March 20, 2017

Mr. David Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Project No. 3-25I  
director@gasb.org

Dear Mr. Bean:

HeinfeldMeech has reviewed the Governmental Accounting Standards Board (GASB) Invitation to Comment, *Financial Reporting Model Improvements – Governmental Funds*. We appreciate the opportunity to provide feedback to the Invitation to Comment.

HeinfeldMeech is an Arizona-based accounting firm of 46 members, including nine partners. The firm performs approximately 200 audits annually, most of which are state and local governments. Members of the firm are active in AICPA activities as well as local accounting and finance officers organizations.

The following provides responses to the questions set forth in the Invitation to Comment.

**Question 2.1**

Yes, governmental fund financial statements should continue to present information that reflects a shorter time perspective than the information presented in the government-wide financial statements.

The vast majority of governments operate, budget, and make fiscal decisions on a shorter time perspective out of necessity rather than by choice. Funding sources for governments fluctuate annually, occasionally significantly. In addition, these changes are often imposed rather than elective, and at times during the fiscal year without management control (voter approved initiatives, legislative funding changes, etc.). A shorter time perspective presents the immediate impact changes in available funding sources had on the government’s ability to provide services to constituents, and presents information as to whether the government is in a position to actively address changes in the subsequent period.

In addition, if a longer time perspective financial reporting model for governmental funds is required, we believe governments will continue to operate in the shorter time perspective. The proposed short-term and long-term approaches seem to increase the gap between the operational accounting and financial reporting of governments. The governing body and constituents of a local government are a primary user of the financial statements. These users will continue to need and use financial statements that most closely represent the operational accounting of the government. Using the short-term or long-term approach would make the financial statements less useful to these users, therefore compelling them to use other financial information, likely unaudited documents and reports provided by management.
Lastly, the government-wide financial statements provide information on a long-term perspective. Many governments utilize this information and make informed long-term decisions using information from the government-wide financial statements. Disaggregating this information to a fund level presentation would not seem to provide users with any additional information.

**Question 2.2**
Yes, we believe the governmental fund financial statements should continue to present information that facilitates comparisons with the government’s budgetary information.

The demonstration of stewardship, compliance and accountability is a primary objective of governmental reporting. A key method to achieve this objective is to ensure a close relationship between the governmental fund financial statements and the budgetary statements in order to provide for comparisons between the statements. Although the presentation of these statements is not always on the same basis, any differences in basis of presentation would typically not prohibit value-added comparisons. The ability to facilitate comparisons of audited governmental fund financial statements to budgetary statements adds significant value to shorter time perspective financial statements.

The cash flows reporting that may be required for the short-term and long-term approaches would not satisfy the shorter time frame reporting needs of the users. Cash flow statements do not replicate the revenue sources and functional expenditure reporting that governments have historically used to communicate financial information to the public.

**Question 2.3**
We believe the near-term approach proves the most relevant information for assessing fiscal accountability of a government.

The near-term approach most closely represents the shorter time perspective. See responses to questions 2.1 and 2.2 as to the value provided from a shorter time perspective of financial information.

**Question 2.4**
We do not have a strong position on this matter. It seems that proper note disclosures of tax/revenue anticipation notes would provide an informed user with the information necessary to properly assess the financial implications of the debt issued, including whether the government was using these resources to balance its budget.

**Question 2.5**
We do not have a strong position on this matter. The financial resources presented for each recognition approach appear consistent with the recognition concepts presented. In addition, there are valid positions to either including or excluding prepaid items and inventory from the near-term approach. A position for inclusion of these items is that although these items are not typically converted to cash in the near-term they do place the government in a position to not utilize cash resources in the subsequent near-term. Governments use cash to purchase goods or services prior to year-end that may not be needed until the subsequent near-term, for which these transactions are recorded as a liability, i.e. an obligation on current financial resources reported. Similarly, cash may be used for prepaid items or inventory that are not needed until the subsequent near-term period, therefore providing a relief on the use of current financial resources reported.
**Question 2.6**
No recommendations or comments on this question.

**Question 2.7**
While we support the continued presentation of a reconciliation of the fund financial statements to the government-wide financial statements we do not believe the placement of the reconciliation on the same-page of the fund financial statements provides any additional value to the user. The same-page presentation will require the use of already limited page space in the financial statements, further reducing the space available to clearly and legibly present the data of most interest. The current presentation of the reconciliation immediately following the fund financial statements seems to achieve the intended objective. We are not aware of any confusion or concerns from users with the current presentation. Any benefits of same-page presentation would likely be outweighed by the negative impacts of the small print necessary to accommodate same-page presentation. In addition, same-page presentation seems cluttered and may unnecessarily distract the reader from the financial statements themselves.

**Question 3.1**
The existing format is preferred primarily as it seems to be most consistent with current presentation, and how governments budget and manage resources. In addition, the presentation of current year outflows such as debt service and capital outlay presented separately and in a different context (i.e. as negative amount) than other current year outflows may cause unnecessary confusion to readers. With that, we do not have a strong position either way on this matter. Both formats seem to have both advantages and disadvantages.

**Question 3.2**
If the long-term model or short-term model are used, a cash flows statement should be required. The requirement of a cash flows statement for the near-term approach seems unnecessary as it would likely duplicate information presented in the financial statements. In addition, if a statement of cash flows is required, a statement of cash flows for each major fund seems unnecessary. We propose requiring only the General Fund and all other funds in an aggregated total column.

**Question 3.3**
No particular difficulties identified. As noted for the near-term perspective the presentation of a statement of cash flows appears to be unnecessary. There will be additional preparer costs associated with cash flows presentation, however these will likely not be significant.

**Question 3.4.**
No concerns with GASB Statement No. 9 classifications and we have no suggested alternatives.

Should there be any questions or clarification required on our comments please contact me at corey.arvizu@heinfeldmeech.com or 520.903.6865.

Sincerely,

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