



FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

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Via email: director@gasb.org

Dear Sir:

The Florida Government Finance Officers Association (FGFOA), is pleased to respond to the Government Accounting Standard Board's (GASB) Invitation to Comment on the Preliminary Views related to Leases (PV). These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We agree with the foundational principle on which the PV is based, that all leases are financings of the right to use an underlying asset, and that this results in the recording of an asset and a liability for all leases, whether currently classified as capital or operating, with limited exceptions. We are pleased the Board is considering a single approach to all leases that is less complex than the current model, which requires lessees to classify leases as either capital or operating and requires lessors to classify leases as either sales-type, direct financing, or operating.

We concur with the Board's definition of a *lease* and agree that the use of the terms "contract" and "nonfinancial asset" within that definition provides clear and concise guidance as to what constitutes a lease. We concur with the provision for an exception for short-term leases.

We concur that a contract that contains both lease and service components generally should be separated so that each component is accounted for on its own. We also recognize that separating components of a contract may not be practical, and concur with providing an exception to that requirement. We suggest additional disclosure requirements when both lease and service components are present that are not accounted for separately.

We concur with the Board's definition of *lease terms*, including the addition of periods covered by renewal or termination options based on the likelihood of their occurrence. We believe this definition will provide more consistency in accounting for leases.

We concur with the accounting for leases by lessees and lessors as described in Chapters 4 and 5 of the PV, which would result in the lessee recognizing a lease liability and an intangible asset and the lessor recognizing a lease receivable and a deferred inflow of resources. With regards to reporting of the underlying asset by lessors, we are in agreement

that derecognizing the underlying asset could be complex and not beneficial from a cost-benefit analysis. Disclosure of such assets, as currently presented in the PV, would be beneficial to the financial statement users.

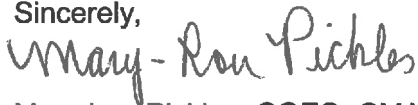
We generally concur with the Board's preliminary views on subleases and leaseback transactions. We concur with the Board's preliminary views that the sale portion of a sale lease back should meet the guidance contained in Statement 62 and that such a transaction should be accounted for separately as a sale transaction and a lease transaction with any gain or loss on the sale deferred over the term of the lease.

We also concur with the Board's preliminary views on sale and leaseback transactions having off-market terms; however, it is not clear how fair value measurements would be obtained and what would be an appropriate "market rate" of interest to calculate the present value of the lease. Perhaps the Board could provide additional guidance in these areas in subsequent writings.

We agree with the timing of this project and how it may affect the GASB guidance. We encourage GASB to "consider improvements contemplated by the FASB and IASB projects in the context of the unique nature of governmental entities" as discussed in Chapter 1, Paragraph 6.

We would like to thank the GASB for its efforts in preparing the PV and for the opportunity to respond. Feel free to contact me at (386) 329-4279 or mpickles@sjrwmd.com.

Sincerely,



Mary-Lou Pickles, CGFO, CMA
President