



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

P.O. Box 10270 • 301 South Bronough Street, Suite 300 • Tallahassee, Florida 32302-2270
Telephone: (850) 222-9684 • Fax: (850) 222-3806 • Web Page: www.fgfoa.org

2018-2019 OFFICERS

President

KENT OLSON, CGFO
Deputy Treasurer/Clerk
City of Tallahassee
(850) 891-8082
Kent.Olson@talgov.com

President - Elect

KEN BURKE, CPA
Clerk of the Circuit Court and Comptroller
Pinellas County – CCC
(727) 464-3341
kburke@pinellascounty.org

Secretary – Treasurer

JAMIE ROBERSON, CGFO
Director of Finance
City of Apopka
(407) 703-1725
jroberson@apopka.net

DIRECTORS

ALTON “RIP” COLVIN, CPA, CGFO, CPM
Executive Director
Justice Administrative Commission
(850) 488-2415
rip.colvin@justiceadmin.org

FRANK DIPAOLO, CPA, CGMA
Finance Director
City of Lighthouse Point
(954) 784-3432
fdipaolo@lighthousepoint.com

NICOLE GASPARRI, CGFO
Organizational Program Manager
City of Boca Raton
(561) 789-8236
ngasparri@myboca.us

MIKE GOMEZ, CPA
Audit Manager
Florida Auditor General - Tallahassee
(850) 412-2895
mikegomez@aud.state.fl.us

JONATHAN C. MCKINNEY, CGFO
Director of Finance
City of Holly Hill
jmckinney@cityofedgewater.org

SHANNON RAMSEY-CHESSMAN, CPA, CGFC
Chief Operating Officer of Finance
Clerk & Comptroller – Palm Beach County
(561) 355-4277
slramsey@mypalmbeachclerk.com

WILLIAM SPINELLI, CPA
Controller
City of Orlando
(407) 246-2165
william.spinelli@cityoforlando.net

KELLY STRICKLAND, CPA, CGFO
Director of Financial Administration
City of Sarasota
(941) 954-4124
kelly.strickland@sarasotagov.com

PAUL SHAMOUN
Executive Director

February 14, 2019

David Bean, Director of Research and Technical Activities
Governmental Accounting Standards Board
Post Office Box 5116
Norwalk, CT 06856-5116
Via email: director@gasb.org

Re: Preliminary Views on Recognition of Elements of Financial Statements (Project No. 3-20)

Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to *Preliminary Views of the Governmental Accounting Standards Board on Concepts Related to Recognition of Elements of Financial Statements (Project No. 3-20)*. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee and the Board of Directors.

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

We concur with the short-term financial resources measurement focus recognizing balance sheet and resource flow elements in the governmental statements as they occur, except that long-term liabilities would be reported when payments are due. To that end, we agree with the concept of defining short-term transactions and other events as items generating or converting to cash (assets) or due within one year of inception of the event (liabilities), while long-term classification is appropriate for transactions and other events that extend beyond one year.

However, while we recognize and appreciate that consistency is important, we disagree with the concept that the short-term versus long-term classification would be based on the concept of what would “normally” occur for governmental entities generally rather than based on the conversion to cash or liquidation of a liability appropriate under the individual government’s facts and circumstances. Our concerns are as follows:

As indicated in this preliminary views document, to ensure comparability, the GASB acknowledges in paragraph 18, that it would provide guidance to assist in the assessment of whether items normally arise from short-term or long-term transactions and other events. Since this preliminary views document and the related Financial Reporting Model Improvements preliminary views document currently do not provide such guidance, we are assuming that GASB will not provide such guidance until a later date, potentially after the preliminary views documents have been finally codified as standards. Consequently, there is potential for extensive confusion among financial statement preparers, their auditors and financial statement users in interpreting financial statements during initial application of the short-term financial resources measurement focus. Even if the GASB provides a large body of guidance on what is “normally” short-term and long-term, more and more guidance will be needed

on an ongoing basis as more complex transactions and circumstances are brought forward for GASB decisions. We would rather not have this “prescriptive” guidance and would rather view each government’s actual transactions and circumstances to determine short-term versus long-term using the “concepts” provided by the GASB.

