



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

Letter of Comment No. 010
File Reference: Leases2-IG87
Date Received: 04/29/2019

April 29, 2019

Mr. David R. Bean
Director of Research and Technical Activities
Project No. 3-24
Governmental Accounting Standards Board
401 Merrit 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Dear Mr. Bean,

On behalf of the Government Finance Officers Association of the United States and Canada (GFOA), we thank the Governmental Accounting Standards Board (GASB) for the opportunity to comment on the proposed Exposure Draft (ED), *Implementation Guidance-Leases*. This response was prepared by GFOA's standing Committee on Accounting, Auditing, and Financial Reporting (CAAFR).

GFOA supports the GASB providing more guidance to preparers of financial statements through the implementation guides and we support the guidance proposed in this ED. We feel the guidance is detailed and will be helpful to governments in implementing the complex new standard. We are especially appreciative of the guidance provided on leases with multiple components. GFOA offers the following suggestions for additional clarification:

1. Question 4.62 - The proposed answer to this question only makes sense if the equipment and the software are separable components. Some equipment may contain software that is not separable from the equipment, for example, GPS software embedded in a leased vehicle. The answer should clarify that if the components are inseparable, then the entire amount is considered as part of the lease.
2. Question 4.49 - The answer to this question states that a lease of airport space for nonaeronautical use (as defined by the Federal Aviation Administration) is not expected to meet the criteria in paragraph 43 of Statement 87 for treatment as a regulated lease. The answer should clarify whether a lease for airport space that is for aeronautical use (as defined by the Federal Aviation Administration) would therefore be expected to meet the criteria of paragraph 43 of Statement 87 and be considered a regulated lease.
3. We would encourage the GASB to provide additional coverage in future implementation guides, if not within this current guide, on the following topics:
 - Regulated leases
 - What constitutes regulated leases?
 - More questions and answers that clarify which leases are within, or not within, the scope of GASB 87. For example, if a hanger is located on leased land, is that exempt as an aeronautical lease, or is it a lease subject to GASB 87?
 - The GASB should consider surveying more airports and other governments that use regulated accounting (ports and utilities) for more implementation issues that can be addressed so there is consistency across governments.
 - Lessor guidance
 - It would be helpful if there was more guidance provided for lessor governments. The GASB should consider addressing each question and answer from both the lessee and lessor perspective when appropriate.

Washington, DC Office

Federal Liaison Center, 660 North Capitol Street, NW, Suite 410 • Washington, DC 20001 • 202.393.8020 fax: 202.393.0780

www.gfoa.org

- Interest rate
 - Since most lease agreements do not disclose the rate of interest being charged to a lessee, it would be helpful if more implementation guidance could be provided on how lessee governments can impute or estimate the interest rate being charged by the lessor.

Thank you, again, for the opportunity to comment on this proposal; we would be happy to respond to any of your questions. Please feel free to contact GFOA's Director of Technical Services, Michele Mark Levine, by telephone at 312.977.9700 ext. 6101 or email at mlevine@gfoa.org.

Sincerely yours,



Melanie S. Keeton, CPA, Chair
Committee on Accounting, Auditing, and Financial Reporting



Diane B. Allison, CPA, CGFO, Vice-Chair
Committee on Accounting, Auditing, and
Financial Reporting