March 5, 2015

Mr. David R. Bean  
Director of Research and Technical Activities  
Project No. 3-13P  
Governmental Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Bean:

Thank you for the opportunity to respond to the Governmental Accounting Standards Board’s (GASB) preliminary views (PV), Financial Reporting for Fiduciary Responsibilities. Following are our comments on specific aspects of the PV:

**Reporting of Pension Plans as Pension Trust Funds**

The PV does not provide sufficient guidance to determine if a legally separate organization should be included in the primary government’s financial statements. Chapter 1, Paragraph 3 acknowledges that current practices contain inconsistencies and lack of comparability between governments. However, in Chapter 2, Paragraph 3a, it is presumed that GASB 14, as amended, provides sufficient information for purposes of determining whether a separate legal entity meets the definition of a component unit.

It is our experience that GASB 14, as amended, does not provide sufficient clarity for purposes of determining whether a Pension Trust, administered as a separate legal entity, should be included as a fiduciary component unit of a primary government. In California, there are 20 counties that have nearly identical relationships with their separately administered pension system, i.e., the county appoints a majority of the pension governing body or an elected county official, acting in ex-officio capacity, effectively becomes the majority member on behalf of the primary government. Of the 20 counties, there are half which currently include the pension plan as a fiduciary component unit (Pension Trust Fund), while the remaining half have determined that the pension plan is *not* part of the primary government’s reporting entity. The PV would appear to leave unsettled this wide disparity in interpretation.
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"Equivalent arrangements" is not sufficiently defined  

We believe this term needs more discussion and examples. We have a substantial number of funds currently reported within Agency Funds. These funds will need to be evaluated in order to determine if they fall within the definition of "equivalent arrangements."

Reporting Requirements for Custodial Funds  

It would be helpful in Chapter 4 to provide more clarity regarding the reporting expectations for Custodial Funds. Many of our current Agency Funds would be displayed as Custodial Funds under the PV. Additional discussion and transitional guidance would enable preparers to more clearly understand the new reporting requirements. This is especially crucial as it appears the new Custodial Fund reporting requirements will require system changes, staff training, and other implementation costs, which could be quite significant.

If you have any questions regarding our comments, please contact me at (213) 974-8302.

Very truly yours,

John Naimo  
Auditor-Controller