



January 31, 2017

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

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), Implementation Guide No. 201X-Y, *Implementation Guidance Update-201X*.

We generally agree with the provisions of the ED and believe the proposed changes provide guidance that clarifies, explains or elaborates on GASB statements. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Question 4.1

We request that the Board provide clarification of what is meant by "reported separately." It is unclear whether the Board means that these three components should be reported separately on their own lines, whether pension and OPEB activity should be disaggregated and reported separately from each other and from other deferred activity reflected in the reconciliation, or if the Board is just indicating that these items should be reported on the separate schedule reconciling operating income to net cash flows from operating activities. Additional guidance would be beneficial in this area.

This question provides clarification as it relates to the cash flow statement; however, an example illustration of the cash flow statement would also be helpful. Additionally, a similar question and answer clarifying how reconciling amounts related to Pensions and OPEB should be reported (i.e., aggregated vs. disaggregated level) on the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities (with example illustrations) would be helpful.

Questions 4.4 – 4.9

Because of the potential significance of assets that will be accumulated in Trust B, we request that the Board annotate their answers by clarifying that the assets accumulated in Trust B – which are to be reported in the employer's government-wide financial statements as governmental or business-type activities and in the employer's governmental or proprietary fund financial statements – can be separately captioned on the face of the financial statements and should be classified as "restricted assets," when they meet the applicable criteria.



Questions 4.5 and 4.6

We suggest that GASB combine these two questions as follows:

Q – Would the answer in Question 4.4 be different if, instead, Trust A is used to administer an agent or cost-sharing multiple-employer pension plan ...

A – No. For the same reasons as discussed in the answer in Question 4.4, only the balances and activities of Trust A should be reported as part of the agent or cost-sharing multiple-employer pension plan ...

Questions 4.8 and 4.9

We suggest that GASB combine these two questions as follows:

Q – Would the answer in Question 4.7 be different if Trust A is used to administer an agent or cost-sharing multiple-employer pension plan ...

Question 4.17

This question addresses Statement 67 and 68's requirements for a trust when a pension and some other benefit that is not a pension are administered through a single trust. Although the question is specific to the Statements' dedicated purpose requirement, we request that the Board state that the trust's pension partition must also meet the other trust requirements in Statement 67, paragraph 3, and Statement 68, paragraph 4 so that it is clear that each partitioned benefit must meet all the criteria of a trust.

Question 4.23

We request that the answer also reference the specific authoritative guidance (i.e., GASB pronouncement, paragraph number(s)) for making the disclosure for subsequent events.

Question 4.26

Editorial comment: We believe the word "be" should be added to the penultimate sentence in the response to this question as follows: In any periods in which those conditions are not expected to be met, the projected cash flows from employer contributions should not exceed the amounts expected to be paid from the employer's resources.

Question 4.30

This question discusses the notion of a payable to the pension plan if a multiple-employer pension plan is not administered through a trust that meets the criteria in paragraph 3 of Statement 67. We believe the question and answer are vague and it is unclear what type of payable is being discussed. We request that GASB include an example to give some context as to the payable that would arise in this situation.

Question 4.35

The question infers that no contributions were made yet the answer to this question refers to reporting deferred outflows for contributions, which implies contributions were made. Please clarify the circumstances and response by, for example, explicitly indicating that the employer had made no contributions for the period January 1, 20X7 – June 30, 20X7, and that the government should report a deferred outflow of resources related to pensions resulting from contributions *required* subsequent to the measurement date. We believe that it is only in these circumstances that the answer would be clear and accurate.



Question 4.38

The answer's last sentence states that positions in external investment pools that are measured at fair value should not be categorized within the fair value hierarchy for purposes of Statement 72, paragraph 81a(2), similar to investments that are measured in accordance with the provisions of Statement 72, paragraphs 71–74. While the answer adequately addresses the question presented, by referring to paragraphs 71–74 the answer is equating investments in external investment pools to investments in certain entities that calculate the net asset value (NAV). We believe this raises an additional question. Specifically, do the required disclosures in Statement 72, paragraph 82, for investments in certain entities that calculate the NAV apply to investments in external investment pools reported at fair value? We believe governments should not make the paragraph 82 disclosures for investments in external investment pools because many of the required disclosures are not applicable to external investment pools. However, we request that the Board address this new question in the Guide so that it is clear about whether NAV disclosures apply to external investment pools measured at fair value.

Question 4.40

This question addresses the level of detail required for displaying or disclosing the purposes for which governmental fund balance amounts have been restricted, committed or assigned because Statement 54 does not elaborate on the meaning of *purpose*. Similar to fund balance purpose disclosures in Statement 54, Statement 63, paragraph 8, requires the display of restricted net position to distinguish between major categories of restrictions but does not elaborate on what the term *major categories* was intended to mean. We request that the Board expand this question, or add a separate question, to address at what level of detail restricted net position amounts should be displayed as it did in this question and answer for governmental fund balance amounts.

Furthermore, we believe preparers and auditors struggle with the disclosure of purposes, in general. For example, often the purpose of the restriction is the same or very similar to the expenditure classification, and in these cases we agree that presenting the purpose information at the level used for expenditure classification will provide the most meaningful information. However, as another example, governments often have restricted grant funds where the purpose of the grant would provide the most meaningful information. In certain instances, the grant expenditures cover multiple expenditure classifications and the purpose restriction of the grant would be lost in the expenditure classification detail. In these cases, using the purpose of the fund, or the purpose of the grant, would provide more meaningful information than the expenditure classification. We request that the answer to this question include in its answer a perspective that in displaying purposes, a preparer is not precluded from using alternatives other than expenditure classifications, when it is appropriate.

Question 5.1

Please provide clarification as to what “certain component unit presentations subject to Statement 14 as amended” refers to.

Question 5.29

We request that GASB generalize this question as follows and codify it to section 7.22 rather than 4.59 in order to increase the usefulness of the guidance:



Q – How should a government measure events or transactions that are reported as a prior period adjustment for a correction of an error? For example, a historical treasure donated 10 years ago was not recorded. Its acquisition value, determined as of the date of the donation, was \$500,000. If the treasure instead had been donated in the current year, it is estimated that its acquisition value would be \$1,500,000. When this asset is initially reported in the current year as a correction of an error, should it be reported at \$500,000 or \$1,500,000.

A – Recording corrections as prior period adjustments does not alter measurement guidance. For example, donated assets should be reported at acquisition value, which is determined as of the date of donation, as stated in paragraph 79 of Statement 72. The value of \$500,000 is the appropriate amount at which to report the donated historical treasure in the current year.

Question 5.30

The response to this question does not clarify how to determine or measure the amount of benefits expected to be paid within one year. We request that the response provide a clear answer to the question, for example, by describing whether this amount is usually actuarially determined or how this amount may be calculated.

General Comment

We request that GASB consider treating the Comprehensive Implementation Guide as a codification, and updates to it be written as amendments, similar to FASB ASUs. It can be confusing to try and follow changes when the current ED does not reference a codification, but rather overlapping Q&A numbers from both 2015-01 and 2016-01 guides, and when the numbering of the ED questions will not ultimately line up with the numbering in the Comprehensive Implementation Guide, whenever it is periodically codified. Further, we note that 53 pages of the ED represent codification instructions. If updates were written as amendments to the codification, this would cut the size of the ED almost in half, saving time for both the GASB and its stakeholders, and reducing the potential for mistakes.

We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (615) 741-2956.

Sincerely,

David H. Lillard, Jr.
President, NASACT
State Treasurer, Tennessee