

February 15, 2019

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. 3-20

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) Preliminary Views (PV), Recognition of Elements of Financial Statements, Project No. 3-20. 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. In Colorado, all local governments with revenues or expenditures greater than \$750,000 are required to prepare and have audited financial statements which comply with generally accepted accounting principles (GAAP).

We are in favor of the elimination of the 60 day revenue recognition rule inconsistencies with the proposal of the one year rule instead. We also believe that it should be tied to the current period and not reach into the next fiscal year as proposed by the alternative view. This one year rule would also address the issue with some Federal grants not being funded within the shorter period currently used for revenue recognition. There is however, one set of grants that may require separate consideration, such as disaster or Federal Emergency Management Agency (FEMA) grants. Maybe these special types of grants should be tied to an extraordinary items treatment instead. In the case of disaster or FEMA grants, the actual amount being funded may not be known until years later.

Keeping activities within the current fiscal period will also assist with evaluating budgetary information for that fiscal year, something the alternative view proposal does not do.

We favor the inclusion of prepaids and inventory as financial assets, as this addresses the concerns with Federal grant treatment for such items under Uniform Guidance.

We also agree with the concept of 'normally'. To address GAAP, it would be beneficial for GASB to identify how transactions are normally treated. If the government deviates from this

'normal' treatment, maybe they are miss applying the treatment for a particular activity, or maybe they are miss labeling such activity. Therefore, we disagree with the alternative view.

Also, with regard to the preliminary view, a possible transaction after the year end should not accelerate the reporting of that transaction into the current reporting period. If looking into the next fiscal year to identify payments (such as debt repayments), in all likelihood a debt service fund will be forced to report a negative fund equity, because the collection of funds for such repayments are normally property taxes. Statutes normally limit the amount of property taxes that may be collected in advance for such payments. With the issuance of new bonds, the government is not able to accelerate the collection of two years of payments into the first year to accommodate this alternative view treatment. We are also concerned that the acceleration of payments (such as compensated absences) proposed by the alternative view will cause issues with reporting of federal grants under the Uniform Guidance.

Further, please clarify if GASB intends to eliminate the distinction between modified accrual and full accrual in reference to the last sentence in paragraph 10 of Charter 1, which states that an accrual basis of accounting would be employed with both measurement focuses.

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,



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