



February 12, 2018

Mr. David Bean  
Director of Research and Technical Activities  
Governmental Accounting Standards Board  
401 Merritt 7  
Norwalk, CT 06856-5116

Dear Mr. Bean:

On behalf of the National Association of State Auditors, Comptrollers and Treasurers, we appreciate the opportunity to respond to the Governmental Accounting Standards Board's Exposure Draft (ED), Implementation Guide No. 201Y-X, *Implementation Guidance Update-201Y*.

We generally agree with the provisions of the ED and believe the proposed changes provide guidance that clarifies, explains or elaborates on GASB statements. However, we have the following specific comments that we believe the Board should consider as it finalizes this statement.

*Question 4.4 (page 2)*

We believe readers would be provided with more insight if the examples in this question were more robust and clarified that qualifying costs of both rebate programs and programs that provide technology directly to consumers can be booked as regulatory assets. We suggest the following change to the second sentence of the question:

The plan and subsequent amendments identify certain period costs (for example, postemployment benefits and conservation program costs of providing assets, such as efficient washers, turf removal, permeable pavement, greywater systems, low-flow shower heads and other decentralized infrastructure, to customers either directly or in the form of rebates) that are proposed for recovery in future rates.

*Question 4.5 (page 3)*

The question attempts to amplify question 4.4; however, we believe it makes it less clear and is redundant. We are also concerned that the hypothetical situation this question anticipates is confusing and runs the risk of undermining the value of the clarifying guidance provided by question 4.4. We believe the guidance would be clearer if question 4.5 was omitted.

*Question 4.7 (page 3)*

We believe there needs to be a clear economic development purpose for the agreement for the answer to be yes. We suggest that additional clarifying language be added to support the "yes" response.

*Question 4.8 (page 4)*

We are concerned that the explanation given for the answer concludes that a government's property ownership should always preclude an agreement from meeting the definition of a tax abatement. In some cases, to forgo taxes, a property could become government owned solely because of an arrangement or agreement with a private party that owns the property. For example, a state may have a program where a developer who owns unused property might



enter into an agreement with a local government to transfer to the government legal ownership of the property and future improvements the developer promises to make. As part of the agreement, the local government may not sell or encumber the property in any way, may not enter the property without the developer's consent, is not responsible for property maintenance, and is not liable for events occurring on the property. Under the agreement, the developer pays no property taxes on the property for the agreement's duration. When the agreement terminates, property ownership reverts to the developer, and the developer would then begin paying property taxes.

In this example, we believe the government would be forgoing tax revenue to which it would otherwise be entitled by entering into the agreement. Accordingly, if an agreement transfers ownership to a government and meets the other requirements of a tax abatement as defined by GASB Statement No. 77, paragraph 4, we believe it should be disclosed as a tax abatement.

We suggest that the Board revise the question and/or its answer to clarify that government property ownership does not always preclude an agreement or arrangement from meeting the definition of a tax abatement and include in the question and answer factors that would indicate whether or not the government is forgoing tax revenue under the agreement.

*Question 5.3 (page 6)*

We believe the guidance should explicitly indicate that the volunteer firemen do not receive a salary, as the previous language did, because "volunteer" firemen in general may or may not be paid.

*Question 5.6 (page 7)*

We believe the Board should include an example showing the connection between deferred inflows of resources and restricted assets, similar to the example provided for liabilities.

*Question 5.3 (page 11)*

The answer references paragraphs 36b and 36c of Statement No. 67; however, we believe it should reference paragraphs 32b and 32c of that Statement.

*General Comments*

- We request that GASB consider treating the Comprehensive Implementation Guide as a codification format with proposed updates written as amendments, similar to the FASB Accounting Standards Codification with Accounting Standards Updates. It would make it much easier and more efficient to understand changes being made by exposure drafts as well as much easier to use and cite.
- We appreciated GASB's use of conventional mark-up in Appendix B, as it would have been very difficult to be able to trace the current language without this mark-up. We request that GASB consider using conventional mark-up all revisions described in the codification instructions.
- It would be helpful if there were hyperlinks for references to questions in other implementation guides.

National Association of State  
**Auditors, Comptrollers  
and Treasurers**



We appreciate the opportunity to provide our comments. Should you have any questions or need additional information regarding our response, please contact Kim O’Ryan of NASACT at (859) 276-1147 or me at (602) 553-0333.

Sincerely,

A handwritten signature in black ink that reads "Debbie Davenport". The signature is fluid and cursive, with a large initial "D" and a long, sweeping tail.

Debbie Davenport  
President, NASACT  
Auditor General, Arizona