

FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

P.O. Box 10270 • 301 South Bronough Street, Suite 300 • Tallahassee, Florida 32302-2270

Telephone: (850) 222-9684 • Fax: (850) 222-3806 • Web Page: www.fgfoa.org

2020-2021 OFFICERS

President

JAMIE ROBERSON, CGFO

Director of Finance & Accounting
Osceola County Clerk of the Circuit Court &
Comptroller
(407) 742-3467
jamie.roberson@osceolaclerk.org

President - Elect

SHANNON RAMSEY-CHESSMAN, CPA, CGFO

Chief Deputy Clerk
Palm Beach County
(561) 355-4277

Secretary – Treasurer

JONATHAN C. MCKINNEY, CGFO

Finance Director
City of Mount Dora
(352) 735-7120
mckinneyj@ci.mount-dora.fl.us

DIRECTORS

MELISSA BURNS

Director of Finance
City of Atlantic Beach
(904) 247-5807
mburns@coab.us

BRYAN CAHEN

Budget Director
City of Weston
Work (954) 385-2000
bcachen@westonfl.org

ALTON “RIP” COLVIN, CPA, CGFO, CPM

Executive Director
Justice Administrative Commission
(850) 488-2415
rip.colvin@justiceadmin.org

FRANK DIPAOLO, CPA, CGMA

Director of Finance
City of Dania Beach
(954) 924-6800
fdipaolo@daniabeachfl.gov

NICOLE GASPARRI, CGFO

Organizational Program Manager
City of Boca Raton
(561) 789-8236
ngasparri@myboca.us

OLGA RABEL

Inspector General
Clay County – CCC
Work (904) 269-6317
rabelo@clayclerk.com

WILLIAM SPINELLI, CPA

Chief Financial Officer
Brevard County Sheriff's Office
(321) 264-5206
bill.spinelli@bcso.us

KELLY STRICKLAND, CPA, CGFO

Director of Financial Administration
City of Sarasota
(941) 954-4124
kelly.strickland@sarasotagov.com

PAUL SHAMOUN

Executive Director

February 26, 2021

Alan Skelton, Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Post Office Box 5116
Norwalk, CT 06856-5116

Via email: director@gasb.org

Re: Project No. 3-25, *Financial Reporting Model Improvements*

Dear Mr. Skelton:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Governmental Accounting Standards Board's (GASB) Invitation to Comment on the Exposure Draft for Project No. 3-25, *Financial Reporting Model Improvements*. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee and the Board of Directors. We generally agree with most items addressed but have some concerns with the following:

Management Discussion and Analysis (MD & A)

The FGFOA generally concurs with the content of the MD & A except for paragraph 8(e). These items, such as demographic data and macro-economic issues (ex. inflation rate), and projections of subsequent year activity, are not within the scope of the information reported in the financial statements, notes, and Required Supplementary Information (RSI). Rather, these types of items are of a nature normally reported in a CAFR transmittal letter and CAFR statistical section. For entities publishing a CAFR, the information in paragraph 8(e) would be largely duplicative, and for entities not issuing a CAFR, obtaining this information would be burdensome.

Additionally, forward-looking data, such as changes in capital improvement plans, debt, and actions taken by other parties that may impact the reporting entity (ex. legislation), to the extent material, would already be reported as subsequent events in the notes to the financial statements. As such, the value of repeating such items in the MD & A and also adding discussion of immaterial forward-looking items, is questionable.

In sum, we believe that the MD & A should be mostly restricted to discussion of activity during the reporting period except that the Currently Known Facts, Decisions, or Conditions section be limited to brief discussion of likely and material events impacting the subsequent reporting period. Additionally, we believe that discussion of policy changes and the entity's macroeconomic and political environment should not be required unless there is a direct and material impact upon the financial activity discussed in the MD& A.

By way of illustration, the example MD & A in Appendix D, Exhibit 1 starts on page 63 and ends on page 77, a total length of 15 pages. The FGFOA believes that discussion of this length, some of which is not directly related to items presented in the financial statements or discussed in the notes, is burdensome to prepare and to audit (in relation to the financial statements) and represents "information overload" for the reader.

Unusual or Infrequent Items

We concur that the creation of the “unusual or infrequent items” classification to replace “special items” and “extraordinary events” will result in more consistency of presentation and less confusion for financial statement preparers and users.

Application of the Short-Term Financial Resources Measurement Focus and Accrual Basis of Accounting in Governmental Funds and the Presentation of Governmental Fund Financial Statements

The FGFOA generally agrees with Project No. 3-20, Recognition of Elements of Financial Statements Exposure Draft’s goals regarding the short-term financial resources measurement focus in governmental funds and the proposed presentation; however, there were some exceptions as detailed in the other project’s corresponding comment letter.

