



January 30, 2020

David R. Bean, CPA
Director of Research and Technical Activities
GASB
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: June 24, 2019 GASB Proposed Implementation Guide, *Implementation Guidance Update—2020* [Project No. 26-16e]

Dear Mr. Bean:

The American Institute of CPAs (AICPA) is the world's largest member association representing the accounting profession, with more than 418,000 members in 143 countries, and a history of serving the public interest since 1887. One of the objectives that the Council of the AICPA established for the Private Company Practice Section (PCPS) Executive Committee is to speak on behalf of local and regional firms and represent those firms' interests on professional issues in keeping with the public interest, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC appreciates the Board's efforts with this Implementation Guide (IG) update to provide guidance that clarifies, explains, or elaborates on GASB Statements. TIC has some comments on a few of the questions and answers as noted below.

Questions 4.5 and 4.6

Instead of the current approach to these two questions, TIC believes it would be more beneficial if GASB would take a single student activity club and expand on when you would be in and out of administrative involvement by providing slightly changing fact patterns. This would allow constituents to have a more specific point of reference for how certain details in the fact pattern can change the outcome. TIC is concerned that the use of two different activities with different fact patterns presented in questions 4.5 and 4.6 are not going to be beneficial to users and, in fact, may convolute the issue.

For instance, in practice when TIC sees situations similar to those in question 4.5, whereby any unused funds are then allowed to be carried forward and used by the club for other purposes. In this example, typically, we see whether trips costs are less than the resources, then additional

funds are allowed to be used for equipment. In this case, the club may be confused as to whether they fall into 4.5 or 4.6.

TIC also suggests GASB consider using an example with a more pervasive sports team such as football, baseball, or volleyball so more constituents would have more familiarity with the frame of reference through which administrative involvement is being evaluated.

TIC also advises GASB to evaluate the wording in 4.6 as it relates to question 4.21 of Implementation Guide 2019-2. Question 4.21 provides a scenario related to when a school board establishes and approves a policy associated with the disbursement of funds. The answer in Implementation Guide 2019-2, 4.21 indicates the school district does have administrative involvement and at 4.6 the school district does not have administrative involvement. TIC understands the key differentiator between the two is the use of the word “specific,” but if applying the fact pattern of 4.6 to Implementation Guide 2019-2, 4.21 constituents could get two different answers for the same scenario.

Question 4.8

TIC appreciates GASB providing an answer regarding the right to move connection points since this question is often received in practice. TIC believes it could be beneficial to constituents if GASB provided an example of a common scenario where other terms in these contracts regarding control could cause result in a different answer as it pertains to GASB 87.

Question 4.10

TIC recommends adding an additional question that addresses the reverse situation where the county decides they are not reasonably certain they will renew the lease and how this would impact the lease term, if at all. TIC discussed that they would need to terminate their renewal option as the trigger that would cause reassessment and would appreciate GASB’s thoughts on this matter. In addition, TIC believes that the inverse of Question 4.10 is likely going to be the type of transaction that constituents will care more about because it represents a liability for periods in which they are not reasonably certain of extension.

Question 4.17

TIC recommends GASB consider whether the practical expedient is truly going to provide relief for constituents. Instead, TIC might suggest the use of the risk-free rate or other indexed rate in cases where it is not practical to determine the rate utilizing the methods described in GASB Statement No. 62. Another alternative would be to offer some optionality with regard to which rate to use between the lessor’s incremental borrowing rate and the risk-free or other indexed rate. While discussing this proposed implementation guide answer with constituents, TIC believes constituents have not found it to provide the relief that we believe GASB intended. This is especially true for entities that do not have debt. If GASB is going to continue with this answer, TIC suggests GASB consider developing some additional tools and resources on this issue that

could help guide governments in how to apply this practical expedient as this is something many governments do not deal with often, if at all.

Questions 4.7 through 4.19

TIC appreciates the addition of lease implementation issues to this IG, most specifically the questions related to renewal options and maximum possible lease terms.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

A handwritten signature in black ink, appearing to read "Danielle Supkis-Cheek", with a long, sweeping flourish extending to the right.

Danielle Supkis-Cheek, Chair
On Behalf of the PCPS Technical Issues Committee