

Government Finance Officers Association

December 7, 2011

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 3-23
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

We are writing to you on behalf of the Government Finance Officers Association (GFOA) in response to the Governmental Accounting Standards Board's (GASB) exposure draft (ED) on *Reporting Items Previously Recognized as Assets and Liabilities*. This response was prepared by GFOA's standing Committee on Accounting, Auditing, and Financial Reporting, all of whose members are active government finance officers.

In responding to proposed standards the GFOA follows a principle that unnecessary differences with private-sector standards should be avoided for accrual-based presentations. In other words, differences in the accrual treatment of transactions and events should always be based on significant underlying environmental differences (i.e., transactions or circumstances unique to the public sector), not just the conflicting preferences of different standard-setting bodies. Creating unnecessary differences with private-sector standards only confuses financial statement users and places a burden on governments to provide training to citizens, elected officials, investors and new employees who have not had specific education in public-sector standards through either their formal education or previous work experience.

For the items that are proposed to be reported as inflows of resources and outflows of resources we cannot identify any environmental differences that would warrant a difference from the treatment in the private-sector. Accordingly, we disagree with the proposed treatment of debt issuance costs, initial direct cost incurred by the lessor for operating leases, acquisition costs (for insurance entities and public entity risk pools), fees related to purchased loans, loan origination fees (excluding points) related to lending or mortgage banking activities, and loan commitment fees. We believe the current treatment of these items is appropriate and should continue.

Furthermore, we have now come to the conclusion that the distinction between *assets* and *deferred outflows of resources*, on the one hand, and *liabilities* and *deferred inflows of resources* on the other, while possibly useful for purposes of theoretical analysis, offers little if any practical benefit and likely will confuse financial statement users. In other words, once seeing first hand the practical result of this direction we no longer support the guidance offered in GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, to present separate sections for deferred outflows of resources and deferred inflows of resources on the face of the financial statements. Instead we

believe that the statement of financial position should refer simply to *assets and deferrals* and *liabilities and deferrals* and recommend that GASB Statement No. 63 be amended accordingly. Given that the requirements of GASB Statement No. 63 are first mandated for financial statements for periods ended December 31, 2012, now is a particularly opportune time to make such a change.

If you have any questions regarding our position, please contact the GFOA's Director of Technical Services, Stephen J. Gauthier (312/917-6101; FAX 312/977-4806; e-mail: sgauthier@gfoa.org).

Sincerely yours,

Steven Solomon, chair
Committee on Accounting, Auditing,
and Financial Reporting

Charles Elliott, vice chair
Committee on Accounting, Auditing,
and Financial Reporting