



# 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](http://www.fgfoa.org)

## 2017-2018 OFFICERS

### President

**LINDA S. HOWARD, CPA, CTP, MBA**  
Treasurer  
Florida Municipal Power Agency  
(321) 239-1015  
[Linda.Howard@fmpa.com](mailto:Linda.Howard@fmpa.com)

### President - Elect

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

### Secretary – Treasurer

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

### DIRECTORS

**KIMBALL ADAMS, CPA**  
Director of Finance  
City of Largo  
(727) 587-6747  
[kadams@largo.com](mailto:kadams@largo.com)

**ALTON “RIP” COLVIN, CPA, CGFO, CPM**

Executive Director  
Justice Administrative Commission  
(850) 488-2415  
[rip.colvin@justiceadmin.org](mailto:rip.colvin@justiceadmin.org)

**FRANK DIPAOLO, CPA, CGMA**

Finance Director  
City of Lighthouse Point  
(954) 784-3432  
[fdipaolo@lighthousepoint.com](mailto:fdipaolo@lighthousepoint.com)

**NICOLE GASPARRI, CGFO**

Organizational Program Manager  
City of Boca Raton  
(561) 789-8236  
[ngasparri@myboca.us](mailto:ngasparri@myboca.us)

**MIKE GOMEZ, CPA**

Audit Manager  
Florida Auditor General - Tallahassee  
(850) 412-2895  
[mikegomez@aud.state.fl.us](mailto:mikegomez@aud.state.fl.us)

**JONATHAN C. MCKINNEY, CGFO**

Director of Finance  
City of Edgewater  
(386) 424-2400 ext. 1301  
[jmckinney@cityofedgewater.org](mailto:jmckinney@cityofedgewater.org)

**SHANNON RAMSEY-CHESSMAN, CPA, CGFO**

Chief Operating Officer of Finance  
Clerk & Comptroller – Palm Beach County  
(561) 355-4277  
[sramsey@mypalmbeachclerk.com](mailto:sramsey@mypalmbeachclerk.com)

**JAMIE ROBERSON, CGFO**

Chief Financial Officer  
Osceola County Property Appraiser  
(407) 742-5172  
[jrob@property-appraiser.org](mailto:jrob@property-appraiser.org)

**PAUL SHAMOUN**

Executive Director

April 10, 2018

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. 4-6I

Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the GASB Invitation to Comment (ITC) on the major issues related to Project No. 4-6I, *Revenue and Expense Recognition*. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We understand that the ITC is a GASB staff document designed to solicit public comment at an early stage before GASB has reached a consensus view on issues addressed in the project. Furthermore, we understand the ITC represents progress towards a Preliminary Views and an Exposure Draft of a Statement of Government Accounting Standards and is not an Exposure Draft nor does it represent a preliminary view of the GASB.

Our comments on the specific questions to the ITC are as follows:

### **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?**

We believe the existing guidance for revenue and expense transactions could be a suitable framework to expand upon. However, an ideal comprehensive model should include the largest range of transactions resulting in improved comparability and consistent application by preparers as well as provide information that is more useful to the users. The fact that other standard setting bodies, such as the FASB and IASB, have adopted a performance obligation model for revenue transactions is significant. The development of a model based upon the exchange/nonexchange basis may not be suitable considering the Financial Accounting Foundation's research indicates that transaction classification is currently difficult for some preparers to apply due to the task of distinguishing between exchange, exchange-like, and non-exchange transactions.

As the ITC indicates, the distinction between the classifications of exchange and non-exchange transactions may not be clear in practice. If the basis for classifying and recognizing revenue and expense transactions is currently unclear, then using the same model most likely will not resolve the issue. Additionally, this model does not provide a consistent or comprehensive principle between the classification, recognition, and measurement of the expense and revenue transactions. Moreover, as the ITC notes, the determination when eligibility requirements for certain exchange transactions have been met has proven to be challenging in practice. This issue would probably be best resolved with the adoption of the performance obligation/no performance obligation model.

For these reasons, in addition to the possibility of requiring additional significant application guidance to achieve consistency, the exchange/nonexchange model most likely will not enhance the guidance and will continue to result in inconsistent accounting and financial reporting of some revenues and expenses.

**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?**

Yes, we believe the performance obligation/no performance obligation model would be a suitable basis for classifying transactions and recognizing revenues and expenses, especially considering the fact that other standard setters such as the FASB and IASB have recently adopted similar standards. The ITC's definition of a performance obligation being a promise in a binding agreement between the government and another party to provide distinct goods or services to a specific beneficiary provides a suitable and more comprehensive basis for classifying transactions and recognizing revenue and expenses.

According to the ITC, this model also provides a conceptually consistent approach throughout the steps for the accounting and financial reporting of revenue and expense transactions. Unlike the exchange/ nonexchange framework, this model involves the consistent consideration of the principle of the transaction's performance obligation between the classification, recognition, and measurement.

Moreover, the model takes a progressive step towards the elimination of the ambiguities involved with the classification of transactions in the current standards. Overall, it presents a more comprehensive and encompassing conceptual framework covering a larger range of transactions thereby avoiding special treatment provided by Statement 33, which will improve comparability. As an example, the ITC describes a federal reimbursement grant in Appendix A that under current standards and the exchange/nonexchange model would be classified as a nonexchange transaction and default to the treatment outlined in Statement 33. However, this would not be the case if the performance obligation model were adopted.

**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 of that model?**

The alternative model presented in Chapter 4 has the potential to provide a suitable basis for classifying transactions and recognizing revenue and expense. Interestingly, it utilizes features of the existing model for classification as well as the performance obligation model regarding recognition for purposes of an exchange transaction. Additionally, this alternative model features concepts and terms of both proposed models in chapters 2 and 3, which could lead to less consistency between preparers.

The challenge remains that, because this alternative model retains provisions based on Statement 33, this may continue to result in less consistency between the preparers. In addition, the application of the alternative model to the grant transaction example in the ITC's Appendix A would still result in the classification of a nonexchange transaction and recognition based on Statement 33.

**4.2. The models distinguish transactions based on (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.**

Based on the three models that were presented in the ITC, (a) exchange or nonexchange, (b) performance obligation or no performance obligation, and (c) an additional alternative model which blends (a) and (b), we believe there are now a sufficient number of choices to distinguish revenue and expense transactions for purposes of deliberating upon and ultimately select going forward.

We would like to thank the GASB for its efforts in preparing the ITC and for the opportunity to respond. Feel free to contact me at (321) 239-1015 or [Linda.howard@fmpa.com](mailto:Linda.howard@fmpa.com).

Sincerely,



Linda Howard, CPA, CGFO, CPFO  
President