



**Illinois Government  
Finance Officers Association**

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Illinois Government Finance Officers Association  
Technical Accounting Review Committee (TARC)  
800 Roosevelt Road, Building C Suite 312  
Glen Ellyn, Illinois 60137

December 6, 2014

Director of Research and Technical Activities  
Project No. 33-2ED  
Comments Regarding Exposure Draft *Implementation Guide*

Dear Director:

Thank you for the opportunity to respond to the Exposure Draft on Implementation Guide. This letter serves as the Illinois Government Finance Officers' Association's (IGFOA) Technical Accounting Review Committee's (TARC) response to this Exposure Draft.

TARC has reviewed the revisions to the Implementation Guide in the context of its proposed elevation in the GAAP hierarchy to category (b). TARC agrees with the proposed changes to the Implementation Guide which removes guidance based on several factors articulated by GASB in paragraph 8 of the Appendix A of the Implementation Guide Exposure Draft. TARC also agrees with the other modifications made to the various questions and answers posed by the Implementation Guide. In addition, TARC would like to offer the following suggestions for consideration:

TARC would offer the following comments by reference number:

1. 1.26.6. The Committee felt that an explicit statement which says that a reconciliation between the disclosures in Statement 3 and 40 is not required should be included. (It does say it isn't required in the opening of the answer).
2. 1.3.7. The question says, "How should the investments of an internal investment pool be disclosed under the requirements of Statements 3 and 40, as amended?" The partial answer includes a statement which says that, "Internal investment pools are a government's own cash and investments and accordingly require all applicable Statements 3 and 40 risk disclosures, as amended, attributable to the primary government." 1.4.2 discusses the need to disclose risk by opinion unit. 1.4.3 implies that disclosure below the opinion unit level may be required in a certain situation dealing with a nonmajor governmental fund as an example. TARC feels that should not be required below the opinion unit level.

3. 1.4.4. The 3<sup>rd</sup> sentence of the answer to this question says "...need for separate disclosure at the fund level for the weighted average maturity..." TARC recommends that the word "fund" be replaced with the word "opinion" in that answer.
4. 1.5.2. TARC recommends that in instances where a government's investment policy is more restrictive than its statutory authority to invest that the government not be required to also disclose the less restrictive statutory investment authority. This is different than the current answer to 1.5.2 which says "Disclosure is required for both the government's investment policy and the statutory investment authority." The Committee does not feel that disclosing the less restrictive statutory authority provides any more useful information to the reader regarding the investment risks of the government as of the reporting date.
5. Appendix 1-1. The definition of investment at the end of the sentence says "...fixed assets" and should be changed to "...capital assets."
6. 2.7.1. Question and answer should be removed as being redundant.
7. 2.19.1. The question is "Should debt proceeds be classified in the capital and related financing activities category if the proceeds are distributed to the component units for capital purposes." The answer does not specify any distinction between blended or discretely component units. Even if there is no difference in the response, the answer should clarify that or discuss the differences if any exist.
8. 2.24.2. The example in this question says, "For example, an interfund loan to cover a temporary cash deficiency would be considered a noncapital financing activity; however, an interfund loan for the purchase of new vehicles would be considered a capital and related financing activity." The following question was raised by TARC, "If the capital purchase was below the entity's capitalization threshold would that still be a capital financing activity or would it be noncapital?"
9. 4.13.1. Question and answer should be removed as being redundant.
10. 6.4.5. In some situations where a government purchases its own debt, or if that debt instrument has a secondary market, that transaction may need to be considered to be an investment not an interfund loan. TARC suggests that these types of situations be clarified in the question and answer.
11. 6.6.2. In the answer to this question TARC suggests adding to the beginning of the first sentence, "Although retainage payable is normally recorded as an expenditure and liability..."
12. 7.2.1 TARC suggests that within the Implementation Guide a greater definition of what constitutes a governmental unit is provided given the increase in the number of quasi-governmental units or cooperatives in existence.

13. 7.5.11. In the answer to this question, the first sentence should read, “MD&A is required to provide an analysis of significant General Fund budget variances.”
14. 7.8.3. Clarification should be given in situations where bonds are issued after the measurement date and not distributed to the pension trust fund.
15. 7.8.4 TARC suggests that this be eliminated as redundant, or more specific guidance on accounting for risk-financing activities within the General Fund be provided.
16. 7.9.9 TARC suggests that the answer to this question provide reference to Statement 48 regarding intra-entity transfers of assets.
17. 7.12.6. The answer to this questions can be interpreted to imply that easements should be valued at the same level as right of way or donated land where typically land or right-of-way has a much higher value than an easement. The question and answer should clarify the distinctions in order to avoid confusion.
18. 7.23.13 and 7.23.14. TARC recommends that the answers to these questions re-emphasize that retainage payable is already considered in the calculation of fund balance when considering it during the calculation of net investment in capital assets.
19. 7.24.1. Question and answer should be removed as being redundant.
20. 7.24.28. TARC recommends that the answer to the question include an emphasis that the level of disclosure for enterprise and business-type activities should be the same.
21. 7.26.5. Many governmental units report a combined water and sewer enterprise fund. Although this example deals with water and electric utilities the definitive answer of “no” when asked if the activities could be reported as a single enterprise fund implies that the case may be the same with water and sewer, or other types of similar activities. Consideration should be given for further explanation.
22. 7.49.2. Reporting all employee benefit costs in a separate “general government” cost center is inconsistent with NCGAS 1 which requires reporting by functions.
23. 9.21.1 TARC recommends that instead of considering taxes payable in the fiscal year for overlapping governments with different fiscal years that the levy year be considered for consistency.
24. 9.24.6 TARC recommends that outstanding debt and general bonded debt be presented as gross principal outstanding and not include premiums, discounts or other adjustments. In addition, TARC recommends that deep discount debt be reflected at current principal amount.

25. 9.25.4 There may be situations where State statutes define legal debt margins differently that may need to be considered when considering how general obligation bonds should be classified in the ratios schedule.

We appreciate the opportunity to provide feedback to this Proposed Statement. If you have any questions or require further information, please contact me at (630) 897-8228 x225 or via email at [bhannah@vil.north-aurora.il.us](mailto:bhannah@vil.north-aurora.il.us)

Sincerely,

Bill Hannah  
Chairperson, IGFOA Technical Accounting Review Committee