



City of Virginia Beach

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February 15, 2019

Director of Research and Technical Activities
Project No. 3 - 25
director@gasb.org

Subject: Written Comments on Financial Reporting Model Improvements

Dear Director of Research and Technical Activities:

We appreciate the opportunity to provide the City of Virginia Beach's comments as it relates to the preliminary views of the Financial Reporting Model Improvements that was released last year. We have reviewed the preliminary views in its entirety and would like to provide the following comments:

1. **Goal of Short-Term Financial Resources Balance Sheet** - There is some confusion on the goal of the "Short-Term Financial Resources Balance Sheet". For example, the current portion of debt service would be an item that would require the use of cash within one year, however according to Chapter 2, paragraph 18 it should not be included. We agree that it should not be included because it is often paid for with future revenue sources, such as taxes that have not been assessed yet and therefore would not be include in the financial statements. By including the liability and not the resources used to pay it the total fund balance would be inaccurate, however, by not including it with the liabilities you could be misleading the short-term liability total.
2. **Deferred Inflows and Outflows** - We believe there to be a lot of misconception when viewing balance sheets and net position statements that has to do with the complexities of deferred inflows and outflows of resources. We have been asked to combine assets with deferred outflows and liabilities with deferred inflows, when presenting these statements to City Council and the public because it is easier for them to understand. We believe these purposed changes would add to these misconceptions and continue to make the statements more difficult to have a complete understanding of the different classifications.
3. **GASB 87 Implementation and the Purposed Reporting Model** - One of the biggest GASB pronouncements our City will be implementing within the next few years will be GASB 87 in regards with the recordation of leases on the face of the financial statements. GASB 87 seems to take a long-term approach with recording the present value of the total amounts the city is owed and the total amount the city owes over the life of the leases. It seems like GASB 87 and this

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purposed reporting model are somewhat contradictory of each other in determining the preferred method of viewing the governmental balance sheets, on the short-term basis or the long-term basis.

Again, we appreciate the opportunity to provide our comments and look forward to any questions or comments you may have. Please feel free to contact me at (757) 385-4681 or at akelly@vbgov.com.

Respectfully submitted,

A handwritten signature in blue ink that reads "Alice M. Kelly". The signature is fluid and cursive, with a long, sweeping tail on the "y".

Alice M. Kelly,
Director of Finance, Interim

cc: Miryam Woodson
Kevin Kielbasa