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GASB Project Update: Financial Reporting Model Reexamination.

The GASB [added a project to its agenda](#) in September 2015 to reexamine the financial reporting model. The primary guidance that would be impacted by this project is Statement No. 34, *Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments*, but also includes several other related pronouncements.

Issued in 1999, [Statement 34](#) set the formats and measurement focuses of financial statements that are in place today. The Statement ushered in important innovations to general purpose external financial reporting and made it possible for users to more fully assess a government’s overall financial health.

As the GASB continues to work toward an initial document for public comment in its reexamination of the financial reporting model, this article previews key issues the Board expects to address.

Initial Document Expected In 2016

The GASB anticipates issuing an Invitation to Comment before the end of 2016. The Invitation to Comment will seek feedback from stakeholders on certain aspects of the current financial reporting model.

Based on the feedback received during the initial pre-agenda research, the Board decided that rather than starting from a blank slate, the approach of the financial reporting model reexamination should be to make improvements to the existing model. The overall objective of this project is to enhance the effectiveness of the model in providing information needed for making decisions and assessing a government’s accountability—and to address application issues.

The Invitation to Comment will address improvements to various aspects of:

- Governmental fund financial statements, which have traditionally focused on the short-term finances of the most basic activities of a government, such as police, fire, sanitation, and
- Government-wide financial statements formats, which cover both the short- and long-run finances of all of a government’s activities (except fiduciary activities).

Governmental Fund Financial Statements

GASB research has determined that governmental fund financial statements are not as effective as they could be in providing information that is essential for users to make decisions and for assessing a government’s accountability. Research also has led the GASB to determine that opportunities for improvement exist.

For example, rather than being based on a cohesive conceptual foundation, the current financial resources measurement focus used for reporting governmental funds is an accumulation over many decades of common practices and conventions. (A measurement focus describes the types of

resources that are reported in a financial statement.) Furthermore, this measurement focus has not been comprehensively reviewed in nearly 20 years. As a result, the information reported in financial statements prepared using this focus can be inconsistent and does not necessarily provide users what they need.

Another issue the Invitation to Comment is expected to address includes how the format of governmental fund financial statements might be revised to improve their utility and understandability.

Government-Wide Financial Statements

[Recent Video on the Model](#)

The Invitation to Comment also is expected to address the format of the government-wide statement of activities. The statement of activities reports a government's revenues and expenses, as well as other changes in the government's net position. GASB research has indicated that some users find this financial statement to be somewhat confusing and not as helpful as it might be for making decisions.

Looking Ahead

The project is expected to unfold over a relatively long time horizon, which could mean the reexamination would extend into 2021.

We welcome your input once the Invitation to Comment has been issued. Sharing your views with the Board will be a key element of a successful outcome in this project.

[Register](#) to attend the June 21 Task Force meeting in New York.

Read a recent [GASB Outlook article](#) on the financial reporting model reexamination.