

# **Bond Case Briefs**

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## **GASB Board Meeting Highlights.**

Meetings of the GASB were held at the GASB offices in Norwalk, Connecticut on January 5-6 in accordance with the notice of meetings published in advance of the meetings. The minutes of the December teleconferences were formally approved at the January 5 meeting. The following topics were discussed: Leases; Blending Requirements for Certain Component Units; Irrevocable Split-Interest Agreements; Financial Reporting Model Reexamination; Debt Extinguishment Issues; and Implementation Guidance—Update.

### **Leases**

The Board reviewed a preballot draft of the proposed Exposure Draft, Leases, and provided clarifying edits on the draft document. The Board tentatively decided that the Exposure Draft should propose that only governments whose principal ongoing operations consist of leasing assets to other entities be required to disclose future lease payments that are included in the lease receivable, showing principal and interest separately.

### **Blending Requirements for Certain Component Units**

The Board reviewed a preballot draft of a final Statement, Blending Requirements for Certain Component Units, and provided clarifying edits on the draft document.

### **Irrevocable Split-Interest Agreements**

The Board continued redeliberations and reviewed a draft text of the Standards section of a final Statement. The Board provided clarifying edits on the draft Standards section. The Board also discussed respondent feedback requesting that the Board delay this project until the reexamination of Statement No. 33, Accounting and Financial Reporting for Nonexchange Transactions, and tentatively decided to proceed towards issuance of a final Statement.

### **Financial Reporting Model Reexamination**

The Board continued discussion of three general approaches to the recognition of elements of financial statements and presentation for governmental fund financial statements. The three approaches discussed by the Board include near-term financial resources, near-term financial resources with current-period operating liabilities, and working capital (formerly referred to as short-term accrual). For each approach, the Board discussed the relationship with the objectives of financial reporting, messages conveyed by financial statements, recognition concepts, potential benefits and challenges, recognition of specific transactions, and pre-agenda research. After the discussion, the Board tentatively decided to further develop the near-term financial resources approach, working capital approach, and a working capital approach with a variation to recognition of post-employment benefits and compensated absences. The Board also tentatively decided to further explore the following four presentation alternatives for resources flows: statement of revenues, expenditures, and changes in fund balances (current format); cash flows statement categories; recurring transactions separated from one-time and limited-time transactions; and short-

term (or current) activities separated from long-term activities.

### **Debt Extinguishment Issues**

The Board discussed the scope of the project and tentatively decided that it should include consideration of (a) whether the use of solely existing resources placed into an irrevocable trust to retire a bond warrants defeasance accounting as provided in Statement No. 7, Advance Refundings Resulting in Defeasance of Debt, (b) the deferral treatment of the difference between the reacquisition price and the net carrying amount of the debt when existing resources are used in conjunction with refunding bond proceeds and when only existing resources are placed into an irrevocable trust to retire bonds, (c) disclosure requirements related to items (a) and (b), and (d) the treatment of prepaid insurance related to a refunded bond.

### **Implementation Guidance—Update**

The Board considered issues raised by respondents to the Exposure Draft, Implementation Guide 20XX-XX. The Board considered modifications to some proposed questions in response to these issues. The Board did not object to the proposed modifications and provided other suggestions to clarify the content of the materials. The Board tentatively decided to exclude from the Implementation Guide proposed Questions 4.69 and 5.37.