December 11, 2014

Mr. David R. Bean
Director of Research and Technical Activities
Governmental Accounting Standards Board (GASB)
Project 33-2ED
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 Proposed Implementation Guide (Guide) of the Governmental
Accounting Standards Board (Project No. 33-2ED), which was issued on
December 20, 2013. This letter provides comments on Chapters 4 and 6 of the
Implementation Guide. The FMSB has provided two prior letters of comment
regarding Chapters 1,2,3,7, 10 and Chapter Z. Additional comments shall be
provided on Chapters 5, 8 and 9 before the deadline.

The FMSB is comprised of 24 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.

Overall Comment - Reference to Original Pronouncements

In our Letter of Comments dated November 13, 2014, we noted that throughout
the draft Guide, frequent references are made to the supporting Standard and the
Basis for Conclusion for the cited Standard. These references are in both the
question and the answer portion of the Guide. We believe that GASB should
more appropriately refer to the section and paragraph in the Codification of
Governmental Accounting and Financial Reporting Standards (Codification)
rather than a paragraph in a specific Standard. We continue to believe that this
change will improve the usefulness of the Guide. Regarding other suggested
modifications to certain questions and answers, we have struck out language that
we believe should be eliminated and bolded additional language or words that we
believe should be added to the Implementation Guide. Comments have also been
made regarding other specific questions.

Chapter 4

The FMSB has reviewed Chapter 4 of the draft Guide and found that GASB has
appropriately modified the Guide, with the exception of our overall comment
regarding use of references to the original pronouncements. We have no
additional comments regarding Chapter 4.
Chapter 6

The FMSB has reviewed Chapter 6 of the draft Guide and found that overall the changes made to the Guide were appropriate. However we have several comments regarding several questions in the guide. These are presented in the following paragraphs.

Comments Regarding Questions 6.3.1, 6.4.1 and 6.4.2 – These answers to Questions 6.3.1, 6.4.1 and 6.4.2 provide guidance regarding what transactions are covered and are not covered by Chapter 6 of the Guide. Although we found these answers to be complete, we believe that the complexity of the decisions guided by these two questions and answers warrant additional tools for the user to assist in reaching the proper conclusions. We believe that GASB would greatly enhance the guidance by inserting a decision tree (or flowchart) to assist the users in determining what transactions are and are not covered by the Guide.

Question 6.5.1 – “Why does Statement 31, as amended, apply to only certain types of investments of defined benefit pension plans?”

Based upon our reading of the question and answer, we believe that the term “benefit” should be inserted into the question to insure consistency in the question and the answer.

Comments Regarding Question 6.7.2 – The answer provided to Question 6.7.2 clarifies how changes should be made to the Statement of Revenues, Expenses and Changes in Net Position if a qualified governmental entity follows the provisions of Paragraphs 476-500 of Statement 62, as amended. We agree with the answer and believe it would be improved if it also addresses what, if any, footnote disclosures will also be required.

Comments Regarding Question 6.12.5 – We believe that the answer to question 6.12.5 should be modified to remove the singular reference to the Black-Scholes option pricing model. Since the publication of this model, other additional models have been developed which provide similar information. We recommend GASB either cite this model as an example of what could be used or provide additional references to other accepted models to make it clear that the Black-Scholes model is not the only acceptable model for option pricing.

Comments Regarding Question 6.20.3 – We believe that the answer to question 6.20.3 could be improved by expanding the answer to contrast investments in real estate reported at fair value with valuing real estate held for use by the reporting entity.

Question 6.22.1 – “How should the government’s investment positions in 2a7 like pools be valued?”

We believe that government should be inserted in this question to clarify the question. We also believe that GASB could improve the Guidance in Chapter 6 by adding an additional question and answer to explain what constitutes a 2a7 like pool for users.
We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. A majority of the FMSB members approved of the issuance of this letter. 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,

Lealan Miller, CPA
Chair- AGA Financial Management Standards Board

cc: William Miller, CGFM
AGA National President
Association of Government Accountants
Financial Management Standards Board

July 2014 – June 2015

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