

February 13, 2019

Director of Research and Technical Activities  
Governmental Accounting Standards Board  
Via email: [director@gasb.org](mailto:director@gasb.org)

Re: Project No. 3-20, *Recognition of Elements of Financial Statements*

We have read and reviewed the *Preliminary Views – Recognition of Elements of Financial Statements* issued by the Governmental Accounting Standards Board (GASB or the “Board”) and provide the following comments for your consideration. Our comments on the Preliminary Views document are outlined below.

### **Chapter 1 – Objectives, Background, and Hierarchy of Recognition**

As with the *Preliminary Views – Financial Reporting Model Improvement*, we respectfully request the Board consider that the identified “significant user need” may be applicable to relatively few governments rather than the majority. Accordingly, the costs associated with implementing significant changes to the measurement focus and basis of accounting for fund financial statements may be disproportionate for smaller, less complex governments.

We concur with the Hierarchy of Recognition as presented in paragraph 16 of this chapter.

### **Chapter 2 – Recognition Concepts: Short-Term Financial Resources Measurement Focus**

With regards to the short-term financial resources measurement focus, we support the definition of “short-term financial resources” as described in the Alternative Views presented in Chapter 4 using the measurement of one-year from the date of the financial statements (rather than from the date of the transaction). We find this definition to be less cumbersome than the definition in Chapter 2, which will lend itself to more consistent application by governments and auditors. Preparers and users of government financial statements largely see the term “short-term” as synonymous with the term “current.” To define “short-term” with a one year timeframe that is already the common standard for defining “current” is easily understood and more measurable.

In paragraph 5b, reference is made to “qualitative characteristics” of information in financial reporting. If the goal is comparability, the Board should consider the use of “qualitative characteristics” suggests judgement by the preparer and the auditor, which would lead to different conclusions and less comparability.

The recognition concepts introduced in paragraph 6 provide further subjectivity in the introduction of the phrase “normally are due,” which can differ by state due to uniqueness in legislation. We, again, concur with the Alternative Views presented in Chapter 4 in the definition of “normal.” Items should be defined as “short-term” or “long-term” based on the facts and circumstances of the individual transaction rather than by the entire class of transactions. This allows the preparers to apply the concept of “substance over form” to ensure that recognition and measurement is not obfuscated when unique transactions do not fall neatly into parameters set out in the standards.

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The concept of “available for spending” presented in paragraph 12 is consistent with current practice in budget development for many governments. We are in agreement with this concept.

Paragraph 13 outlines the concept of the net position element (fund balance). We are in agreement with the concept as presented in this paragraph.

As stated above, we take issue with what is being described as what is normally done versus what is actually done in current practice. What is “normal” for one government is not “normal” for another. Paragraph 16 implies that governments will apply these new recognition concepts to their budgetary practices and thereby, achieve a level of comparability in budgetary practices. We respectfully request the Board consider that it is not realistic to achieve this level of comparability due to the uniqueness of the individual governments.

Under *Conceptual Consistency*, we concur that consistency may be achieved from the “normal”; however, the concepts presented in this document won’t necessarily improve comparability. Our general concepts presented for consideration are: (1) it needs to be understood that achieving comparability in financial reporting among governments cannot be fully attained due to the wide diversity in the structure and operation of government entities; and (2) the measurement focus concepts may be further differentiated from the budgetary reporting used by most governments, increasing the risk that accountability will be negatively impacted.

### **Chapter 3 – Recognition Concepts: Economic Resources Measurement Focus**

We find the concepts presented in this chapter to be relatively consistent with current practice. We have no issues or additional comments for this chapter.

### **Chapter 4 – Alternative Views**

Overall, we are in support of the concepts presented in this Alternative Views chapter.

As noted above, we support the definition of short-term financial resources presented in paragraphs 5 through 9 of this chapter. We further support the replacement of the concept of “normally” as presented in paragraphs 10 through 16 of this chapter.

Your consideration of our comments in this letter would be greatly appreciated.

Sincerely,



Yvonne Clayborne, Chair  
Florida Institute of CPAs  
State and Local Government Committee