



# FLORIDA GOVERNMENT FINANCE OFFICERS ASSOCIATION, INC.

Since 1937

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May 25, 2016

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Dear Mr. Bean:

On behalf of the Florida Government Finance Officers Association (FGFOA), we are pleased to respond to the Government Accounting Standard Board's (GASB) Invitation to Comment on the Exposure Draft related to Leases. These comments were prepared based on a review by the FGFOA members, its Technical Resources Committee, and the Board of Directors.

We understand the primary objective of this proposed Statement is to establish a single model for lease accounting and there is concern about unrecorded liabilities due to the present accounting guidance for operational leases. Under this concept all leases are essentially financing transactions that should receive balance sheet recognition. However, governments, unlike the private sector, have recorded capital leases when financing long lived leased assets and have therefore recorded a liability as well as the asset. There are many leases that are operational and recurring without having a desire to keep for its useful life and should continue to be reported as such.

We believe the right to use an asset is not the same as owning the asset, in actuality or in substance, nor should a long term liability be created when the lease can be automatically cancelled when funds are not appropriated. In addition, the underlying asset for operational leases should not be recorded as an asset by the lessee, but should remain as an asset of the lessor. Since the asset is not an asset to the lessee, the lessee will not record a liability related to the cost of leasing the asset. The cost of the use of the asset by the lessee should be recorded as an expense and the annual cost should remain listed as commitments and contingencies in the notes to the financial statements. It would not be cost effective to systematically increase assets and corresponding liabilities for operational leases and would not benefit the users of the financial statements.

We concur that a lease contract that transfers ownership of the underlying asset to the lessee at or before the end of the term and does not contain termination options should be reported as a financed purchase of the asset and should follow the guidance for acquisitions of capital assets with related

long-term liabilities instead of the guidance for leases. Additionally, we believe that the measurement of the lease liability in this guidance can be labor intensive and especially with the provisions for the re-measurement of lease liability under certain conditions can prove to be burdensome without a corresponding significant impact to the financial statements.

In summary, operational leases should remain as operational leases due to cost benefit considerations. Assets purchased through financing should no longer be listed or treated as capital leases, but rather financing purchases. Moreover, attention to the labor intensity of re-measurement may need to be reviewed.

We would like to thank the GASB for their efforts in preparing the proposed Statement and for the opportunity to respond. Feel free to contact me at (407) 836-5715 or [barry.skinner@occompt.com](mailto:barry.skinner@occompt.com).

Sincerely,



Barry Skinner, CPA, CGFO, CPFO  
President