COMMONWEALTH of VIRGINIA
Auditor of Public Accounts

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Project No. 34-1E and 341-P
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To Whom It May Concern:

We appreciate the opportunity to respond to the exposure drafts of the Governmental Accounting Standards Board (GASB) proposed statements: Financial Reporting for Post-Employment Benefit Plans Other than Pensions and Accounting and Financial Reporting for Post-Employment Benefit Plans Other than Pensions. In general, we agree with the Board’s views on the need for enhanced reporting for other post-employment benefits; however, we disagree with the continued classification of implicit rate subsidies as liabilities that will be subject to the new proposals.

In order for financial information to be reliable, it should exclude information that is misleading. We believe that since an implicit rate subsidy is never actually paid and, therefore, no expectation of making a payment exists, it is misleading to recognize an associated liability. Furthermore, relevance of financial information depends on the needs of report users to make decisions and assess accountability. We maintain that since the implicit rate liability cannot be extinguished from the Statement of Net Position, report users’ ability to assess financial position, results of operations, and future cash flows are diminished. We believe information related to the implicit rate subsidy should be disclosed in the notes to the financial statements for transparency purposes, but do not believe it should be included as a liability in the Statement of Net Position.

We appreciate the efforts of the Governmental Accounting Standards Board and the opportunity to provide our comments. Should you have any questions or need additional information concerning our response, please contact me or Zach Borgerding at (804) 225-3350.

Sincerely,

Martha S. Mavredes
Auditor of Public Accounts