

Letter of Comment No. 027  
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David Bean, Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
Post Office Box 5116  
Norwalk, CT 06856-5116  
Via email: [director@gasb.org](mailto:director@gasb.org)

Re: Project No. 3-20

Dear Mr. Bean:

On behalf of the Colorado Government Finance Officers Association (CGFOA), we appreciate the opportunity to present our comments to GASB on the Preliminary Views Project No. 3-20, Recognition of Elements of Financial Statements. These comments were prepared by the Technical Issues Committee of CGFOA and approved by its Board of Directors.

The objective of the Preliminary Views Recognition of Elements of Financial Statements project is to set forth the Board's proposals for concepts related to recognition. Recognition concepts encompass two aspects of financial statements. The measurement focus determines *what* items should be reported as elements of state and local government financial statements. The related basis of accounting determines *when* those items should be reported. The scope of recognition issues includes recognition of elements in financial statements presented applying either of two measurement focuses: short-term financial resources and economic resources. The short-term financial resources measurement focus would replace the current financial resources measurement focus, which is used at present in preparing government fund financial statements. The economic resources measurement focus would continue to be used in the preparation of government-wide, proprietary fund, and fiduciary fund financial statements. An accrual basis of accounting would be employed with both measurement focuses.

#### **Chapter 2: Recognition Concepts: Short-Term Financial Resources Measurement Focus**

The committee agrees that guidance regarding classification of transactions is necessary for consistency and comparability across governments. Concern is raised, however, in the use of terms for which definitions have not been established. The use of *normally* and *when due* require additional definition. Additionally, the change of recognition period from sixty days after year-end close to one year after inception of the transaction would change the amount reported from an actual number to an estimate, creating additional inconsistent and subjective recognition, which would diminish comparability. There is agreement that while one year may be too long, sixty days may be too short, especially as grant reimbursement revenue can sometimes take longer than sixty days creating a situation where the expense is recognized but the revenue is not.

**Colorado Government Finance Officers Association**

PO Box 620217 ♦ Littleton, CO 80162 ♦ Ph: 303-922-4647 ♦ Toll Free: 888-922-4647

Fax: 303-922-5295 ♦ Website: [www.cgfoa.org](http://www.cgfoa.org)

The group agreed with the preliminary view regarding the relationship to the budgetary information and saw this proposal as beneficial in that regard. The alignment of financial information with budgetary information is beneficial to all readers of the financial statements.

**Chapter 3: Recognition Concepts: Economic Resources Measurement Focus**

The group believes the concepts in this chapter do not pose any significant changes to the current recognition concepts used in the government-wide statements.

**Chapter 4: Alternative Views**

The group does not agree with the alternative view regarding the modified definition of short-term resources and believes to adopt this modified definition would complicate budgeting and create deficits in debt service funds.

The group does believe that replacement of the concept of *normally* with an actual definition and criteria would reduce subjectivity and create consistency. In the alternative views, however, the concept of an estimate for transactions without any stated or contractual terms adds back in subjectivity thereby reducing the benefit of this definition.

We thank the Board for their work on this issue and for the opportunity to respond.

Respectfully,

Jill Johnson and Dmitriy Chernyak  
Co-Chairs CGFOA Technical Issues Committee