

February 12, 2019

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
Project Nos. 3-20 and 3-25
director@gasb.org

Dear Mr. Bean:

HeinfeldMeech has reviewed the Governmental Accounting Standards Board (GASB) Preliminary Views, *Recognition of Elements of Financial Statements* and the Preliminary Views, *Financial Reporting Model Improvements*. We appreciate the opportunity to provide feedback to these preliminary views documents.

HeinfeldMeech is an Arizona-based accounting firm of 52 members, including 11 partners. The firm performs approximately 200 audits annually, most of which are state and local governments. Members of the firm are active in AICPA activities as well as local accounting and finance officers organizations.

***Recognition Concepts: Short-Term Financial Resources Measurement Focus
Recognition Concepts and Application for Governmental Funds***

We support the recognition concepts for governmental fund financial statements as presented in the preliminary views documents. The messages conveyed by the governmental fund statements are appropriate and useful for management, governance, constituents and external users. Although additional application guidance is expected to be provided throughout implementation, the application guidance and examples provided in the preliminary views documents provide an understandable foundation for preparers and auditors. We do recommend that GASB continue to provide guidance and a consistent message on the concept of “normally”. Although the guidance is clear that *normally* is to be applied in a manner consistent with other governments, it should be noted it is not uncommon for governments from a particular state or geographic region to develop common application methods specific to that particular region. Therefore, although a particular government may be interpreting the recognition of a particular transaction consistent with that of other governments in the region, i.e. the “norm”, that particular region’s recognition of that transaction may not be consistent with other governments in a more universal perspective.

Recognition Concepts: Economic Resources Measurement Focus

We support the recognition concepts for financial statements presented applying the economic resources measurement focus as presented in the preliminary views document.

Presentation of Governmental Fund Financial Statements

We support the format of the resource flows statement as presented in the preliminary views, however we do have concerns with the titles of elements and the additional explanation as proposed in the preliminary views. The use of the term “short-term” and “financial resources” is excessive for the financial statements. The excessive use of these terms seems to clutter the financial statements resulting in the loss of clarity of the account descriptions and related account balances. In addition, the additional explanation to be included at the top of the fund financial statements emphasizing how they differ from the government-wide financial statements seems unnecessary.

Although we support effectively communicating the short-term financial resources measurement focus of the statements we believe this communication is better served in the management’s discussion and analysis and the notes to the financial statements. Both of these narratives are intended to provide such a communication and do so more effectively than the financial statements themselves. In addition, we believe users have a responsibility to understand the financial statements, including reading the notes to the financial statements to gain a full understanding of the measurement focus and nature of transactions recorded. Therefore, although the purpose is well intended we believe the excessive emphasis on the short-term recognition is unnecessary as the users will gain such an understanding from the notes to the financial statements.

Presentation of Proprietary Fund Financial Statements

We support the definitions of operating revenues and expenses, descriptions of nonoperating revenues and expenses, and presentation of a subtotal for operating income (loss) and noncapital subsidies as presented in the preliminary views.

Budgetary Comparison Information

We support the view that a government should be required to present budgetary comparison information as required supplementary information (RSI).

We do have concerns with the requirement that governments be required to present variances between the original and final budget amounts. As governments are currently required to present the original budget, any variances between the original and final budget would be evident with relatively easy visual analysis. In addition, based on our firm’s experience there will not be significant variances for the vast majority of governments. The requirement will result in the presentation of information of limited usefulness ultimately diminishing the value of the more important variances presented of the final budget and actual amounts. Lastly, governments are currently required to provide an analysis of significant variations between original and final budget amounts for the general fund in the management’s discussion and analysis. As the general fund accounts for the significant portion of a government’s operational resources this current requirement is sufficient to provide a user the ability to assess the accountability of a government over its resources.

Communication of Major Component Unit Information

We support the requirement to present financial statements of major component units in the basic financial statements as combining financial statements when it is not feasible to present the information in the government-wide financial statements.

Schedule of Government-Wide Expenses by Natural Classification

We have no position on whether the schedule should be included or the value it provides to the users, however we do question as to why the schedule would only be required for governments that prepare a comprehensive annual financial report (CAFR). It would seem that if the schedule is of value then all users should be provided access to this information. We recommend the schedule either be required for all governments, or eliminate the requirement as presented in the preliminary views that the schedule only be required for CAFR preparers.

Should there be any questions or clarification required on our comments please contact me at corey.arvizu@heinfeldmeech.com or 520.903.6865.

Sincerely,

A handwritten signature in blue ink, appearing to read 'CA', with a stylized flourish at the end.

Corey Arvizu, Partner
Heinfeld, Meech & Co., P.C.
Tucson, Arizona