

April 29, 2019

Via electronic mail

Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

RE: Proposed Implementation Guide – Lease Project No. 3-24

Thank you for the opportunity to comment on the Governmental Accounting Standards Board's (GASB) proposed Implementation Guide – Lease Project No. 3-24. The Pennsylvania Institute of Certified Public Accountants (PICPA) appreciates GASB's continual efforts to listen to the feedback of preparers and interested stakeholders to provide consistent and relevant financial reporting for our governmental agencies.

We appreciate the time that GASB has taken to clearly address potential issues around the implementation of the lease standard.

We identified several items on which we have comment:

- 4.1 This is a frequent occurrence with both land and buildings. Can you add “or building” to this example, or list another example where the answer is the same if a building is leased for \$1.00?
- 4.2 Would the answer be the same if the use of the facility is for less than three days? Is there a point at which the government does not really have control?
- 4.20 In this example, if the government does expect to renew the lease, would the term be 18 months?
- 4.25 We believe that the application of materiality will be an issue. Our concern is that financials for similarly sized governments might not be comparable if clarity is not provided per the application of materiality. We would like to see more questions or examples around this issue.
 - What are instances where the asset would be immaterial, but the liability would be material?
 - What are instances where an item could be immaterial individually, but material in the aggregate?

- Is it possible that an item might be expensed if it was purchased with cash because it would not meet the materiality threshold, but if it was leased, it could meet the criteria for capitalization?
- Is there a greater risk for the liabilities to be understated due to a practitioner's application of materiality?
- Could there be an example provided in the example section that discusses the application of materiality?

4.40 & 4.44 We specifically appreciated this implementation guidance. With increasing standards, the financial statements grow in length and complexity. The risk is that the financial statements become so cumbersome that they are no longer useful to the reader. Integrating the amortization and reporting of the lease standard with the capital asset reporting will keep the added disclosures to a minimum.

4.79 & 4.80 We specifically appreciated the guidance applicable to already existing capital leases.

Once again, on behalf of the PICPA, we would like to thank the GASB for its efforts in preparing this Invitation to Comment and for the opportunity to offer comments. Please feel free to contact us if you have any questions.

Respectfully submitted,



Cynthia Bergvall, CPA, Chair
PICPA GASB Subcommittee
Committee on Local Auditing and Accounting