March 31, 2017

Mr. David Bean
Director of Research and Technical Activities
Government Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Dear Mr. Bean:

The State of Utah, Department of Administrative Services, appreciates the opportunity to respond to the Governmental Accounting Standards Board’s Invitation to comment, Financial Reporting Model Improvements – Governmental Funds. Below are the State’s responses to GASB’s specific questions:

2.1. Do you believe that 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 and that focuses on financial, rather than economic, resources? Why?

Yes, we support a shorter time perspective than the information presented in the government-wide financial statements. We strongly believe the fund statements should provide the fund detail that supports the budget. Users of the statements want to evaluate the actions and performance of the legislative body whose terms are also generally short. The shorter term perspective will help users evaluate the performance of the State and the use of short-term resources and uses of financial resources.

2.2. Do you believe that governmental fund financial statements should continue to present information that facilitates comparisons with a government’s budgetary information? Why?

Yes, the governmental fund financial statements should continue to present information that facilitates comparisons with a government’s budgetary information. As noted in question 2.1 above, we feel that users, specifically citizens, want to know how resources were spent by individual fund over a shorter time perspective. We see this as critical information at all levels of government.

2.3. Which of the three recognition approaches provides the most relevant information for assessing fiscal accountability1 of the government? Why do you consider that information most relevant?

The State of Utah feels the near-term approach using 60 days provides the most relevant information for assessing fiscal accountability. It is similar to what we do now under the modified approach and we feel it would be the most useful to statement users at all levels of government. The State feels strongly
that the relationship between the information provided by governmental fund financial statements and the budget be maintained. We feel the near term approach would provide greater reporting consistency using 60-90 days versus the use of estimates required under the other approaches, some of which would be extremely difficult to estimate (i.e. pension, OPEB, compensated absences). The near-term approach, as compared to the other proposed approaches, would result in less work, faster completion of the statements, and reduced audit costs. We do not believe the other approaches would add value and would increase confusion to the users of the financial statements.

2.4. Transactions related to tax anticipation notes or revenue anticipation notes are presented differently under the three recognition approaches. In the near-term approach, borrowings on and repayments of these notes would be reported as inflows and outflows of resources on the statement of resource flows and in the reconciliation to the government-wide statement of net position. In the short-term and long-term approaches, outstanding balances of these notes would be reported as liabilities on the balance sheet, and borrowings on and repayments of these notes would be reported in the statement of cash flows. (See the discussion in Chapter 3.) Which approach to the reporting of these notes provides the most valuable information? Why?

The State of Utah does not issue tax anticipation notes (TANs) or revenue anticipation notes (RANs) and therefore will not respond to this question.

2.5. Views vary on the definition of financial resources—a concept integral to all three recognition approaches. (See the discussion in paragraphs 38–40 of Chapter 2.) What definition of financial resources provides the most valuable information? Why? Do you consider prepaid items to be financial resources? Why? Do you consider inventory to be financial resources? Why?

The State of Utah believes prepaid items and inventory to be financial resources because they are consumable in lieu of financial resources – because of the existence of prepaid items and inventory the use of financial resources in a future period can be avoided. They are resources that can be used in lieu of cash.

2.6. For the recognition approach that you believe provides the most valuable information, how would you change that recognition approach to provide information that is more valuable? How would those changes make the information more valuable?

The State of Utah believes the near-term approach provides the most valuable information. We would encourage GASB to require a recognition approach that mirrors the budgetary basis used by governments. This would provide the most valuable information to the users in addition to saving preparation time and reduce audit costs.

2.7. Paragraph 6 of Chapter 2 discusses a same-page reconciliation to government-wide information and the use of specific terminology to more clearly communicate that the information in governmental fund financial statements is of a shorter time perspective than information in the government-wide financial statements and focuses on financial, rather than economic, resources. Are these changes effective in communicating that the information in governmental fund financial statements is different from the information in government-wide financial statements? How could those differences be communicated more effectively?

The use for specific terminology to more clearly communicate the reconciliation is more important than a same-page reconciliation. We don’t feel the reconciliation will fit on one page. We prefer the existing format.
3.1. Which format for the governmental funds resource flows statement—existing format or current and long-term activity format—provides the most valuable information about governmental funds? Why do you consider the information to be more valuable?

We believe that the existing format for the governmental funds resource flows statement provides the best information about governmental funds. This format is familiar to all users and follows the format of budgetary statements to which this statement directly relates. Therefore, we prefer that the current terminology of “revenues” and “expenditures” be retained. Also, keeping the transfers together in the Other Financing Sources Uses section is less confusing for the reader.

We recommend a change to the current format. We propose moving the “Debt Service” expenditures out of the Expenditures section (outflows of near-term financial resources) and into the Other Financing Sources Uses section. This will allow the year’s new debt sources and the retirement of debt and related interest cost be reported within the same section. This will make it easier to see what is going on with debt, (also alleviate confusion of TANs and RANs activity), and will not distort the functional information presented for the government’s operational revenues and expenditures.

3.2. Should a statement of cash flows be required for governmental funds? Why?

We do not believe a statement of cash flows should be required for governmental funds. Since we prefer using the near-term approach, a statement of cash flows is not necessary.

3.3. What difficulties, if any, would arise in presenting a statement of cash flows for governmental funds?

The preparation of a governmental cash flow would require additional time and expertise to prepare. It will require additional cost and time to audit. We have hundreds of governmental sub-accounts, so the workload would be extensive. We do not believe a cash flow statement would add any significant value to users but add additional confusion and complexity.

3.4. Are the four classifications for the statement of cash flows from Statement No. 9, Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting, the most appropriate for governmental funds? If not, what classifications would be most appropriate?

As noted above, the State of Utah does not agree with presenting a cash flows for governmental funds.

If you have any questions or need additional information, please feel free to contact Marcie Handy at (801) 538-1678 or me at (801) 538-3095.

Sincerely,

John Reidhead, CPA
Director, Division of Finance
State of Utah