



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

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June 26, 2008

Director of Research and Technical Activities
Project Number 3-18
Governmental Accounting Standards Board
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Dear Sir:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to provide these comments regarding the *Fund Balance Reporting and Governmental Fund Type Definitions* exposure draft "ED." These comments were prepared based on a review of the ED by the FGFOA membership, its Technical Resources Committee, member field test participants, and the Board of Directors. We applaud GASB on their work on this much needed ED.

We believe the ED provides clearer definitions of fund balance categories and classifications for users of the financial statements than currently exists. However, we offer specific comments as follows:

- a) (Fund Balance Reporting - Spendable, paragraphs 7 through 13) To improve consistency in reporting and GASB 46, we suggest providing only two categories within Spendable Fund Balance, restricted and unrestricted (i.e., to replace limited, assigned and unassigned), with two sub-categories under unrestricted. The two sub-categories would include (1) what is currently defined in the ED as limited and assigned and (2) what is currently defined in the ED as unassigned. There was some uncertainty by the membership and difficulty experienced by field test participants in classifying limited versus assigned fund balance.
- b) (Fund Balance Reporting – Spendable, Restricted, paragraph 8) We suggest including an appendix with several specific examples of restricted versus unrestricted classifications. For example, if a government has a construction contract with a provision that the contract may be terminated if funds are not appropriated in future years, would the unexpended balance of the contract be classified as restricted or unrestricted? How would it be classified if there was no such clause? Given that the budget for the following fiscal year would be known at year-end (or soon thereafter), what impact would this have on its classification? How would local matching funds required pursuant to a grant agreement be classified? We are seeking guidance on how to apply the standard to these circumstances.
- c) (Fund Balance Reporting – Paragraphs 5 through 18) Paragraphs 8 and 9 use language consistent with that used for net assets in GASB Statement No. 46. We are unsure as to why the other language in GASB Statement No. 46 (paragraphs 3 through 5) was not incorporated into this proposed statement.
- d) (Fund Balance Reporting – Paragraphs 5 through 18) We suggest that the proposed statement include guidance as to whether a deficit amount may be reported for other than an unassigned fund balance.

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Director of Research and Technical Activities

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- e) (Fund Balance Disclosures – Paragraph 19c) We suggest eliminating the requirement to disclose whether the government considers restricted or unrestricted amounts to have been spent first when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. We believe it is highly unlikely that a government will use unrestricted fund balance when restricted fund balance is available and do not think the information is of particular significance or usefulness to users of the financial statements.
- f) (Fund Balance Disclosures – Paragraphs 19 through 23) We suggest that an additional note disclosure requirement be added as the new paragraph 19a whereby the government must disclose what constitutes enabling legislation for “restricted fund balance” as this could vary from one locality to another.
- g) (Fund Balance Disclosures – Paragraphs 19 through 23) Regarding the paragraph 23 requirement to disclose formally adopted minimum fund balance requirements, we also recommend requiring disclosure of maximum fund balance requirements adopted by the government, and of any laws enacted by other governments, with which the reporting government must comply, that establish minimum or maximum fund balance requirements.
- h) (Fund Balance Disclosures – Paragraphs 19 through 23) We suggest that the proposed statement require disclosure of the cause of an entity-wide reported deficit unassigned fund balance amount, and the government’s intended actions to eliminate the deficit. This would be useful in assessing a government’s economic financial condition.
- i) (Governmental Fund Type Definitions – Paragraphs 24 through 31) The first sentence of paragraph 26 provides that special revenue funds are used to account for and report the proceeds of specific revenue sources that are “restricted or limited to expenditure” for specified purposes other than debt service or major capital projects.” This appears to be inconsistent with the first sentence of paragraph 15 and the last sentence of paragraph 27, which indicate that “assigned fund balance” may also be reported in the special revenue fund. This should be clarified for consistency purposes.

As always, thank you for the opportunity to respond to this Exposure Draft. Should you have any questions regarding the above, please contact me at (561-393-7737) or ldavidso@ci.boca-raton.fl.us.

Sincerely,



Linda C. Davidson, C.P.A., C.G.F.O., C.P.F.O.
President
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c: Jeannie Garner, FGFOA Executive Director
Marilyn Rosetti, Technical Resources Committee Chairman
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