



Florida Government Finance Officers Association, Inc.

Board of Directors

2018-2019

January 18, 2019

2018-2019 BOARD OF DIRECTORS

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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

Re: Project No. 24-16d

Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the GASB Exposure Draft on Project No. 24-16d related to Implementation Guidance Update—2019 (the Exposure Draft). These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We agree with the new questions and answers and the amendments to previously issued questions and answers included in the Exposure Draft, but offer an alternative response with regards to the question in paragraph 4.8 and other suggestions for your consideration.

- *Statement No. 33*

Paragraph 4.8 of the Exposure Draft introduces a new question regarding the timing of revenue recognition for a federally declared major disaster. The question is whether revenue can be recognized for the reimbursement of costs related to the natural disaster incurred during the government's reporting period, if the notice of award is not received until after the reporting period. We understand and agree with the Board's conclusion that in the absence of a "grant agreement" the recipient cannot establish that it has incurred allowable costs. However, please consider the following regarding when a grant agreement is established:

Based on past experience with federally declared major disasters, it is highly probable that entities will be reimbursed for some portion of the costs incurred. While the exact amount is unknown, as of the government's reporting period, the damage has occurred, the costs have been expended, and a disaster declared by the President of the United States obligates the Federal government to pay for the damages. Both the Presidential declaration and the award agreement are effective dated the date of the disaster or prior. The execution of the grant agreement is form over substance. The underlying "agreement" on which to base the eligibility of costs is created with the Presidential declaration.

The notice of award received after the reporting period but before the auditor report date is a subsequent event that provides evidence with respect to conditions that existed as of the government's reporting period in accordance with GASBS No. 56. In other words, it confirms which expenditures were actually eligible and provides a reasonable estimate of the amount receivable as of the government's reporting period. Paragraph 9 of GASBS No. 56 states that "all information that becomes available prior to the issuance of the financial statements should be used in evaluating the conditions on which the estimates are based, and the financial statements should be adjusted for any changes

in estimates resulting from the use of such evidence.” Therefore, if a notice of award is received prior to issuance of the financial statements, a receivable for grant revenues may be reasonably estimated, and therefore accrued as of the entity’s reporting period, based on the reporting entity’s specific circumstances.

Further, not recording these revenues for expenditures that have been incurred and are eligible for reimbursement could result in misleading financial statements, likely not achieving inter-period equity by showing significant losses in one year and significant gains the following year.

- *Statement No. 48*

We recommend adding to the Board’s answer in Paragraph 4.10 of the Exposure Draft, the reference to Paragraph 68 of Statement No. 72, *Fair Value Measurement and Application*, as is done in the Paragraph 4.11, explaining that the initial classification of an asset should be retained for financial reporting purposes, even if the government’s usage of the asset changes over time.

- *Statement No. 75*

We welcome the clarification in Paragraphs 4.4, 4.5, 4.6 and 4.7 regarding inclusion of the amount of the implicit payments made subsequent to the measurement date in the deferred outflow of resources related to OPEB reported for amounts paid by the employer for OPEB as the benefits come due during that period. We would recommend adding to the Board’s answer comments addressing reliance on estimates based on projected benefit payments when direct calculation of the implicit rate subsidy is not practical.

We thank the GASB for its efforts in preparing the exposure draft 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