January 31, 2020

Via Electronic Mail

Director of Research and Technical Activities  
Project No. 37-1  
Governmental Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116


Dear Mr. Bean:

The Office of the Washington State Auditor appreciates the opportunity to give input on the GASB’s proposed standards (Project No. 24-16e). In our constitutional role as the auditor of public accounts for the State of Washington, our Office performs the financial audit of the State of Washington and annually performs or reviews over 800 financial audits of the State’s agencies and all types of local governments, along with their component units.

In general, we agree with proposed implementation guidance. Specific comments are as follows.

Questions 4.4 – 4.6

We would like to see more clarification on fiduciary activities in the implementation guide, particularly focused on:

- When transactions are “own source revenues” as per paragraph 11b and along the lines of Q&A 4.35 from Implementation Guide 2019-02.
- When “assets are not derived from the government’s provision of good or services to those individuals” as per paragraph 11c(2).
- Contrasting when the government would be considered to be providing goods or services to individuals rather than being a collector for other governments in addition to providing a good or service as per paragraph 11c(2) and 11c(3).

We further encourage the Board to use common examples such as collection of property or sales tax, or collection of an impact fee or court fine by one government where the entire amount or a portion is required by law to be remitted to another government. Use of common examples will have the greatest effect on consistency of financial reporting.
Questions 4.7 – 4.19

Questions and answers provided for leases were clear and helpful. We especially appreciate and agree with guidance in question 4.17 regarding determination of the discount rate. This determination can be a highly problematic aspect of the new standard, so the expanded guidance and provision for situations where determining the rate when it is not practical to estimate lessee incremental borrowing rates will be very helpful in implementation.

We would like to see clarification regarding when a government is allowed to report lease interest revenue as operating revenue. For a number of port districts in Washington, leasing is principle to operations. In such cases, we believe it would be most appropriate to report lease interest revenue as operating revenue. Our determination is based on GASB 34 ¶102 and the related footnote, which we have confirmed through technical inquiry. However, we believe it is important enough to address in authoritative guidance since it could affect compliance with revenue bond covenants.

Question 4.20

We appreciate having this important and highly consequential issue related to asset retirement obligations clearly addressed with authoritative guidance. We also agree with the Board’s rationale and answer.

Thank you for the opportunity to provide our comments. Any inquiries may be directed to me at (564) 999-0807.

Sincerely,

Kelly Collins, CPA
Director of Local Audit