

Missouri Department of Transportation
Patrick K. McKenna, Director

1.888.ASK MODOT (275.6636)

Letter of Comment No. 040
File Reference: REC
Project No. 3-20
Date Received: 02/19/2021

February 18, 2021

Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7, P O Box 5116
Norwalk, CT 06856-5116

Project Nos. 3-25 and 3-20

Dear Sir:

Thank you for the opportunity to comment on the Exposure Draft, *Financial Reporting Model Improvements* and the corresponding Exposure Draft, *Recognition of Elements of Financial Statements*. Because the two documents are intertwined, we have combined our comments into one document.

We agree that the proposed changes to the Management Discussion and Analysis (MD&A) would improve the quality and relevance of the analysis of changes from the prior year. Limiting the discussion topics to the proposed five sections and the elimination of duplication and redundancy throughout the discussion would also provide clarity and improve readability of the MD&A.

While we support the need for improved consistency between entities in the governmental fund financial statements, we do not believe that the short-term financial resources measurement and accrual basis of accounting would be an improvement to the current model. Additionally, we believe that by continuing to not include pension and other post-employment benefits (OPEB) liabilities, the governmental fund statements have the potential to be incomplete, inconsistent and misleading. If the Board pursues the proposed approach, we ask that they consider requiring governments to include all debt due within a year from the governmental funds, including OPEB and pension. This would ensure governments recognized cash and corresponding debt at the fund level, which would present a clearer picture of the government's financial health. Furthermore, we have concerns with paragraph 18 of the Exposure Draft, *Financial Reporting Model Improvements*, which states the following:

“Once a transaction or other event is classified as either short term or long term, it should continue to be reported in that classification for financial reporting purposes even when there are changes in the existing binding arrangement's terms or conditions.”

We feel that if the conditions or terms in the binding agreement changes, so should the classification.

The addition of budgetary comparison schedules to the Required Supplementary Information (RSI) will enhance decision-useful information, from our perspective. By presenting the budgetary schedules in the Required Supplementary Information (RSI), we believe that governments will produce more comparable statements for users of the financial statements; however, we do not agree that the additional column for original and final budget amount variances is necessary or that it would provide any additional value as budgeting processes vary across governments. Furthermore, adding this data to the schedules may actually decrease readability by overcrowding the schedules.



Our mission is to provide a world-class transportation system that is safe, innovative, reliable and dedicated to a prosperous Missouri.

www.modot.org

We agree that the revised definitions of the proprietary fund financial statements will improve clarity and consistency within the financial statements. The standardization of definitions will eliminate the alternative recognition approaches amongst governments.

In conclusion, we agree with the implementation of some of the proposed changes, such as the improvements to the MD&A and the changes to the proprietary fund financial statements; however, we do not believe the proposed changes to the governmental fund financial statements would accomplish the intended improvements set forth in the exposure drafts. Furthermore, a considerable amount of additional time and resources would be necessary to implement these changes. We ask the Board to consider an alternative approach or apply the long-term measurement focus for all financial statements, including governmental fund financial statements.

Thank you again for allowing us to participate in the standard-setting process.

Sincerely,

A handwritten signature in cursive script that reads "Brenda Morris".

Brenda Morris, CPA
Chief Financial Officer