April 27, 2018

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

Project No. 4-61

Dear Sir:

We appreciate the opportunity to respond on the Invitation to Comment, Revenue and Expense Recognition. Based upon our review of the proposed changes, we agree with the Board’s decision to develop a comprehensive revenue and expense model. Without knowing the measurement criteria for each model, it is more difficult to assess the impacts on the financial statements; however, we prefer to expand upon the existing exchange and nonexchange transaction guidance. We believe the proposed exchange/nonexchange model will reduce inconsistencies within financial reporting while minimizing implementation costs.

We offer the following comments to the questions for readers for your consideration:

**Question 2.1** – Do you believe the exchange/nonexchange model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

Yes. We believe the exchange/nonexchange model provides clarification and improvement on existing guidance. Since existing guidance is similar to the exchange/nonexchange model, users of financial statements will be able to more clearly understand the transition within the financial statements.

**Question 3.1** – Do you believe the performance obligation/no performance obligation model would provide a suitable basis for classifying transactions and recognizing revenue and expense? Why or why not?

No. We believe the performance obligation/no performance obligation will not recognize the entire performance obligation within the financial statements. This model will be burdensome to financial statement preparers and has the potential to cause confusion among financial statement users by only recognizing a portion of fulfilled obligations. The transition to this model will also require more analysis and cost for implementation by a government.

**Question 4.1** – Do you believe that the alternative model presented as an example in Chapter 4 could provide a suitable basis for classifying transactions and recognizing revenue and expense? If so, what are the potential benefits and challenges to that model?

No. We believe the performance obligation recognition will be a difficult transition for financial statement preparers and users. Recognizing only a portion of a completed performance obligation may cause users to interpret the financial statements incorrectly.
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Question 4.2 – The models distinguish transactions on the basis of (a) exchange or nonexchange or (b) a performance obligation or no performance obligation. Do you believe there is another alternative for distinguishing revenue and expense transactions? If so, please describe that alternative and explain why you believe it would be suitable.

No. We believe the most suitable model would be an expansion of the existing guidance to provide clarification and improvement in the recognition of revenue and expense.

Our preference is to expand upon the current guidance of revenue and expense recognition as presented in the exchange/nonexchange model.

Thank you for the opportunity to participate in the standard-setting process.

Sincerely,

\[Signature\]

Brenda Morris, CPA
Financial Services Director

cc: Patrick McKenna - do