



April 10, 2020

Mr. David R. Bean, Director of Research and Technical Activities
Project No. 3-38
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, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans as amendment of GASB Statements No. 14 and No. 84 and a supersession of GASB Statement No. 32* 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 appreciate the efforts of the Board to reconcile the potential conflicts in the standards regarding the 457 deferred compensation plans and other defined contribution plans, the definition of a pension plan, and applying GASB 84 *Fiduciary Activities*. We agree with the Board's proposed limiting the financial accountability and financial burden criteria solely to defined benefit plans when considering the component unit criteria.

As a group we struggled with the proposed wording as it was difficult to determine the intent of the Board without an extensive review of the proposed standard and the basis for conclusion as such, we have proposed the following suggestions:

1. As much as possible we recommend the Board make the sentences direct, concise and clear to the reader. The current wording tries to address exceptions where the reader determines the proper treatment to a defined contribution plan by inversely applying the proposed wording to address the requirements. If the Board ultimately decides to go to this direction, please say directly that the guidance only applies to defined benefit plans (see paragraph 5).
2. Paragraph 4 – We recommend the Board directly state that defined contribution and defined contribution OPEB plans are excluded from the exposure draft. We also recommend the Board clarify the second sentence of the paragraph. We are confused as to what the Board was trying to address. The sentence includes an exception, but then also provides a list of items that are acceptable in

determining whether a primary government is financially accountable for a potential component unit. Using bullet points to identify the specific items as well as presenting the exception in a separate sentence will help clarify the intent of the Board.

3. Paragraph 7 – The last sentence is confusing as to what is the Board trying to say. This sentence could be rendered redundant if the Board limits the scope to pension plans and then to defined benefit plans in determining whether a fiduciary component unit relationship exists.
4. We recommend the Board identify what type of 457 plans are applicable to the proposed standard since 457(b) plans are not the only 457 plans identified in the Internal Revenue Code.
5. We noted in B26 of the exposure draft where respondents had brought up concerns regarding the different circumstances relating to employer contributions. We recommend the Board address and conclude on these circumstances in the standard instead of waiting for an implementation guide to address the issue since these different circumstances affect plans right now.

We appreciate 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 cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA

Chair- AGA Financial Management Standards Board

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

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