

# **Bond Case Briefs**

*Municipal Finance Law Since 1971*

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## **GASB RFC: Financial Reporting Model Reexamination.**

The GASB is working toward the issuance of an initial document for public comment in its [project reexamining the financial reporting model](#). The Invitation to Comment will seek feedback from stakeholders on elements of the existing model that the GASB's research identified as areas of potential improvement. This article previews what the Board is preparing for issuance at the end of 2016.

Unlike other due process documents, which contain proposals from the Board for new or amended standards, an Invitation to Comment is a neutral document that seeks stakeholder input on a variety of alternatives before the Board develops a position on them.

It is important to note that the feedback received during the initial pre-agenda research indicated that much of the financial reporting model has been effective in providing information that is useful for making decisions and assessing accountability. Therefore, the Board decided that the approach of the financial reporting model reexamination will be to make improvements to the existing model, rather than start over with a clean slate.

### **TARGETED AREAS OF POTENTIAL IMPROVEMENT**

The Invitation to Comment is expected to present a number of targeted areas of potential improvement to governmental fund financial statements, including:

- Recognition approaches
- Format of the governmental funds statement of resource flows
- Specific terminology
- Reconciliation to the government-wide statements, and
- For certain recognition approaches, a statement of cash flows.

The Board plans to consider other areas identified for potential improvement during the research in future due process documents.

### **MAPPING OUT THE INVITATION TO COMMENT**

#### **Chapter One**

The first chapter will make the case for why the Board is exploring recognition approaches for governmental funds—to improve the effectiveness of governmental fund information, develop conceptual consistency, and provide a basis for establishing guidance for complex transactions.

#### **Chapter Two**

This chapter will introduce three alternatives that fall on a continuum for recognition approaches for governmental fund financial statements:

- Near-term financial resources

- Short-term (working capital) financial resources, and
- Long-term (total) financial resources.

For each of these three recognition approaches, the document will describe:

- The messages that financial statements using the recognition approach would be trying to communicate
- The assets, liabilities, deferrals, and inflows and outflows of resources that would be reported under the recognition approach, and
- Potential benefits and challenges to the recognition approach.

Stakeholder input will give the Board additional insight as to which recognition approach yields the most understandable and useful information about the governmental funds.

### **Chapter Three**

This portion of the document will consider a statement of cash flows for governmental funds for the short-term (working capital) financial resources and long-term (total) financial resources recognition approaches.

A cash flows statement presents a government's receipts and disbursements into different categories—operating activities, noncapital activities, capital and related financing activities, and investing activities—based on the nature of the transaction. Currently, cash flows statements are required in the proprietary funds (funds reporting activities for which a government generally charges a fee for goods or services).

This document will seek input on whether there would be a need for a cash flows statement if the governmental funds were to use either of the recognition approaches other than near-term financial resources. It also would consider which cash flows categories are most relevant.

The chapter also will consider two presentation format alternatives for the resource flows statement for governmental funds:

- The first would retain the existing format (the statement of revenues, expenditures, and changes in fund balances).
- The second would be a current activities and long-term activities format.

Input on these very different formats will assist the Board in evaluating which provides financial statement users with the most understandable and useful information.

*We welcome your input once the Invitation to Comment has been issued in December 2016.*