



January 30, 2020

Mr. David R. Bean, Director of Research and Technical Activities
Project No. 24-16e
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
VIA Email: director@gasb.org

Dear Mr. Bean:

On behalf of the AGA, the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Government Accounting Standards Board (GASB/Board) on its Exposure Draft, *Implementation Guidance Update -2020* and is respectfully providing feedback on the Board's views.

The FMSB is comprised of 19 members (list attached) with accounting and auditing backgrounds in federal, state and local government, and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. The views of the FMSB do not necessarily represent those of AGA and the local AGA chapters and individual members are also encouraged to comment separately.

We have reviewed the proposed questions and answers and have the following comments.

Question 4.1: We agree with the Board regarding the ability to change the contribution constitutes approving the rates associated with the pension plan. However, we have noted entities that change the contribution amount due to lack of funds for payment or the amount of the contribution is statutorily set which is different from the actuarial valuation. We also note that in GASB Cod. Sec. 2100.115, there is a phrase relating to special-purpose governments: "... fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists." As further magnified in GASB Cod. Sec. 2100.708-2:

Q. Can fiscal dependence result solely from reliance on *funding* from another government?

A—No. *Fiscal dependence*, as the term is used in this section, should not be confused with financial benefit or burden. Fiscal dependence is related to control or oversight relationships rather than day-to-day financing of operations. Paragraph .115 of this section explains that "fiscal dependency does not necessarily imply that a financial benefit or burden relationship exists." Similarly, reliance on funding does not necessarily imply that a *fiscal* dependency relationship exists. Therefore, despite a potential component unit's reliance on the primary government's appropriations, it is nevertheless fiscally independent if it meets the criteria in paragraph .115.

[GASBIG 2015-1, Q4.9.4]

With these issues in mind, would these situations meet fiscal dependency where the answer is still yes? We encourage the Board to consider the potential nuances and address them in general terms in the proposed answer.

Question 4.3: We noted the question requires the reader to look at two other questions to obtain the necessary background relating to the question and answer. We encourage the board to consider providing the information in Question 5.3 in the Question portion. However, we agree with the outcome as internal portions of investment pools should remain assets and liabilities (of the government).

Questions 4.5 and 4.6: Initially we noted it was difficult to determine the factors that created the yes answers in 4.5 and the no answer in 4.6. It seemed to be a small nuance as noted in the answers, "...because the school district has established specific guidelines in an approved policy..." versus "...the school district has not established specific guidelines regarding how the resources can be spent." It seems it would be difficult and impractical for an auditor or a preparer to determine this level of detail in order to conclude on administrative involvement. We believe the suggested basis of the number of activities approved does not meet GASB 84 paragraph 11(C) 2, footnote 3 (refers to footnote 1), which clarifies what is considered administrative activities. We suggest the Board use the ski club example for both questions and change the circumstances to match footnote 1 that determines administrative involvement.

The FMSB appreciated the efforts of GASB in providing clarification questions for the other *Fiduciary Activities* and the *Leases* questions and answers. Both Standards are among the most complex Standards the Board has ever issued as they emphasize the assertion of recognition more than measurement, presentation and disclosure. Those latter assertions have been the Board's focus for decades. For practitioners, the implementation of Fiduciary Activities and Leases will be a challenge. Finally, we also appreciated Question 4.20 addressing the proper treatment of asbestos removal.

We thank you for the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact me at (208)383-4756 or Lmiller@eidebailly.com.

Sincerely,

A handwritten signature in black ink that reads "Lealan Miller". The signature is written in a cursive, flowing style.

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: Ernest A. Almonte, CGFM, CPA, AGA National President

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