MEMORANDUM

TO: The Governing Board

FROM: Joseph T. Edmiston, FAICP, Hon. ASLA, Executive Officer

DATE: February 3, 2016

SUBJECT: Agenda Item IX: Consideration of a resolution authorizing the recognition of grant revenue collected within one year of fiscal year-end to be measurable and available for financial statement purposes

Staff Recommendation: That the Governing Board adopt the attached resolution authorizing the recognition of grant revenue collected within one year of fiscal year-end to be measurable and available for financial statement purposes.

Background: The Authority’s Financial Statements include two presentations of the agency’s financial position: Government-wide statements and Governmental Fund statements.

Government-wide financial statements are prepared using the economic measurement focus and full accrual accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the related cash flows take place. These statements provide readers with a broad overview of the agency’s finances in a manner similar to a private-sector business.

Governmental Fund financial statements are prepared using the current financial resources measurement focus and modified accrual accounting. Under this method, revenues are recognized when “measurable and available”. These statements focus on the near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.
Currently, MRCA defines “measurable and available” to be those revenues collected within 90 days. While the 90 day criteria is considered appropriate for MRCA’s non-grant revenue, its application to grant revenues leads to misstatement of the agency’s financial position in the Governmental Fund financial statements.

Accordingly, it is recommended the board approve the attached resolution authorizing MRCA to consider grant revenues “measurable and available” if collected within one year after fiscal year-end.