March 6, 2015

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

Sent by e-mail to director@gasb.org

Re: Comments on Preliminary Views on Financial Reporting for Fiduciary Responsibilities
Project No. 3-13P

Dear Director of Research and Technical Activities,

Thank you for the opportunity to comment on the Governmental Accounting Standards Board’s (GASB) Preliminary Views on Financial Reporting for Fiduciary Responsibilities (Project No. 3-13P). The Sacramento Municipal Utility District (SMUD) reviewed the Preliminary Views and participated in the Field Test and is providing comments in this letter.

SMUD is located in Sacramento, California and is responsible for the acquisition, generation, transmission, and distribution of electric power to approximately 600,000 customers within its service area, which includes most of Sacramento County and a small adjoining portion of Placer County. SMUD was formed by a vote of electors in 1923, under the provisions of the State of California Municipal Utility District Act, and began electric operations in 1947. SMUD owns and operates multiple generation assets, including natural gas, hydro, solar, and wind. SMUD also owns the decommissioned Rancho Seco nuclear power plant. SMUD is governed by an elected Board of Directors. SMUD’s Board of Directors has autonomous authority to establish rates charged for all SMUD services. Changes in such rates require formal action, after public hearing, by the Board of Directors.

As a municipal utility, SMUD is a special-purpose Government engaged in only stand-alone Business-type Activities (BTA). SMUD has the following comments based on its review of the Preliminary Views document and preparation of the Field Test:

1. It was difficult to determine if the 2006 California Senate Bill 1 (SB1) state mandated program revenue met the definition of “own-source revenue.” Since January 2008 SMUD has added a per kilowatt hour solar surcharge to customer bills to collect dollars to fund investments in solar as required by SB1. This revenue is deferred using regulatory accounting (GASB 62) and is only used to pay specified solar rebate incentives, but some of the solar developers receiving payment may not be SMUD customers (i.e. not part of the citizenry). We were uncertain if this is a fiduciary activity to be classified in a custodial fund. A more robust definition of “own-source revenue” with a specific application to BTA’s and addressing state mandated program revenue would be helpful.
2. SMUD thinks it may be confusing to users of its financial statements to report its CalPERS pension and OPEB plans under GASB 68 and the OPEB exposure draft while reporting its 401(k) and 457(b) deferred compensation plans as Pension Trust Funds in the Fiduciary Fund financial statements. This results in SMUD’s deferred compensation plans being reported in two different ways.

3. SMUD found paragraph 3.b. in Chapter 2 to be contradictory, confusing and hard to understand. It says that Pension and OPEB arrangements are exceptions but they “should apply the provisions of Chapter 3, except as noted in paragraph 3.a.” If they should apply the provisions of Chapter 3 then it doesn’t sound like they are an exception. Also, GASB Statement No. 67 is referenced but there is no mention of GASB Statement No. 68. SMUD follows GASB 68 for its CalPERS pension and CalPERS follows GASB 67.

4. When preparing the pro forma Fiduciary Fund financial statements for the Field Test, SMUD was unable to get the net position in the two statements to tie to each other for its custodial funds. In the Statement of Changes in Fiduciary Net Position, the cash contributions and donations received during the year were more than the benefits and donations paid out. This resulted in an excess creating a net position on this statement. However, on the Statement of Fiduciary Net Position, the end of year cash and offsetting liability balances were presented and there was no net position. Maybe this is why GASB 34 says that “Agency” funds should not be included in a Statement of Changes in Fiduciary Net Position?

5. SMUD does not do fund accounting so it seems unusual to prepare Fiduciary Fund financial statements. Does it make sense for BTA’s to be required to do Fiduciary Fund accounting when they do not do any other fund accounting? SMUD also questions the value of including Fiduciary Fund financial statements with its BTA financial statements since SMUD does not have access to use these resources because they are for the benefit of its employees or others. With the exception of the 401(k) and 457(b) deferred compensation plans, the rest of SMUD’s fiduciary activities only total $115,000 which is a minor amount compared to SMUD’s total assets of approximately $5.5 billion.

6. SMUD found the Table 1 and 1a flowcharts in Chapter 2, paragraph 6, to be very useful in identifying activities to be reported in a fiduciary fund. Table 2 in Chapter 3, paragraph 19, is also very helpful.

If you have any questions regarding this comment letter, please do not hesitate to contact me at sandra.moorman@smud.org or (916)732-6957.

Sincerely yours,

Sandra Moorman
Controller