MEMORANDUM

Date: June 23, 2020

To: GASB
   Director of Research and Technical Activities, Project No. 3-40


VIA EMAIL: director@gasb.org

The Colorado Office of the State Auditor (OSA) has reviewed the Governmental Accounting Standards Board (GASB) Technical Bulletin No. 2020-a.

We appreciate the GASB’s consideration of this important guidance related to the CARES Act. We offer the following comments.

Paragraph 4. In referencing the United States Department of the Treasury’s Frequently Asked Questions, it might be helpful to include a link to aid users in locating a complete copy of these questions.

Paragraph 5. We appreciate the Board’s clarification that CRF funds are identified as voluntary nonexchange transactions.

Paragraphs 6. If the funds are passed through to a subrecipient, the pass through of the funds may be made based on a formula rather than eligibility requirements. Therefore, it would be helpful if the Board would consider adding guidance to answer the question of whether funds received by the primary recipient and passed through to subrecipients should continue to be recognized by the primary recipient as a liability from the federal government and as an advance to the pass-thru entity until the pass-thru entity confirms that the funds were expended for allowable purposes under the program.

Paragraph 8. It would be helpful to include direction regarding a consideration to maintain documentation to support any amount recognized as lost revenue.

Paragraph 14. The technical bulletin references specific GASB statements. It would be helpful if the codification references were also included in order to aid readers in understanding the complete related codified standards.
Paragraph 17. While we understand the complexity of determining whether or not certain expenditures meet the definition of extraordinary or special items, we appreciate the board’s explanation to separate the results from the actual event. In listening to the Board’s discussion about this technical bulletin on June 9, the Board discussed a hurricane as an example of separating a frequently occurring event (i.e., Hurricane Katrina) from the resulting damage. It would be helpful to include the example of a hurricane in the Technical Bulletin to help explain the factors to be considered. We also appreciate the discussion in paragraph A20 to remind readers that the disease itself is not under the control of management.

We have also become aware of a concern with property tax collections specifically related to the 60-day rule for revenue recognition. Due to circumstances related to COVID-19, the Colorado General Assembly passed legislation to allow counties to waive the interest period for late property tax payments between June 15 and October 1, 2020. The result of this action is that taxpayers will likely not pay property taxes until October 1, 2020. School districts in Colorado have a June 30 fiscal year end, and historically report any unpaid property taxes that are expected to be paid by August 31 as revenue and a receivable. Due to the statutory change effective only for this year, school districts may have a significant property tax receivable on the books at June 30 that will not be collected within the 60 days. The impact for financial reporting in this example is that school districts will have to record a receivable/deferred inflow at year end, thus impacting their ending fund balance if they are unable to recognize the revenue in the current fiscal year. GASB Codification P70.104 states that: “If, because of unusual circumstances, the facts justify a period greater than 60 days, the governmental unit should disclose the period being used and the facts that justify it.” It would be helpful if the GASB would provide guidance that would support the ability for school districts to justify a revenue recognition period in excess of 60 days due to the unusual nature of a one year change in property tax collections.

If you need additional information regarding our comments, please contact Crystal Dorsey via phone at (303) 869-3002 or via email at crystal.dorsey@state.co.us.