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Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board (GASB)
Project No. 3-20
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Re: GASB Preliminary Views on concepts related to Recognition of Elements of Financial Statements

Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to the GASB's Preliminary Views on concepts related to *Recognition of Elements of Financial Statements*. ALGA represents 272 audit organizations comprising more than 2,200 individuals. This topic is of interest to our members, and we encourage individual audit organizations and members to comment independently should they choose to do so.

We have reviewed the Preliminary Views in its entirety. As requested by the GASB, we have provided comments on aspects that we agree with, as well as ones we disagree with and the reason why. Our comments are provided below.

Chapter 1 Hierarchy of Recognition

We agree with including the hierarchy for recognition of elements established in Statement No. 65, *Items Previously Reported as Assets and Liabilities*, as part of the conceptual framework. This is particularly necessary as governments enter into increasingly complex transactions.

Chapter 2 Short-Term Financial Resources Measurement Focus

We agree that the current financial resources measurement focus should be replaced with the short-term financial resources measurement focus for governmental funds. We also agree with recognizing inflows from short-term transactions and other events when they *occur*, and from long-term transactions and other events when the payments are *due*. This improves the user's ability to evaluate budgetary information, and to see the amount of fund balance available for spending in the subsequent period.

However, we support the alternative views regarding the definition of short-term financial resources and replacing the concept of *normally*. We agree that financial assets and liabilities should be recognized when due pursuant to their stated or contractual maturities, or best estimate thereof, rather than when *normally* due for governments. While we appreciate the preliminary views' intention to enhance comparability, we agree with the alternative view that it would excessively reduce the representational faithfulness and completeness of the information, yielding potentially "illogical results." Furthermore, the replacement concept for *normally* would provide more accurate information about short-term financial resources actually available for spending in the next period.

Chapter 3 Economic Resources Measurement Focus

We agree that the proposed definition of economic resources measurement focus clarifies that it includes all items that meet the definitions of financial statement elements, not a subset of those items. We also agree that the measurement should reflect all qualitative characteristics of information in financial reporting, not just that it is measurable with sufficient reliability.

Thank you for the opportunity to provide feedback in the concepts development process.

Respectfully submitted,

Nicole Rollins
Chair, Professional Issues Committee

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