience.

The GASB evaluates PIR Report findings following the review procedures in the *GASB Rules of Procedure* (Section IV.H.6) that establishes criteria for the review or reexamination of existing standards. Under those criteria, review of existing standards might be indicated if information is obtained that had not previously or adequately been considered by the Board, such as evidence that the transactions or the environment have changed significantly since the standards were issued, that there have been consequences or costs that differ significantly from the Board's expectations, or that

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financial statement users broadly do not find the information to be decision-useful or assist them in assessing certain aspects of accountability. Those criteria are designed to ensure that the governmental financial reporting system is not unduly burdened by the cost of frequent changes to accounting requirements.

We are pleased that the PIR Report concludes that Statements 10 and 30 resolve the issues underlying their need and provide decision-useful information about certain risk retention activities to creditors and other financial statement users; the requirements can be understood, applied as intended, and result in reliable information; the standards did not result in significant unexpected changes to financial reporting or operating practices, nor did they have any significant unanticipated consequences; and both the costs and the benefits associated with Statements 10 and 30's accounting, disclosure, and other reporting requirements are consistent with the Board's and stakeholders' expectations.

### **Evaluation of the Findings in the FAF PIR Report**

The GASB welcomes the overall conclusion in the FAF PIR Report that Statements 10 and 30 are working effectively. The Report notes that there are no significant standard-setting process recommendations; however, the Board continually seeks to improve the standard-setting process and has instituted a number of changes since the release of Statement 30 to enhance stakeholder engagement in the process. We remain committed to continuous improvement of the standard-setting process as opportunities arise, including enhancements to the quality-control process associated with the Codification of Governmental Accounting and Financial Reporting Standards.

The Report also notes that the Board has been monitoring the Financial Accounting Standards Board (FASB) project on insurance. A proposal to improve nongovernmental insurance financial reporting was issued by the FASB in June 2013 and the GASB will continue to monitor this project as it progresses to determine whether any proposed changes should be considered for the governmental environment.

On behalf of the GASB, I would like to thank the Foundation for undertaking this important process and all the individuals and organizations who gave their time to share their insights and experiences with the PIR staff.

Sincerely,



David A. Vaudt

cc: FAF Trustees  
T. Polley