- Valid reasons may exist for inconsistency of application of certain transactions across governmental entities. Two examples are shown below:
 - The Financial Reporting Model Improvements Preliminary Views document discusses insurance claims payments as “normally” being liquidated within one year. While this assumption is generally true for health insurance claims, it is not generally true for property/casualty and workers’ compensation insurance claims, which frequently take years to resolve.
 - Similarly, grant revenues are also anticipated to be “normally” converted to cash within one year of the underlying event. While often true, this situation would not necessarily be applicable to all grants or even to individual entities receiving the same grant. For example, whether FEMA claims will be received within the next reporting period is largely dependent upon how well-versed an individual governmental entity is in compiling and reporting reimbursable expenditure data in the manner FEMA officials prefer. An entity with experience in fully and properly documenting reimbursable FEMA expenditures will receive reimbursement more quickly than an entity with less experience that may have to submit reimbursement requests multiple times in order to gain FEMA’s approval. Also, whether FEMA reimbursement is received within the next reporting period is dependent upon the risk management structure of the local government. For example, a local government with individual commercial insurance can generally settle a FEMA claim much more quickly than a local governmental entity that participates in a risk pool, in which case it may take several years for a FEMA claim to be settled as insurance reimbursements and unreimbursed losses must be prorated to the individual participants. For certain states with recurring material FEMA reimbursements, such as Florida, the treatment of FEMA claim reimbursement as short-term, rather than the true short-term/long-term status, could materially impact the financial statements of a significant number of local governments.

If the short-term measurement focus is implemented with the “normally” approach, it is inevitable that unanticipated issues will arise as to whether certain items should be treated as “normally” short-term versus long-term. Under such conditions, ongoing standards modification would be required to address whether each individual item should be treated as short-term or long-term. In contrast, a more concept-based approach, whereby individual entities recognize items based upon the financial preparer’s best estimate of when an item would be convertible to cash or payable, would avoid the need for constant revisions to guidance and standards. And as shown by the FEMA example above, the “normally” approach could lead to materially distorted financial statements.

Chapter 3: Recognition Concepts: Economic Resources Measurement Focus

We concur with the Board’s position that the economic resources measurement focus (to be applied in the preparation of government-wide, proprietary fund, and fiduciary fund financial statements) should incorporate all outflows of resources and all assets, liabilities, and deferred inflows/outflows of resources.

We also agree with the Board’s preliminary view that financial statements presented using this measurement focus, recognize a financial statement element if the item meets the definition of an element as defined in *Concepts Statement 4* and is measurable pursuant to *Concepts Statement 1*.

However, paragraph 5 indicates that measurement should not just be based upon sufficient reliability of the information, but should be also collectively based upon all qualitative characteristics, including understandability, reliability, relevance,

timeliness, consistency, and comparability, subject to the limitations of financial reporting. While conceptually appealing, the preliminary view does not clarify how this definition of measurement would be applied in the standards and in practice. Additionally, the concept of qualitative consideration of measurement using the economic resources measurement focus appears to be inconsistent with the “one-size fits all” concept of basing short-term recognition of transactions and events upon a definition of “normally” applied to all reporting entities without regard to individual facts and circumstances. For example, what would be applicable to a water management district or a community development district may not be applicable to a large municipality.

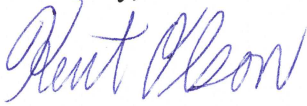
Chapter 4: Alternative Views

We generally disagree with the alternative views, except we agree with the proposed alternative treatment of replacing the concept of “normally” with the stated or contractual maturities of assets and liabilities and the best estimate of the periods of receipts absent such stated or contractual maturities. We favor a more conceptual approach that leaves room for preparer and auditor professional judgment and share the alternative views concern that, absent a comprehensive resource delineating the Board’s position as to which transactions or events should “normally” be treated as short-term versus long-term events, the potential exists for confusion without necessarily achieving comparability.

In summary, we generally agree with the recognition concepts in the preliminary view. However, we would prefer a more concept-based approach to short-term recognition that allows for professional judgment as opposed to rigidly applied recognition of items based on definitions of “normally” provided by the Board, especially given the Board’s guidance is not yet fully developed and may not be available to preparers and auditors concurrently with the effective date of any standards issued. We are also concerned that this approach will lead to situations in the future where ongoing guidance will be required hurriedly on a “just in time basis” as new transactions or circumstances arise or are brought forward.

We thank the GASB for its efforts in preparing this preliminary views document and for the opportunity to respond. Please feel free to contact me at (850) 891-8082 or kent.olson@talgov.com regarding the comments above.

Sincerely,



Kent Olson, CGFO
President