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GASB Issues Proposals Designed to Improve Government Financial Reports and Establish Recognition Concepts.

Norwalk, CT, September 28, 2018 — The Governmental Accounting Standards Board (GASB) today issued a Preliminary Views proposing improvements to key components of the financial reporting model. In a separate, related document, the Board also proposed new concepts intended to guide the Board in developing standards on recognition in financial statements.

GASB Chairman David A. Vaudt said: “What the Board ultimately is trying to do through these companion projects is provide better information to financial statement users. These proposals are designed to enhance both the value and clarity of the information reported in financial statements,” he added.

Stakeholders are asked to review and provide input on the proposals contained in the two Preliminary Views by February 15, 2019.

Financial Reporting Model Improvements

The Preliminary Views, [*Financial Reporting Model Improvements*](#), presents the Board’s current thinking on targeted improvements to the financial reporting model—the blueprint for the annual audited financial report. The proposals are designed to improve the model’s effectiveness in providing information essential to decision making and assessing a government’s accountability.

The proposed improvements include:

- A short-term financial resources measurement focus for governmental funds that recognizes short-term transactions and other events when incurred and long-term transactions and other events when due
- A format for governmental fund financial statements that distinguishes between current and long-term resource flows
- Clarified explanations of operating and nonoperating revenues and expenses
- An additional subtotal in proprietary fund financial statements for operating income (loss) and noncapital subsidies
- Presentation of all budgetary comparison information as required supplementary information and required presentation of two variance columns
- Communication of major component unit information either in the government-wide statements or in combining financial statements
- A new schedule of government-wide expenses by natural classification as supplementary information in comprehensive annual financial reports.

The Preliminary Views considers improvements in selected areas of the existing financial reporting model. The Board plans to address enhancement of other areas of the model in a subsequent proposal.

Recognition of Elements of Financial Statements

The Preliminary Views, [*Recognition of Elements of Financial Statements*](#), presents the Board's current views on concepts related to recognition of elements of financial statements, such as assets and liabilities.

Recognition concepts encompass two aspects of state and local government financial statements:

- The *measurement focus* of a specific financial statement determines *what* items should be reported.
- The related *basis of accounting* determines *when* those items should be reported.

The Preliminary Views proposes that an item being considered for recognition in financial statements would be evaluated using a hierarchy for recognition of elements. The hierarchy would require the Board follow a specific order of elements when considering if an item should be recognized and as what element (for example, as an asset, deferred outflows of resources, or expense).

The Preliminary Views also proposes a recognition framework for both the short-term financial resources measurement focus (proposed for use in governmental fund financial statements in the companion Preliminary Views) and the economic resources measurement focus (used in government-wide, proprietary fund, and fiduciary fund financial statements).

Issuing the two documents concurrently is intended to provide stakeholders with a conceptual context for how elements of financial statements would be recognized and then to see how those elements would be presented within the financial reporting model.

Alternative Views

The documents also contain alternative views to some of the proposals.

Share Your Comments

Written comments should be addressed to the Director of Research and Technical Activities, Project No. 3-25 (*Financial Reporting Model Improvements*) or Project No. 3-20 (*Recognition of Elements of Financial Statements*), and emailed to director@gasb.org.

A series of public hearings and user forums on the Preliminary Views documents are scheduled as follows:

Public Hearings

March 5, 2019, Rosemont, IL

March 12, 2019, Atlanta, GA

March 14, 2019, Flushing, NY

User Forums

March 6, 2019, Rosemont, IL

March 14, 2019, Flushing, NY.

The deadline for written notice of intent to participate is February 15, 2019. Additional information is available in each of the Preliminary Views.