



STATE OF TENNESSEE
COMPTROLLER OF THE TREASURY
DEPARTMENT OF AUDIT
DIVISION OF STATE AUDIT
425 5TH AVENUE NORTH, CORDELL HULL BUILDING
NASHVILLE, TENNESSEE 37243-1402

Letter of Comment: 001
File Reference: REC
Date Received: 01/15/2019

PHONE (615) 401-7897
FAX (615) 532-2765

January 15, 2019

David Bean
Director of Research
Project No. 3-20
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Tennessee Department of Audit, we thank the GASB for the opportunity to comment on its proposed Preliminary Views (PV), *Recognition of Elements of Financial Statements*. We believe the governmental fund financial statements should present only those items needed to convey information about balances and flows from a shorter time perspective; thus, that includes the current portions of both long-term receivables and payables. We agree that

- a. the board's proposed guidance would improve financial reporting by augmenting the framework through which the board can enhance consistency in future standards setting, especially considering the current financial resources measurement focus is conceptually inconsistent;
- b. these proposed concepts will benefit preparers and auditors when evaluating transactions for which there are no existing standards or in implementing existing standards; and
- c. a conceptual foundation of what should be recognized in governmental fund financial statements is needed to determine appropriate accounting standards for those transactions.

In addition, we generally agree with the alternative views (see comment #4 below for further explanation. Our comments for the board's consideration to help improve the document are as follows:

Chapter 1:

1. For ¶14, we suggest that the board should include additional explanation that governments typically utilize multiple availability periods (i.e., three or more) rather than the board's intent that there are only two availability periods (i.e., one for property taxes and one for all other revenues). This is another reason for which comparability is difficult.

2. For ¶16, if the item does not meet any of the elements' definitions in Concept Statement 4, we believe the board should add that the next decision is whether the item should be disclosed in the notes to the financial statements in accordance with the definition in Concept Statement 3 because note disclosures are considered part of the basic financial statements.

Chapter 2:

3. For ¶2, we believe the board should include a definition of "short-term" within the short-term financial resources measurement focus definition, rather than as part of the description in later paragraphs, or at least footnote "short-term" and reference ¶6 for its description. An earlier discussion or definition of "short-term" would provide more clarity and less confusion.
4. For ¶3, we believe the alternative view provides a more consistent conceptual basis. For example, if long-term receivables (long-term prepaid insurance or rent for a three-year period) is expected to be recognized as an asset in accordance with the short-term financial resources measurement focus, the current portion of long-term liabilities also should be recognized. On the contrary, if long-term liabilities are recognized only when due, why would prepaid assets that are also long-term in nature not also be excluded from recognition. Thus, it would appear that only the current portion (within one year of the balance sheet date) of a prepaid rent or insurance asset or long-term liability should be recognized as receivable or payable, rather than recognizing all of one and none of the other, respectively.

Should you have questions or need clarification on any of our comments, please contact Gerry Boaz or me at (615) 747-5262.

Sincerely,

Deborah V. Loveless, CPA
Director, Division of State Audit