January 27, 2020

Mr. David Bean
Director of Research and Technical Activities, Project No. 24-16e
Government Accounting Standards Board
Norwalk, CT
Via email: director@gasb.org

Dear Mr. Bean:

On behalf of professionals serving governmental entities at CLA, we appreciate the opportunity to comment on the topics covered in the Exposure Draft, Implementation Guide Update—2020, Project No. 24-16e.

We appreciate the Board’s efforts to issue guidance that clarifies, explains, or elaborates on GASB Statements. We believe many of the comments do clarify the Board’s intent and are helpful to preparers of governmental entity financial statements. However, we provide the following comments on the proposed guidance and offer alternatives for your consideration:

Questions 4.5 and 4.6

These questions and answers attempt to clarify what is meant by administrative involvement with assets as discussed in GASB Statement No. 84. In the first example, Question 4.5, the school board policy establishes a guideline that resources raised by the ski team can only be spent on the annual ski trip. This is described as an established specific guideline to determine eligible expenditures, which is indicated in GASB No. 84 to be an example of administrative involvement.

Question 4.6 describes a less restrictive school board policy that states the resources can be spent only on senior class activities that benefit the class. The conclusion reached in Question 4.6 is that the policy does not establish specific guidelines of determining eligible expenditures and therefore does not result in administrative involvement.

We disagree with the conclusion reached in Question 4.6. In our view, the school board policy does determine eligible expenditures by limiting the expenditures to senior class activities that benefit the class. The resources may not be spent by the senior class to purchase a capital item for the school, establish a scholarship fund that will benefit future students, or to make a donation. These restrictions in determining eligible expenditures are specific and establish administrative involvement.

We recommend the Board remove Question 4.6 from Implementation Guide Update—2020.
Question 4.9

We observed Question 4.9 does not clarify a requirement of GASB No. 87. The question and answer simply restate the requirement of paragraph 15 of GASB No. 87 that the lease term should be reassessed if the lessee or lessor elects to exercise an option even though it was previously determined that it was reasonably certain that the lessee or lessor would not exercise that option. We recommend the Board limit questions and answers in the implementation guidance to those that clarify, explain, or elaborate on content in GASB statements.

If the Board retains Question 4.9 because its intent with this question and answer is to address the fact that upon reassessment, the remeasurement provisions of paragraph 25 – 27 and 33 apply, we recommend also referencing the applicability of paragraph 29 related to the updated discount rate.

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We thank the Board for the clarifications provided by the guidance in this Exposure Draft and for consideration of our comments.

Respectfully submitted by,

CliftonLarsonAllen LLP