



## Association of Local Government Auditors

### OFFICERS

*President*  
**Bill Greene**  
City Auditor  
Phoenix, AZ

*President Elect*  
**Corrie Stokes**  
Deputy City Auditor  
Austin, TX

*Secretary*  
**Kymber Waltmunson**  
County Auditor  
King County, WA

*Treasurer*  
**David Givans**  
County Internal Auditor  
Bend, OR

*Past President*  
**Drummond Kahn**  
Audit Services Director  
Portland, OR

### BOARD MEMBERS AT LARGE

**Carmelina DiMondo**  
Director  
Toronto, ON

**Craig Kinton**  
City Auditor  
Dallas, TX

**Tina Adams**  
Senior Auditor  
Charlotte, NC

**Pamela Weipert**  
Compliance Officer  
Oakland County, MI

### MEMBER SERVICES

449 Lewis Hargett Circle  
Suite 290  
Lexington, KY 40503  
Phone: (859) 276-0686  
Fax: (859) 278-0507

[www.algaonline.org](http://www.algaonline.org)

August 22, 2013

Mr. David R. Bean  
Director of Research and Technical Activities  
Government Accounting Standards Board (GASB)  
Project 3-23  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Bean,

The Association of Local Government Auditors (ALGA) appreciates the opportunity to respond to the GASB's exposure draft on Proposed Statement on Standards, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our organization represents 300 audit organizations, totaling more than 2,000 members. This topic is of interest to our members, many of whom are internal auditors whose work may be used by external auditors or who may be called upon to provide direct assistance to their external auditors. We encourage individual audit organizations and members to comment independently, should they choose to do so.

This technical correction does not appear to be a controversial issue and we agree with the proposed change. We recommend that it be codified into the final Statement.

**Issue:** When the GASB drafted Statement 68, *Accounting and Financial Reporting for Pensions*, an issue concerning the transition period for implementation and the accounting for employer contributions during the transition period arose which the Board felt needed to be addressed. Statement 68 allows an employer to *measure and recognize* its net pension liability up to one year *prior* to the fiscal year of original implementation. Thus, the employer could have made pension contributions after the measurement date of the liability but before the beginning of the fiscal year of the implementation period. In such situations, paragraph 137 of Statement 68 states that those contributions cannot be recognized as a beginning deferred outflow of resources at transition unless "**all**" deferred outflows of resources and deferred inflows of resources *related to pensions* can be determined at the beginning of the fiscal year of implementation (remember, the measurement date may have occurred a full year earlier with contributions being made during that year).

Comments on Exposure Draft on Proposed Statement: *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment to GASB Statement No. 68

**Impact:** Instead of accounting for these contributions made during the transition period as deferred outflows (because “all” deferred outflows and inflows could not be identified), Statement 68 as originally drafted would have the employer recognize these contributions as an adjustment to its beginning net position. However, the employer would have to account for the change in pension liability during the annual reporting period, which must then include those contributions made during the previous year from the measurement date until the *start* of the reporting period. This approach could greatly understate/skew the pension expense and restated beginning position in that first year of implementation despite the fact that these contribution amounts can readily be determined because they are generally large and made on a regular basis.

**Proposed Technical Correction:** To rectify this situation involving pension contributions during the transition period, the Board proposed a technical correction to modify Statement 68 to require, at transition, that the employer recognize a deferred outflow of resources for contributions made to a pension plan subsequent to the measurement date of the net pension liability and before the end of the reporting period, *regardless of whether the amount of other deferred outflows of resources and deferred inflows of resources related to pension can be determined (paragraph 137 of statement 68).*

We appreciate the opportunity to respond to this proposal.

Respectfully submitted,



Harriet Richardson  
Chair, Professional Issues Committee

Key ALGA Contributors:

Chris Ford, City of Virginia Beach, VA  
Donna Crume, City of Oakland, CA