



COMMONWEALTH of VIRGINIA

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COMPTROLLER

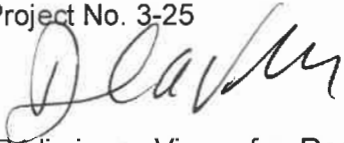
Office of the Comptroller

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January 29, 2019

MEMORANDUM

To: Director of Research and Technical Activities
Project No. 3-20 and Project No. 3-25

From: David A. Von Moll 

RE: Response to GASB Preliminary Views for Recognition of Elements of Financial Statements and Financial Reporting Model Improvements

My office reviewed the GASB Preliminary Views (PV), *Recognition of Elements of Financial Statements* and *Financial Reporting Model Improvements*. In summary, we agree with developing a conceptual framework addressing governmental fund financial statements. While we would still prefer the near-term financial resources approach that defines a shorter time period than one year in order to minimize inconsistencies that may arise from differing receivable and payable methodologies, we do agree with the GASB's desire to have the governmental financial statements provide information that is usable for budgetary comparison. Further, we believe that the alternative view would provide a more appropriate reporting basis. We believe that financial statements would be more meaningful to the user if the transactions specific to the individual government were evaluated against the conceptual framework versus reporting the class of transactions as they are generally reported by governments. As noted in the examples, there are frequent circumstances that are unique to the specific government. From our perspective, the financial statements would be most meaningful to the user if the conceptual framework requires individual evaluation of circumstances versus the generalized approach being proposed. Additionally, we have the following specific comments that we believe the Board should consider as it finalizes these statements.

Comments related to Financial Reporting Model Improvements

Chapter 3 paragraph 2

We believe that additional clarification, including examples, related to current and non-current transfers would be beneficial.

Chapter 4 paragraph 3

While we agree that consistency between the operating and cash flow statements is needed, some proprietary funds use investment revenue to help fund their operating activities. If these funds are prohibited from recording any investment revenue as operating revenue, it could provide a misleading representation of the fund's activity. In these circumstances, consideration may be warranted to allow a portion of a fund's investment revenue to be considered operating revenue.

Illustration 5 on page 67 displays a loss from the disposition of capital assets under financing and investing activities; however, this does not seem to correlate to that caption. Would it be more appropriate if the caption stated financing, investing and capital activities?

Chapter 5 paragraph 7

We do not believe that the addition of an original-budget-to-final-budget variance would provide meaningful information, and we believe it would make the schedule more difficult to read. The budget process can be very challenging and the budget/actual schedule can be cumbersome. We believe that only including the final-budget-to-actual variance is sufficient for users and strikes an appropriate balance between preparation efforts and benefit.

Chapter 6 paragraph 5

We do not believe that the benefit of adding a schedule of natural classification of government-wide expenses by function or program for governmental activities would justify the cost of creating this schedule. The voluminous data that is analyzed and reported at the programmatic level would have to be further analyzed to determine the natural classification. For business-type activities, the proprietary statements already provide the expense breakdown provided by natural classification, and therefore, the schedule would be duplicative.

Chapter 7 Alternative Views

We agree with the prevailing view to not require a government-wide cash flow. We operate in a decentralized environment which would require input from every state agency and blended component unit in order to prepare a government-wide cash flow. This level of involvement would result in many hours of compilation and auditing work to verify cash flow information obtained from agencies. Reliable, consistently classified information could not be readily obtained from the Commonwealth's accounting system without significant modification and costs. These factors would jeopardize the timely completion of the CAFR.

We appreciate the opportunity to provide our comments to the Governmental Accounting Standards Board. Should you have any questions or need additional information concerning our response, please contact me at 804-225-2109 or david.vonmoll@doa.virginia.gov.