February 22, 2018

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), Accounting for Interest Cost during the Period of Construction.

We generally agree with the provisions of the ED and believe the requirements enhance comparability and simplify accounting for interest cost incurred during the period of construction. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

Paragraph B12
The paragraph indicates that if an entity has elected to apply the related provisions of GASB 62, paragraph 485, capitalization of qualifying interest cost as a regulatory asset should remain applicable. This appears to be an important distinction to allow an exception to the requirement to expense interest during construction. As such, we recommend including the exception in the body of the standard rather than in the basis for conclusions to ensure this exception will not be missed.

General Comment
We request that GASB provide guidance with the Statement as to whether the interest expense would be considered operating or nonoperating with stand-alone business type activities (such as universities, community colleges, etc.).

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 (602) 553-0333.

Sincerely,

Debbie Davenport
President, NASACT
Auditor General, Arizona