



Letter of Comment No. 017  
File Reference: FR2  
Date Received: 01/31/2019

# COMMONWEALTH of VIRGINIA

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January 30, 2019

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To Whom It May Concern:

We appreciate the opportunity to respond to the preliminary view of the Governmental Accounting Standards Board (the Board) on *Financial Reporting Model Improvements*. In general, we agree with the Board's preliminary views except for where we have specifically responded otherwise below. The following are observations the Board may consider as it prepares its resulting exposure draft.

### *Chapter 3 – Presentation of Governmental Fund Financial Statements, Specific Terminology*

- In paragraphs eight and nine, the titles for the governmental fund balance sheet and resource flows statement include "Short-Term" to illustrate differences between the governmental fund and government-wide financial statements. However, the preliminary views do not propose representing the measurement focus in the title of the government-wide financial statements. We believe there should be conceptual consistency throughout the financial statements regarding the use of titles to reflect measurement focus.
- Paragraph ten outlines the elements reported in the governmental fund financial statements, which includes "short-term" for each element. We recommend the Board remove "short-term" from each element as it is redundant of what is already included in the title of the government fund financial statements. Additionally, we believe this could be cumbersome to the users of the financial statement.
- In paragraph thirteen, we question the benefit of an additional explanation at the top of the short-term financial resources balance sheet and the statement of short-term financial resource flows since a more thorough explanation should be addressed in the footnotes, which are an integral part of the basic financial statements. Therefore, we believe the Board should require a note below each financial statement stating "The accompanying notes to financial statements are an integral part of this statement."

#### *Chapter 4 – Presentation of Proprietary Fund Financial Statements*

- Paragraph three, part d, should be revised to state “(d) investment income and expenses *unless investing is a primary purpose of the proprietary fund.*” There are proprietary funds that rely heavily on investment income as a primary revenue source and consider investing to be a significant component of operations. For these funds, exclusion of their primary revenue source would cause the financial statements to show an operating deficit, which would be misleading to users of the financial statements. For instance, this would affect those proprietary funds that include a college prepaid savings plan. Such plans generally focus an extensive portion of their operations in developing an investment portfolio that is responsive to the operating needs of the plan.
- In paragraph seven, we would like to emphasize our support of the Board’s preliminary view that a subtotal for operating income (loss) and noncapital subsidies should be presented before reporting other nonoperating revenues and expenses, and with the Board’s proposed definition of *subsidies*. In line with the Board’s self-sustaining approach, we agree that the presentation of this additional subtotal will convey a useful and important message to the stakeholders; in particular, from a local government perspective, as proprietary funds that are not self-supporting but regularly subsidized with other funds often start to create fiscal distress at the local level.

#### *Chapter 6 – Other Issues, Schedule of Government-Wide Expenses by Natural Classification*

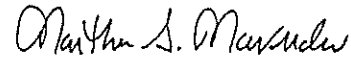
- In paragraph seven, we do not agree that the addition of a Schedule of Government-Wide Expenses by Natural Classification will provide users essential information, but will take additional time and resources to complete. Specifically, we do not believe this additional requirement aligns with the Board’s statement in chapter one, paragraph five, which states “the Board will continue to consider alternatives that could permit more timely financial reporting or that could reduce complexity overall”. Contrary to this statement, we feel the addition of this footnote is not essential for users of the financial statements to have a transparent understanding of government spending and the additional time to compile will reduce resources for footnotes deemed to be essential.

#### *Chapter 7 – Alternative Views, Introduction*

- In paragraph two, for the reasons described in paragraphs four and five, we agree with the provision in part a to modify the measurement focus and criteria for governmental fund financial statements. However, we do not agree with the provision in part b to add cash flows information for the primary government in the government-wide financial statements. The addition of government-wide cash flows would be complex and time consuming and would not add significant benefit to users, which does not align with the Board’s statement in chapter one, paragraph five, as noted above.

We appreciate the efforts of the Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact Zach Borgerding or me at (804) 225-3350.

Sincerely,



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