



February 15, 2019

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

RE: GASB Preliminary Views - *Recognition of Elements of Financial Statements*

Dear Mr. Bean:

We appreciate the opportunity to respond to GASB on the Preliminary Views (PV) on *Recognition Elements of Financial Statements*.

We generally support the concepts presented in this proposed concept statement and we agree that it will serve to improve and augment the framework for financial reporting and standard setting.

Although the current financial resources measurement focus has served its intended purpose in the reporting of governmental funds, we concede that it does indeed contain conceptual inconsistencies. Further, we believe these inconsistencies are best addressed with a measurement focus that retains a degree of cohesion with the budgetary perspective.

Our first preference is to retain the current financial resources measurement focus, incorporating those modifications necessary to address the most pervasive inconsistencies, both conceptually and in practice, as described in the preliminary view.

If the GASB proceeds with scrapping the current financial resources measurement focus, the short-term financial resources measurement focus appears to provide a well-structured alternative. The proposed recognition of only those items that arise from short-term transactions, as well as the symmetry in recognition of assets and liabilities, affords a conceptually consistent underpinning for the accounting and reporting of governmental funds.

Chapter 1 – Objectives, Background, and Hierarchy of Recognition

The objectives of this PV are clearly stated and the GASB's concerns with the existing current financial resources measurement focus are extensively noted.

The proposed hierarchy of recognition for items presented in the financial statements is appropriate. We agree that inclusion of this hierarchy to the conceptual framework will promote consistency in the definition of elements of financial statements.

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

We support the proposed definition of the short-term financial resources measurement focus that incorporates elements of financial statements arising from short-term transactions and other events as they occur. We agree that this measurement focus would provide conceptually consistent recognition principles and also provide a foundation for evaluating more complex transactions. We anticipate that this measurement focus would result in governmental fund financial statements that retain a measure of comparability with budgetary reporting and would also result in the reporting of a fund balance that is valuable in assessing the amount of short-term resources that are available for spending in the subsequent period.

The concept of “normally are due” that would be used to determine whether items arise from short-term or long-term transactions and other events, is likely one of the more controversial concepts proposed in the PV. We envision that this concept may promote consistent application, but will have mixed results in promoting comparability due to the wide diversity in government organizations. It is critical that the additional authoritative guidance to be provided by the GASB be both sufficiently specific and comprehensive to enable each class of transaction to be properly differentiated and classified. In fact, we view this guidance as so vital that we reserve judgement on this concept pending the issuance of the guidance. The one year time frame is definitely appropriate in the determination of short-term and long-term.

Chapter 3 – Recognition Concepts: Economic Resources Measurement Focus

We support the proposed definition of the economic resources measurement focus that incorporates all outflows of resources and inflows of resources, and all assets, liabilities, deferred outflows of resources, and deferred inflows of resources. We agree with the recognition criteria that would include the requirement that the measurement of an item sufficiently reflects all of the qualitative characteristics as described in Concepts Statement 1.

Chapter 4 – Alternative Views

We have considered the modifications to the proposed concepts as expressed in the alternative view. Although the alternative view offers a viable option, on balance, we favor the concepts as proposed in preliminary view.

If you have questions or need additional information regarding this response, please do not hesitate to contact Rich Schoeppner (515) 281-4064.

Sincerely,

Jay Cleveland

Jay Cleveland, Chief Operating Officer
State Accounting Enterprise, Iowa Department of Administrative Services
(515) 281-3725 | jay.cleveland@iowa.gov