



December 7, 2015

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856-5116

Project: 24-16ED

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 Government Accounting Standards Board (GASB) on its September 21, 2015 exposure draft entitled Implementation Guide No. 20XX-X, Implementation Guidance Update—20XX. The FMSB is comprised of 23 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.

This proposed Statement provides guidance that clarifies, explains, or elaborates on GASB Statements and Interpretations. It is our understanding that the requirements of this Implementation Guide apply to the financial statements of all state and local governments unless narrower applicability is specifically provided for in the pronouncement addressed by a question and answer.

We have some questions, request for clarifications and suggested changes for the following items:

Question 4.4:

We believe the proposed guidance could be improved by addressing the expected balance sheet classification of a primary government fund's and a component unit's position in an internal investment pool.

The implementation guide clearly addresses disclosure requirements, as well as the classification of component unit positions in internal investment pools and classification of fund positions in external investment pools (in question 1.3.8). However, the classification of fund positions in internal investment pools is not clear. Classification by a "look through" seems to be implied in question 6.26.1, although questions 2.13.2 and 6.29.3 seem to contradict this guidance. All the guidance should be consistent addressing this issue.





Question 4.23:

Several of our members have noted the practice for the first year of implementation of GASB 68 that the entities are not offsetting to the net pension liability, as of 2015, the deferred outflows of resources related to the contributions made subsequent to the measurement but before the report date (2014). Based on the answer to this question for those entities that did not offset the deferred outflows of resources against the net pension liability will they need to do a prior period adjustment for 2015?

Question 4.26:

We are concerned this guidance will create a requirement to report trivial fiduciary funds that will be audited as separate opinion unit(s) under GASB Comprehensive Implementation Guide 2015-01 question 7.4.1 and AICPA guidance in the Audit and Accounting Guide – State and Local Governments. Most general purpose governments use capital projects funds to account for the resources received and capital outlay for construction projects, unless the capital asset is not ultimately to be owned by the government (in which case a special revenue fund is used). In practice, retainage is accounted for in the fund that is accounting for the capital outlay. If a capital asset is the ultimate result of the project, this aligns to the procedures outlined in questions 7.23.13 and 7.23.14, recognizing a liability and inclusion in the net investment in capital assets component of net position in the statement of net position.

A private purpose trust fund or an agency fund is seemingly not the proper place for retainage. GASB-34, pars. 72-73 define private purpose trust funds as funds to report all other trust arrangements under which principal and income benefit individuals, private organizations, or other governments and agency funds to report resources held by the reporting government in a purely custodial capacity (assets equal liabilities) as they typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments, respectively. It is self-evident that the process of retainage does not involve a trust agreement or equivalent arrangement. There could be an argument made that there a custodial aspect, which is tentatively proposed to be defined by the GASB, where there is a fiduciary activity in absence of a trust agreement or an equivalent arrangement. But we don't believe this is the intent of the GASB.

Furthermore, many construction projects may occur in non-governmental, single-purpose governments. Under the proposed answer to 4.26, a transportation agency that is a single-purpose business-type activity would have to create a private purpose trust fund or an agency / custodial fund for retainage. As a practical matter, this would require creation of a fund for a temporary purpose when all that is needed is an addition to retainage payable account and a reduction to unrestricted net position. Even if resources were escrowed for retainage, they would likely be included as part of restricted net position for these entities. The addition of a fund would also be counter to the accepted practice of having the least amount of funds necessary to account for and report operations. We are, therefore, concerned this guidance will create a requirement to report trivial fiduciary funds that will be audited as separate opinion



unit(s) under GASB Comprehensive Implementation Guide 2015-01 question 7.4.1 and AICPA guidance in the Audit and Accounting Guide – State and Local Governments.

We recommend that the GASB should show retainage payable in the fund financial statements and not create a fiduciary fund to report the transaction.

Question 4.71:

We believe this would be a great opportunity for the Board to expand the answer by addressing directly the proper treatment of other donated items such as rent, employee wages, volunteer hours, etc. While the current answer addresses the issue indirectly we believe by addressing the specific items this will clarify donated items relating to GASB 33. Providing this clarity will help differentiate GASB standards versus the non-profit FASB standards.

Question 5.11:

While this question addresses bond liabilities issued for contributions for single employer pension plans, we encourage the board to address bond liabilities for those employers that participate in cost sharing plans and have issued bond liabilities for contributions.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller".

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: John E. Homan, MBA,CGFM,CPA,CGMA
AGA National President



Association of Government Accountants
Financial Management Standards Board

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