

GASB 34 – WAS IT WORTH IT?

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OVERVIEW

- GASB 34 – The Battle Revisited
- Post Mortem
- Auditors' Perspective
- Underwriters' Perspective
- Questions/Discussion

GASB 34 – The Battle Re-visited

- GASB's 20 year struggle
- Accountability vs. Perspective
- Intergenerational equity
- Underwriters concerns about governmental issuers
- Uncertainties about creditworthiness
- 1994

GASB 34 – The Battle Re-visited

- Fund Accounting – Flow of Cash Model
 - PROS
 - How governments have historically operated – simple concepts – cash in/cash out
 - Accountability to budgets/demonstrates legal compliance
 - Effectively tracks dedicated resources
 - Demonstrates to taxpayers how their tax collections are spent on a current basis
 - Short term focus – elected officials

GASB 34 – The Battle Re-visited

- Fund Accounting – Flow of Cash Model
 - CONS
 - Disconnect to “for-profit” financial statements
 - Debt not matched to assets
 - Assets not charged off as “used”
 - No complete picture of the government – hides a lot of sins
 - Governments are no longer simple entities
 - Short term focus – elected officials

Post Mortem

- 403 pages and 3 implementation guides later, we all survived
- What have we learned?
 - GASB opened Pandora’s Box
 - Existing standards were not sufficient
 - A lot of “OMG” moments – a lot of hidden or buried problems were revealed
 - True cost of political projects come home to roost

Post Mortem

- Has it changed anything? Do taxpayers now read the financial statements or care any more now than they did before?
 - In a simple word, NO
- So what is the impact? Was this all worth it?
 - Again, said simply, YES

Auditors' Perspective

- Very costly and time consuming
- In many cases, very difficult to get the information we needed
- Systems not always conducive to supporting implementation
- Difficult to change mindsets
- Trailing guidance was a major frustration

Auditors' Perspective

- More transparent view of government
- Exposed the implications of the "REELECTME" mentality
- Provides taxpayers with a document that is understandable to the average person
- Financial statements truly present the financial condition and the cost of government
- Ancillary benefits - system and control improvements

Underwriters' Perspective

- At inception, did not expect to change HOW the underwriters rated government bonds are rated
- 5 major credit factors remain unchanged:
 - Security
 - Debt
 - Economy/demographics
 - Finances
 - Management

Underwriters' Perspective

- However, did expect to improve process because:
 - Greater transparency
 - Data to assess historic and ongoing investment in infrastructure
 - Fund balance vs net asset perspective
 - Clearer bottom line view of government
 - Improved trend analysis and comparability

Questions/Discussion

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