June 15, 2012

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

Re: Project No. 3-17: Exposure Draft, Government Combinations and Disposals of Government Operations

Dear Mr. Bean:

On behalf of the Washington State Office of Financial Management (OFM), I am pleased to offer the following comments on the Governmental Accounting Standards Board’s (GASB) Exposure Draft (ED) on Government Combinations and Disposals of Government Operations. OFM serves as the state’s controller, issuing all state accounting and reporting policies as well as the state’s Comprehensive Annual Financial Report (CAFR).

We have reviewed the ED and agree that the provisions of the proposed statement appear to provide sufficient guidance to identify and distinguish between several types of potential government combinations, while allowing for the use of professional judgment. We do offer the following specific comments.

Paragraph 20 – For a merger into a continuing government, we believe that it would be more accurate to use the actual date of the merger instead of the beginning of the reporting period in which the combination occurs.

Paragraph 40 – For circumstances in which consideration provided is less than the net position acquired, we question why the excess net position should be allocated to noncurrent assets.

Paragraph 96 – We agree with the Board’s observation that deferred inflows and outflows impair comparability of similar acquisitions by a business-type activity and its private sector counterpart. If the Board believes comparability with the private and not-for-profit section is important, the Board should require assets and liabilities be reported in a manner consistent with
those reporting models. We encourage the Board to reconsider Concept Statement No. 4 and eliminate the requirement to use deferred inflows and outflows in governmental GAAP.

Thank you for the opportunity to provide feedback on the exposure draft. If you have any questions regarding this response, please contact me at (360) 725-0185.

Sincerely,

Wendy Jarrett, Assistant Director
Accounting Division