



September 16, 2019

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 37-1
Governmental Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Dear Mr. Bean:

Members of the American Institute of Certified Public Accountants (AICPA) State and Local Government Expert Panel have reviewed the Governmental Accounting Standards Board (GASB) Exposure Draft (ED), *Omnibus 20XX*, and are pleased to offer our comments.

Effective Date of GASB Statement No. 87, *Leases*

We support the change proposed in paragraph 4 of the ED to clarify that the requirements of GASB Statement No. 87 are applicable for fiscal years beginning after December 15, 2019, and all reporting periods thereafter. Further, the Board has used similar effective date language in other recent GASB due process documents which we also support. We recommend that for future GASB statements the Board continue to use fiscal year effective dates unless there is a specific reason for a statement to be implemented for earlier reporting periods.

Intra-Entity Transfers of Assets

We support the provision in paragraph 5 of the ED to resolve the conflict between the pension and other postemployment benefits (OPEB) standards and GASB Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues* to clarify that the difference between the amount paid and the carrying value of the assets transferred be considered an employer (or nonemployer) contribution. However, we are unclear whether the pension/OPEB plan, upon transfer, should make a determination as to whether the transferred asset is an investment or another type of asset.

Paragraph 68 of GASB Statement No. 72, *Fair Value Measurement and Application*, requires that once a government makes a determination on whether an asset is an investment or another type of asset (at the time of acquisition), the classification should be retained for financial reporting purposes, even if the government's usage of the asset changes over time. How would this requirement be applied in the case of a primary government that transfers a capital asset to a component unit pension/OPEB plan? Would the plan be required to retain the transferred asset's original classification made by the primary government or would the plan make a reassessment as to whether the

asset transferred meets the definition of an investment? The Board should clarify this question so that the future valuation of transferred assets between primary governments and pension/OPEB plan component units are consistently applied.

Applicability of Certain Requirements of Statement 84 to Postemployment Benefit Arrangements

We support the clarification in paragraph 8 of the ED that defined contribution plans which are considered fiduciary activities are not subject to the presentation requirements of Statements No. 67, *Financial Reporting for Pension Plans*, and No. 74, *Financial Reporting for Postemployment Benefits Plans Other Than Pension Plans*, because those statements only establish note disclosure requirements for such plans.

However, this correction highlights a general misunderstanding in practice on reporting defined contribution plans. As GASB Statements No. 67 and No. 74 only establish note disclosures for defined contribution plans, there are some that have interpreted that no financial statement requirements exist for defined contribution plans. Thus, they believe GASB Statement No. 84, *Fiduciary Activities* would not be applicable to defined contribution plans, other than note disclosures.

We suggest the Board address financial reporting for defined contribution plans in paragraph 8 of the ED to address this misunderstanding. The Board should clarify that the requirements of paragraph 20 for statements of fiduciary net position and paragraph 23 for statement of changes in fiduciary net position of GASB Statement No. 84 apply to defined contribution plans which meet the requirements of fiduciary activities.

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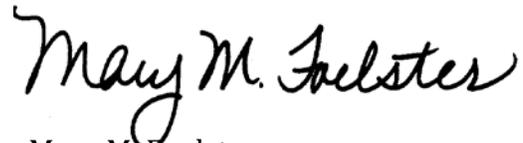
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The AICPA appreciates the opportunity to comment on the ED. This comment letter was prepared by members of the AICPA's State and Local Government Expert Panel and was reviewed by representatives of the Financial Reporting Executive Committee who did not object to its issuance. Representatives of the AICPA would be pleased to discuss these comments with you at your convenience.

Sincerely,



Heather S. Acker
Chair
AICPA State and Local Government
Expert Panel



Mary M. Foelster
Director
AICPA Governmental Auditing and
Accounting

cc: State and Local Government Expert Panel
Angela Newell
Dan Noll