February 15, 2019

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

Re: Project No. 3-20

Dear Mr. Bean:

On behalf of the Division of Local Government and School Accountability within the New York State Comptroller’s Office, we appreciate the opportunity to provide comments relative to the Governmental Accounting Standards Board’s (GASB’s) preliminary views document entitled Recognition of Elements of Financial Statements.

We believe the hierarchy discussed in paragraph 16 of Chapter 1 of the preliminary views document would assist preparers of financial statements in making determinations as to what items should be recognized in the financial statements. It would, however, be useful if the GASB, for each item listed in the hierarchy (asset, liability, deferred outflow of resources, deferred inflow of resources, outflow of resources, and inflow of resources), referenced other GASB guidance (e.g., the relevant GASB statement and paragraph number) so that preparers are using the same definitions of these items when applying the hierarchy.

Also, paragraph 16 of Chapter 1 concludes that if an item does not meet the definition of an asset, liability, deferred outflow of resources, deferred inflow of resources, outflow of resources, or inflow of resources, it should not be recognized in the financial statements. Since notes to the financial statements are considered part of the basic financial statements (per GASB Concepts Statement 3), we are led to believe that the GASB’s deliberate omission of the mention of any note disclosures means that there is no expectation that these items would be included in the notes to the financial statements. If this is not GASB’s intent, then we believe the GASB needs to clarify exactly what its intent is with respect to the sentence…”should not be recognized in the financial statements.”

Additionally, while we agree that there are events and transactions under the current financial resources measurement focus where inconsistencies in reporting occur, we believe the GASB should consider providing guidance to address these inconsistencies rather than moving to a new short-term financial resources measurement focus. We are not convinced that moving to the short-term...
financial resources measurement focus, whereby local government officials will need to determine whether their events and transactions are “normally” short- or long-term, will solve the consistency problem. Absent comprehensive guidance on classifying “normally” short-term or long-term events and transactions, which would be another large-scale GASB project, we believe local governments would continue to apply subjective criteria to classifying their events and transactions, resulting in continued inconsistency in financial reporting.

Finally, as GASB continues to debate and devise new concept statements and new accounting standards, it’s important to consider the undue hardship such statements and standards have on many of our smaller local governments. Years of auditing these municipalities have shown that many simply do not have the resources and/or proficiencies required to efficiently and effectively apply many of the complexities required by the concept statements and pronouncements.

Thank you for this opportunity to comment on these issues affecting local governments in New York State. Should you have any questions regarding this response, please contact Dara Disko-McCagg at (518) 474-5505 or DDisko-McCagg@osc.state.ny.us.

Sincerely,

Gabriel F. Deyo
Deputy Comptroller

cc: Dara Disko-McCagg