

FACT SHEET EXECUTIVE SUMMARY: FINANCIAL REPORTING MODEL IMPROVEMENTS*

What did the GASB propose in 2020 about the financial reporting model?

The GASB issued for public comment an [Exposure Draft](#) to improve the *financial reporting model*, the blueprint for a government's audited annual financial report. The proposal reflects the wide variety of views that the GASB has heard from hundreds of stakeholders.

What has the GASB proposed to improve the governmental fund financial statements?

The GASB proposed a *short-term financial resources* measurement focus and an *accrual* basis of accounting for governmental funds. The proposal is, in many ways, similar to what is required now, but resolves many of the problems that undermine the usefulness of governmental fund information.

Why didn't the GASB propose using the same economic resources measurement focus as the government-wide financial statements?

Many financial statement users highly value the emphasis of governmental funds on the short term. Therefore, the GASB concentrated on resolving the existing problems and making the short-term information as valuable as possible.

Are the proposed short-term financial resources measurement focus and accrual basis of accounting the same thing as cash accounting?

Not at all. The proposal moves *further* away from cash accounting. Reporting of inflows and outflows would not be tied to when cash changes hands.

Does the proposal allow governments to ignore their long-term debt?

No. Information on long-term liabilities, such as debt and pension obligations, as well as capital assets and other longer term assets, clearly are visible in the government-wide financial statements. The GASB sets standards for governments to report information that best meets the needs of the public, at a manageable and justifiable cost.

Does the short-term focus mislead the public about a government's real financial health?

Again, no. All financial statements, notes, and schedules in the model should be examined as a package to develop a clear and complete picture of complex government finances. The availability of both long-run and short-run information supports a thorough understanding of a government's financial status and performance. Drawing conclusions exclusively from the governmental funds produces an incomplete picture.

*This is a high-level summary of a Fact Sheet [available on the GASB website](#).