Date: March 7, 2017

To: Director of Research and Technical Activities, Governmental Accounting Stands Board

From: Terry Mallow, CPA, Lee County Clerk of Courts, Finance & Records Department

RE: Comments on Project No. 3-251

Thank-you for providing us the opportunity to comment on the Financial Reporting Model- Reexamination of Statements 34, 35, 37, 41, and 46 and Interpretation 6.

**Comments on GASB Financial Reporting Model Project**

I am providing comments from a County’s perspective. We are a county in Florida and our Comprehensive Annual Financial Report ("CAFR") is prepared by combining the County and the five Constitutional Officers ("CO"). The CO’s have separate financial statements; however, the CAFR does not present the County separately. This makes the CAFR virtually useless to County Management, the Board of County Commissioners, and the public, who are just interested in County activity. In addition, GASB 34 made the financial statements harder to read, and more important, harder to explain. We (the Finance folks) have found that really only the rating agencies and our accountants who prepare the CAFR understand how to read and extract information from the CAFR. We spend a lot of time planning and preparing the CAFR and would like it to be read and used, but in its current format is impossible. The footnotes become another issue with comingling since some of the footnotes address only County information yet other footnotes address the combined numbers.

The different accounting measurement focus and basis of accounting makes it impossible to provide requested information independent of the CAFR. The Commissioners want to see financial statements for certain governmental funds that issued debt or for other reasons, but to no avail since absent the debt and capital asset information the only information we can provide is incomplete, for their needs. Because of this, the Commissioners and County Management stopped asking us for information. It would be so beneficial to make all funds, except for perhaps Fiduciary Funds, either full accrual or cash basis. At the end of the day, governments are not businesses and do focus on cash thereby you can make a case for either. Modified accrual serves no purpose. The high-level presentation of governmental funds on a full accrual basis on the Government-Wide Statements again is not useful since only part of the information from internal service funds are reported with-in the Governmental Activities column, yet all of the Internal Service information is reported with the proprietary funds further back in the report. There are so many situations similar to this throughout the CAFR where apples are being compared to oranges and we are forced to shove a square peg into a round hole. Consistency and ease of reading and understanding the CAFR would be optimal.

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1) Government-Wide Financial Statements
   a) I highly agree with an alternative format for the Statement of Activities. The current format does not make sense to those who do not prepare the CAFR. Some of our Commissioners are business people and can read financial statements, but not these. The current format is so far removed from a business financial statement format that it renders it unusable. To compound the problem, co-mingled information (described above) makes the County’s information unusable as well. The County Manager asked me where he can find the cash and investments for the County (just the County, not the other Elected Officials’ numbers) on the statements in the CAFR, and I had to answer with “Sorry, but nowhere.”
   b) I highly disagree with proving a Statement of Cash Flows for the Government-Wide Statements. Again, because our CAFR is co-mingled with other agencies, it does not offer a benefit. And also because the Government-Wide Statements present a very high-level picture, the Statement of Cash Flows would not have much meaning yet cause our Finance folks heartburn to prepare.

2) Major Funds
   a) I am not sure what type of debt service fund information can be provided as a major fund that makes sense. The problem with a major fund classification is that it removes that particular fund from the combining statements thereby the reader cannot get information on a whole for that fund group type without the aid of a calculator. Also noteworthy, is that major funds change from year-to-year; thereby, the reader cannot compare information year-over-year.

3) Governmental Fund Financial Statements
   a) I highly agree with eliminating modified accrual and at a minimum present them on a cash basis but more optimal would be to be consistent with Proprietary Funds on full accrual.

4) Proprietary Fund and Business-Type Activity Financial Statement
   a) I am neutral on this position.

5) Fiduciary Fund Financial Statements
   a) I feel that the Fiduciary Funds should be carved out of all areas, including the footnotes, of the CAFR and presented separately without footnotes in a section by themselves in the back of the CAFR. Fiduciary Funds present another type of co-mingling. They are not part of the Government-Wide statements yet their cash is reported combined in the Investment footnote. The Fiduciary Funds are not supposed to be activity of the government being reported, yet are treated as quasi activity; thereby, should either be fully combined or fully carved out, with the latter being optimal.

6) Budgetary Fund Financial Statement
   a) I agree that a common format and placement makes sense. I find the adopted (original) vs. final budget information useful; however do not feel that the variances are useful. The reader can do simple math in their head when reading them.

7) Other Issues
   a) Recommendations, some already presented above:
      i) For County statements- present the County information without the CO’s (or co-mingled agencies) with a total column. Next present the CO’s (or other co-mingled agencies) in a separate column like a discretely presented component unit.
ii) For County statements, apply the same separation concept to the footnotes so that it is clear what the County is vs. all combined. Again, have separate information for a total of the CO’s (co-mingled agencies) and a total for all. This will allow the reader to extract information, such as cash and investments, for just what they are interested in when reading the County’s financial statements. If the reader requires detail for the CO’s (co-mingled agencies), the reader can consult the CO’s statements.

iii) If we must present major funds, a corresponding total major fund column, or all major funds individually, should be presented in the combining statements to allow year-to-year comparisons, without the aid of a calculator.

iv) Require, perhaps in a simpler presentation, that restricted cash be reported on the face of the statements and do not allow it to be reported in aggregate with corresponding detail in the footnotes. Again, because the placement of restricted cash and investments can be found in the footnotes there is no way, without the aid of a calculator, to get a cash and investment number from the statement. This is unheard of in business financial statements where all numbers are readily available and obvious, without the aid of a calculator and intense governmental accounting technical knowledge.

v) Modify the presentation of the Government-Wide Statement of Activities so that it mimics a business financial statement since you are requiring them to be presented using full accrual.

vi) Consider using full accrual or cash basis for all fund types, except Fiduciary Funds which need to be completely carved out of the statements and footnotes and presented elsewhere in the back of the report.