May 26, 2016

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

RE: Project 3-24E

On behalf of the Pennsylvania Institute of Certified Public Accountants (PICPA) and its Committee on Local Government Accounting and Auditing, thank you for the opportunity to review and comment on the Proposed Statement on Leases (Project 3-24E). Founded in 1897, the PICPA serves nearly 22,000 members as the voice of the accounting profession across the Commonwealth of Pennsylvania. Membership is composed of CPAs in public accounting—large firms, regional firms, and sole proprietors—as well as those CPAs working in business and industry, government, and education.

We agree with the proposed statement, but have a few points we believe need further clarification from GASB.

1. In Paragraph B20 there was a discussion as to why the Board chose to use the term reasonably certain. We felt that the term probable is more widely understood in practice and more likely to achieve comparable outcomes between governments.

2. The section on Lease Term, specifically paragraph 11 seems to add unnecessary complexity to the standard. We felt that the asset and the corresponding lease should be revalued at the time the lease is actually extended as opposed to working through the consideration in the beginning.

3. The discussions in Appendix B under “Other Potential Exceptions” offered practical guidance to implementation and we would encourage GASB to include these in the next Q&A.

4. Included in “Other Potential Exceptions” under paragraph B104 there is a discussion that the government could use the same materiality threshold used for capitalization for recognizing leases. If a government did not recognize a lease because the underlying capital asset did not meet the capitalization threshold, can we assume that the lease also would not be considered material enough to note as a commitment. Correspondingly we would conclude that with this statement disclosure on operating leases no longer exists.

5. We also believe that the disclosure requirements add to the length of the footnotes. While we do see the value of the information, we wonder if the increasing length of the footnotes will start to lose the engagement of the user. We would encourage GASB to consider the incremental value added with additional disclosures and weigh that with the value of concise and readable reports.

Once again, thank you for taking our comments and suggestions under consideration as you move toward a final statement.

Respectfully submitted,

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