Presentation of Proprietary Fund Financial Statements

We like the new format proposed for the Statement of Revenue, Expenses and Changes in Net Position as well as the addition of a *Subtotal for Operating Income (Loss) and Noncapital Subsidies* for the following reasons: (a) It is very similar to the current format and should not require significant costs to implement, and (b) The creation of the new section on *noncapital subsidies* which would include operating grants and operating transfers is an improvement over the current format. The subtotal of *operating income (loss) and noncapital subsidies* can be a useful number for management/user analysis and benchmarking.

Definition of Operating Revenues and Expenses and Description of Nonoperating Revenues and Expenses

The FGFOA concurs with the definitions.

Information about Major Component Units in Basic Financial Statements

We concur with the major component unit presentation and disclosure requirements, and, that if it is not feasible to present major component unit financial statements in a separate column in the statements of net position activities, then they should be presented as combining financial statements. Additionally, we agree that condensed major component unit financial statements in the notes should be eliminated and that a single method of communication for all users would enhance consistency.

Budgetary Comparison Information

We agree that budgetary comparison schedules for a government should be required to be a part of the Required Supplementary Information (RSI). This single method of communication would provide the end user an easier comparability between governments by consolidating budgetary statements in the RSI for all governments. Having the budgetary comparison schedules required within the RSI would create a minimal burden on governments and improve the effectiveness of the financial reporting model in providing information that is essential for decision making and assessing a government’s accountability. Additionally, we concur that a government should be required to present the variances between (a) final budget and actual amounts and (b) original and final budget amounts as part of the budgetary comparison schedule.

However, we continue to recommend the GASB provide guidance regarding how encumbrances rolled forward from the preceding year should be reported in the Budgetary Comparison Schedules. Although current standards require the rolled forward encumbrances be included in the original budget column (GAAFR, page 197), in practice, rolled forward encumbrances are often added to the original budget as amendments and included in the amended budget column because some governments prefer the original budget column to agree with the published budget document. We would appreciate your views on whether the rolled forward encumbrances should be presented in the Original Budget column, Amended Budget Column, or Variance Column.

Statistical Section

The FGFOA agrees that the business-type and fiduciary activities information presented in the Statistical Section be presented in a manner consistent with the new financial statement classifications.

Effective Date and Transition

The differing transition dates based solely on revenue amounts will create some inconsistencies, not just in the year of implementation, but over a longer period when trend information is considered and could result in confusion for financial statement users. Comparability and consistency would be enhanced if all governments implemented the Financial Reporting Model Improvements simultaneously. Additionally, auditors could incur increased costs during the year of transition because clients would be reporting using two reporting models in the transition year. For example, multiple audit programs would be required during the year of transition.

We concur that governments should not be required to retroactively report comparative MD & A fund amounts.

Appendix D: Illustrations

Exhibit 5 separately presents transfers in/out from current activities separately from transfers in/out from noncurrent activities. Does this financial statement current versus noncurrent presentation of transfers mean that the note disclosures should also differentiate between current and noncurrent transfers? If so, we recommend that GASB present a sample note disclosure when it issues the statement.

Exhibit 14, Note 2 (Illustrative Disclosure of Information about Long-term Liabilities) presents leases in the “Other liabilities” section of the note with compensated absences, claims and judgments, pension, and OPEB liabilities. However, insofar as leases are more similar to debt because there is a scheduled series of payments (as opposed to compensated absences, claims and judgments, pension liabilities, and OPEB liabilities, which are not “paid” according to an established schedule), we recommend that lease activity be presented in the debt section of the note.

Appendix E: Codification Instructions

Appendix A does not specifically address any changes in the current classification of prepaid items and inventories as nonspendable fund balance. The Appendix E codification instructions seem to indicate that inventories and prepaid items would no longer be classified as nonspendable fund balance (1800.749-1, 2200.733-1) in the short-term financial resources balance sheet. If so, explicit statements to that effect in Appendix A would be helpful. In addition, those same citations indicate that long-term portions of interfund balances are to be considered as nonspendable. Consequently, please consider adding nonspendable fund balance, prepaid items, inventories, and long-term interfund receivables to Exhibit 4 to clearly show how these items interrelate; i.e. the impact of inventories, prepaid items, and long-term interfund receivables on nonspendable fund balance under the new reporting model.

We would like to thank the GASB for its efforts in preparing the Exposure Draft and for the opportunity to respond. Please feel free to contact me at (407) 742-3467 or Jamie.roberson@osceolaclerk.org regarding the comments above.

Sincerely,

A handwritten signature in black ink that reads "Jamie Roberson". The signature is written in a cursive style and is enclosed within a hand-drawn oval.

Jamie Roberson, CGFO

President