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March 6, 2015

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

Project: 3-24P

Dear Mr. Bean:

On behalf of the Association of Government Accountants (AGA), the Financial Management Standards Board (FMSB) appreciates the opportunity to provide comments to the Governmental Accounting Standards Board (GASB or the Board) on the Preliminary Views document (PV) entitled *Leases* (Project No. 3-24P) which was issued on November 11, 2014. The FMSB is comprised of 24 members (list attached) with accounting and auditing backgrounds in federal, state and local government, as well as academia and public accounting. The FMSB reviews and responds to proposed standards and regulations of interest to AGA members. Local AGA chapters and individual members are also encouraged to comment separately.

The FMSB has reviewed the PV and finds that it generally agrees with the positions outlined by the Board on the matters covered in the PV. The position proposed by the GASB is that a lease provides the lessee with a noncancellable right to use an asset as a result of an exchange (or exchange-like) transaction. Accordingly, the lessee should recognize both a lease liability and an intangible asset at the beginning of a lease. A lessor would recognize a lease receivable and a deferred inflow of resources at the beginning of the lease. Exceptions to this treatment are granted for short-term leases and transactions that are effectively long term leases with a bargain purchase provision at the end of the lease. The general approach suggested by the GASB to improve the accounting for leases are consistent with the approach being proposed by FASB. Accordingly, we support the development of an exposure draft that incorporates the concepts outlined in this preliminary views document.

In developing an exposure draft, the FMSB would like GASB to consider incorporating draft guidance as to how the new accounting approach will be shown on the face of the applicable statements. We believe that examples should be provided in appendices that cover typical transactions. For example, if a government has an existing operating lease that is material and for greater than one year, what value should be recorded for the intangible asset and liability by the lessee? Should the amount be the present value of the remaining payments? This will greatly assist the preparers. In addition, GASB should consider the impact upon other disclosures and how they will be modified once the new standard is implemented.



We appreciate the analysis of cost versus benefit. However, we know that even for medium sized governments, the transition provisions may be difficult. Perhaps the Board may consider a transition period where if material leases have less than three years remaining as of the date of approval, assuming all possible renewals, they would be deemed out of scope of the new provisions. New leases or extensions signed after the implementation date would be included in-scope. Any material leases with remaining periods longer than three years would need to be reported.

We believe the GASB needs to consider the extent of time state and local governments will need when implementing this standard. This standard will take time to accumulate the information, document and approve policy and develop the estimates needed to implement the standard. Please consider an extended implementation schedule than initially proposed when issuing the exposure draft.

We also note that the subject of leases is on the agenda of the Financial Accounting Standards Board and the Federal Accounting Standards Advisory Board at this time. We would hope that all three boards will coordinate their efforts so a lease is defined the same for all parties to any lease transaction and the accounting is basically the same for lessees and lessors. There should not be a situation where a transaction is considered a lease by one party of the lease and not by the other party.

We appreciate the opportunity to comment on this document and will be pleased to discuss this letter with you at your convenience. If there are any questions regarding the comments in this letter, please contact Steven E. Sossei, CPA, and AGA's staff liaison for the FMSB, at ssossei@agacgfm.org or at 518-522-9968.

Sincerely,

A handwritten signature in cursive script that reads "Lealan Miller".

Lealan Miller, CGFM, CPA
Chair- AGA Financial Management Standards Board

cc: William Miller, CGFM
AGA National President

**Association of Government Accountants
Financial Management Standards Board**

July 2014 – June 2015

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