



August 6, 2021

Alan Skelton, CPA
Director of Research and Technical Activities, Project No. 32-1
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Via email to: director@gasb.org

Dear Mr. Skelton:

The Financial Management Standards Board (FMSB) of the Association of Government Accountants (AGA) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board on its exposure draft of a proposed statement titled *Accounting Changes and Error Corrections*.

We appreciate this project to create more clear and robust reporting requirements for this key area and offer the following comments.

Change to or within the Financial Reporting Entity (par 9 and 23)

We are concerned about the inclusion of changes *within* the primary government, particularly due to the requirement to restate beginning balances for such changes. We are not aware of problems or user needs that would require restatement solely for the provisions in paragraphs 9(a) and 9(b). We therefore question the value of restatement for such changes compared to the cost. In our view, restatement of beginning balances is a significant step to take and should be reserved for other circumstances.

Changes *within* the primary government can happen often and are of a different nature and effect than correction of error or changes in accounting principle or estimate methodology. Such changes within the primary government occur due to regular activities and management of the government, and not to a change in accounting. For example, a fund may be major due to issuance of a bond, receipt of a federal award or a large capital project in one period but not in the next. Restating beginning balances for these types of changes seems overly burdensome. Moreover, we question the appropriateness of restatement since the change in fund reporting reflects the change in activity or management occurring during the period.

We are unclear whether paragraph 9.a is intended to be inclusive of a change in classification of a fund since it refers only to additions and deletions, but not reclassification. For example, if an internal service fund was reclassified to an enterprise fund due to external services becoming the predominant activity of the fund.

Correction of an Error (par 12-13)

We appreciate the additional definition of what constitutes a correction of an error and the contrast with changes in accounting estimate, as discussed in paragraphs B9 and B13. We believe it might be helpful to include further elaboration in the standard on the contrast between a correction of an error and a change in estimation methodology. For example, by contrasting the criteria of paragraph 13 with a change in an accounting principle or estimation methodology that was generally accepted but was done because it was preferable.

Notes to Financial Statements (par 32)

We agree with limiting disclosure to only the effect on beginning net position.

Since required supplementary information or supplementary information may present up to ten years of prior periods, it would be helpful to clarify that disclosure requirements of paragraph 32 are for the earliest period restated in the basic financial statements.

Required Supplementary Information and Supplementary Information (par 35-37)

We disagree with the requirement to restate prior periods presented in required supplementary information (RSI) and supplementary information (SI). We are concerned that restatements of RSI and SI may be of limited value and can be very time-consuming and costly to prepare.

In addition, we note that financial trend information required by GASB Codification 2800.107-111 is described in paragraph 101 of this section as “supplementary information.” We are concerned that requiring restatement of 10-year schedules may cause governments to consider the cost of preparing an Annual Comprehensive Financial Report to be too high.

Finally, when a material change occurs, it is disclosed in the financial statements and emphasized in the auditor’s report to alert users to the change and its effects. We are concerned that if prior periods are restated, the effects of the change on the current period may become imperceptible. In other words, we would ask the board to weigh the potential value in restatement to provide a consistent historical context against the potential value in clearly showing the effect of the change on trends or reporting.

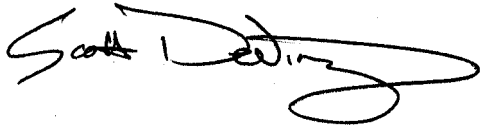
Illustrations (Appendix C)

We appreciated the illustrative examples in Appendix C. These examples would be even more helpful if they included disclosures required by paragraphs 18, 22, 24, and 27 in addition to the disclosure required by paragraph 32. This will be particularly helpful because a full illustration would be able to show how the complete set of disclosures could be presented in an unduplicated manner.

We also noted that the illustrative example included a correction of an error that appears to be trivial. The example could also be improved by increasing the size of the error so as not to imply an expectation that the provisions apply to clearly trivial errors.

The FMSB is comprised of 21 members (listed below) with accounting and auditing backgrounds in federal, state, and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott DeViney". The signature is fluid and cursive, with a large loop at the end.

Scott DeViney, CPA
Chair, Financial Management Standards Board

cc: Gerry Boaz, CPA, CGFM, CGMA, AGA National President

Association of Government Accountants
Financial Management Standards Board
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