

November 14, 2011

Advancing Government Accountability

2208 Mount Vernon Ave. Alexandria, VA 22301-1314 PH 703.684.6931 TF 800.AGA.7211 FX 703.548.9367 www.agacgfm.org Mr. David R. Bean Director of Research and Technical Activities Governmental Accounting Standards Board (GASB) Project 3-23 401 Merritt 7 Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board (GASB or the Board) on the exposure draft entitled *Reporting Items Previously Recognized as Assets and Liabilities*. The FMSB is comprised of 25 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

Letter of Comment No. 8 File Reference: 3-23E Date Received: 11/15/11

The FMSB has reviewed the exposure draft and generally agrees with the positions expressed by the Board. The exposure draft proposes to amend the classification of certain items that were previously reported as assets and liabilities to be consistent with the definitions in Concept Statement 4. The FMSB supports the determinations made by the Board for the items contained in Appendix C.

However, the FMSB does have concerns relative to paragraph 33 of the exposure draft. This paragraph states that assets should be combined with deferred outflows of resources, and that liabilities should be combined with deferred inflows of resources, for purposes of determining which elements meet the major fund determination criteria in paragraph 76 of Statement 34. Concept Statement 4 established a distinction between assets and deferred outflows, and liabilities and deferred inflows. We question if it is logical and appropriate to now treat these deferred amounts as assets and liabilities for the purpose of this calculation. Combining these elements lessens the reclassification distinctions established by the exposure draft. We question whether deferrals conceptually belong in major fund criteria. Instead, we support the approach of excluding deferred outflows of resources and deferred inflows of resources from the major fund calculation, an alternative noted in the last sentence of paragraph 104. We suggest that paragraphs 32 and 33 of the exposure draft be deleted from the final pronouncement, or that paragraph 33 be amended to affirmatively state that deferrals should be excluded.



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We do agree with the process used by the Board to evaluate the various accounting transactions and to determine whether the resulting items should be considered an asset, a liability, a deferred inflow of resources, a deferred outflow of resources, an inflow of resources (i.e. revenue), or an outflow of resources (i.e. and expense). We viewed the Board's consideration of existing accounting treatments identified in paragraphs 5 through 30 as comprehensive and we offer no other situations to consider.

Finally, we agree with the proposed implementation date of June 15, 2012, as governments need the guidance in this exposure draft to report at the earliest possible date in a manner consistent with GASB Concept Statement 4, which limits the recognition of deferred inflows of resources and deferred outflows of resources to those instances identified by the Board in authoritative pronouncements.

We appreciate the opportunity to comment on this document and would be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter of comments. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 518-522-9968.

Sincerely,

Eric S. Berman, CPA, Chair

AGA Financial Management Standards Board

cc: Richard O. Bunce, Jr., CGFM, CPA AGA National President

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July 2011 – June 2012

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