March 5, 2018

Mr. David R. Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116  

Project No. 9-5  

Sent by email to director@gasb.org  

Dear Mr. Bean:

Thank you for the opportunity to present our comments on the Governmental Accounting Standards Board (GASB) Exposure Draft (ED), Accounting for Interest Cost during the Period of Construction, Project No. 9-5. The School Finance and Operations Division of the Colorado Department of Education represent a financial statement user that is also a pass-through entity for Federal Financial Assistance to Colorado School Districts.

We favor the two objectives as outlined in the ED, (a) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (b) to simplify accounting for interest cost incurred during the period of construction.

However, we are hearing some concerns with the impact of this change to the fund equity section of entities that report proprietary funds with construction activities. Under this change, the interest cost during the period of construction will shift from being a component of the net investment in capital assets to the unrestricted component.

This highlights a question that we have with the consistent reporting treatment of such activities by local governments, including charter schools. Some charter schools are financing their facilities through the use of a blended component unit, or building corporation. This building corporation is engaged in the borrowing of “revenue” bonds to fund the construction of their facility. It appears that the use of the term “revenue” bonds is triggering the required use of an enterprise fund based on the GASB codification criteria. However, the “revenue” stream that is tied to these bonds is not related to the charges or fees being assessed by the entity, but are related to the charter school’s per pupil allocation which is unrelated to the construction activities of the building corporation. Is the required use of an enterprise fund appropriate for these activities? As not all entities with similar activities are using the enterprise fund treatment highlights the inconsistent reporting treatment that we are seeing.
If you have any questions, please feel free to contact Kirk Weber at weber_k@cde.state.co.us or at 303 866-6610.

Thank you,

Kirk Weber, CPA
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School Finance and Operations Division
Colorado Department of Education