

# **Bond Case Briefs**

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## **GFOA: GASB Makes Significant Adjustments to Its Technical Agenda.**

In late April the Governmental Accounting Standards Board (GASB) made two significant adjustments to its technical agenda. First, the Board removed from its current agenda a controversial project on financial projections. Second, Board members added new projects on going-concern and enhanced debt disclosure.

The GASB issued its preliminary views (PV) on Economic Condition Reporting: Financial Indicators, in November 2011. In the PV, the GASB proposed to mandate the presentation of five-year projections of: 1) inflows and outflows of cash and cash equivalents; 2) opening and closing balances of cash and cash equivalents, and 3) financial obligations as required supplementary information (RSI). It also proposed that governments be required to provide a narrative discussion of intergovernmental service dependencies (that is, how changes in the level of services provided by another government could have an impact on the government's own cost or the level of services provided). Many of the GASB's constituents, including the GFOA, vigorously objected to the proposal, questioning both the usefulness of the information and whether the presentation of future projections fell within the scope of the GASB's mandate as an accounting and financial reporting standard-setting body. The GASB's decision to remove the project from its current agenda would appear to be, to some degree, a response to those concerns. The GASB has taken no further action on the project since 2012.

Accounting and financial reporting presume that an entity will "stay in business." This going concern assumption potentially affects the valuation of assets and liabilities, as well as the reporting of deferred inflows and outflows of resources. Of course, governments, unlike private-sector enterprises, rarely "go out of business." That does not mean, however, that the going concern concept does not have relevance to state and local governments facing severe fiscal stress. Accordingly, the GASB has added a project to its technical agenda to assess whether governments have sufficient guidance to appropriately evaluate and disclose uncertainties associated with severe fiscal stress.

Finally, state and local governments increasingly are using direct bank loans to replace bonds in many situations. The GASB plans to consider the adequacy of disclosures for such direct borrowings.

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