



January 6, 2017

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Federal Accounting Standards Advisory Board 441 G. Street, NW, Suite 6814  
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On behalf of ALN I am pleased to have the opportunity to provide comments to the Federal Accounting Standards Advisory Board's exposure draft concerning leases.

ALN is a non-partisan organization whose purpose is to help all types of organizations achieve strategic objectives by realizing greater value from their assets. Our membership is comprised of individuals, which collectively have hundreds of years of experience in the full depth and breadth of asset management including: leading, creating and vetting of consensus standards (e.g. the ISO 55000 Asset Management and ASTM Standard E2279 - ... Guiding Principles of Property Asset Management ...), financial, operations, reporting, auditing, etc., in the management of Government and non-Government property.

We thank you Monica Valentine, D. Scott Showalter and the rest of board for the very good efforts in this exposure draft! When this is adopted as a standard we expect substantial benefits for the tax payer and the Government.

Unfortunately leases for real and personal property have been used over the years to keep assets off the balance sheet and meet budgets rather than minimize total cost to the taxpayer and the Government.

Overall we are in agreement with the approach the board has taken. We have some concern with agencies and departments using their capitalization threshold as a means to circumvent the new standard. The standard should also address a requirement to provide adequate documentation and approvals of leases – operating and capital.

Attached are our answers as requested.

If you have any questions please contact me at my email address or phone number below.

Thank You,

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**FASAB Exposure Draft: Questions for Respondents due January 6, 2017**

**Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government and SFFAS 6, Accounting for Property, Plant, and Equipment**

**Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select "individual."**

Accounting Firm	<input type="checkbox"/>		
Federal Entity (user)	<input type="checkbox"/>		
Federal Entity (preparer)	<input type="checkbox"/>		
Federal Entity (auditor)	<input type="checkbox"/>		
Federal Entity (other)	<input type="checkbox"/>	If other, please specify:	<input type="text"/>
Association/Industry Organization	<input checked="" type="checkbox"/>	Asset Leadership Network	
Nonprofit organization/Foundation	<input type="checkbox"/>		
Other	<input type="checkbox"/>	If other, please specify:	<input type="text"/>
Individual	<input type="checkbox"/>		

**Please provide your name.**

Name:

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Organization:

**Q1.** Do you agree or disagree with the proposed definition of lease presented in paragraph 9 and further explained in paragraph A15? Please provide the rationale for your answer.

**A1. Generally agree with the approach, but a lease should also include an "arrangement" along with a "contract" and an "agreement", this is important to retain the concept of recognizing "financial substance over legal form". Some arrangements maybe not be in the form of a contract or a written agreement but should be considered a lease. Including arrangements to the definition should help capture significant off book transactions and make them more transparent.**

**Q2.** Do you agree or disagree with the proposed guidance on determining the lease term as presented in paragraphs 14 - 18 and further explained in A16 – A18? Please provide the rationale for your answer.

**A2. Agree. The guidance promotes transparency of useful information for decision makers and others. Transparency promotes accountability, self correction and good decision making.**

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- Q3.** Do you agree or disagree with the proposed lessee recognition of a lease at the beginning of the lease term as presented in paragraph 19? Please provide the rationale for your answer.

**A3. Agree -- for units that meet the entity's capitalization threshold. No -- for contracts, agreements or arrangements for units under the capitalization threshold. The importance and primary benefit of changing the standard is to promote transparency and good decision making. Too many times a lease-purchase analysis will show items should be purchased rather than leased but because of budgetary constraints are more on capital funds than expense funds, items are leased rather than purchased. If entities have relatively high thresholds for the capitalization of PP&E, most equipment items will not be above the capitalization threshold – so it will be business as usual, prompting continued waste.**

- Q4.** Do you agree or disagree with the proposed lessee measurement and recognition of the lease liability as presented in paragraphs 21 - 29 and further explained in paragraphs A20 – A21? Please provide the rationale for your answer.

**A4. Agree. This is necessary to balance with the asset side of the balance sheet and provides exposure to the true liability.**

**Q5.**

- a. Do you agree or disagree that the rate the lessor charges the lessee, which may be the interest rate implicit in the lease, should be used to measure the future lease payments as presented in paragraph 23? Please provide the rationale for your answers.

**A5a. Agree. This approach faithfully represents the transaction.**

- b. Do you agree or disagree that the lessee's incremental borrowing rate should be used to measure the future lease payments when the lessor rate cannot be reasonably estimated by the lessee as presented in paragraph 23? Please provide the rationale for your answers.

**A5b. Agree. This approach promotes recognizing reality and good decision making.**

**Q6.**

- a. Do you agree or disagree with the circumstances when the lessee must remeasure the lease liability as presented in paragraph 25? Please provide the rationale for your answer.

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**A6a. Agree. This approach is provides a faithful representation of the lessee's liability.**

- b. Would the requirements triggering remeasurement cause undue costs? Please provide the rationale for your answer.

**A6b. It could, if the materiality exception is not applied. Internal procedures should strive to balance faithful representation vs. materiality, similar to impairment testing.**

- c. Do you agree or disagree with the effect of the remeasurement on the carrying value of the lease asset as presented in paragraph 33 and further explained in paragraph A19? Please provide the rationale for your answer.

**A6c. Agree. This seems to be a reasonable and consistent approach that properly recognizes changes.**

- Q7.** Do you agree or disagree with the proposed lessee measurement and recognition of the lease asset as presented in paragraphs 30 - 34 and further explained in paragraph A22? Please provide the rationale for your answer.

**A7. Yes. This approach is consistent with concepts of properly recognizing direct and indirect costs as well as financial substance over legal form.**

- Q8.** Do you agree or disagree with the proposed lessor measurement and recognition of the lease receivable and deferred revenue as presented in paragraphs 36 - 48 and further explained in paragraphs A23 - A24? Please provide the rationale for your answer.

**Q8. Agree. The general approach of accounting between the lessor and lessee should be consistent. The lessor not subject to FASAB but subject to FASB or IASB should recognize under the appropriate standard.**

- Q9.** Do you agree or disagree with the proposed definition and measurement and recognition of a short-term lease as presented in paragraphs 59 - 61 and further explained in paragraph A25? Please provide the rationale for your answer.

**A9. Agree. Once this standard is becomes effective, the some in user community will most likely want to continue the old practices of keeping leases off the balance sheet. The stated approach will constrain those tendencies.**

- Q10.** Do you agree or disagree with the proposed definition, measurement, recognition, and disclosures of intragovernmental leases as presented in paragraphs 75 - 95

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and further explained in paragraphs A26 - A29? Please provide the rationale for your answer.

**A10. Agree. Intergovernmental leases or arrangements when consolidated are eliminated. Cost and benefits of finite accounting are probably not worthwhile.**

**Q11.** Do you agree or disagree with the proposed prospective implementation approach as presented in paragraphs 99 - 100? Please provide the rationale for your answer.

**A11. Agree. This approach will shorten the learning curve and will stimulate the creation of better internal policy, forms, standard leases agreements and practices.**

**Q12.** Do you agree or disagree with the proposed effective date as presented in paragraph 101? Please provide the rationale for your answer.

**A12. Agree. Should encourage anticipatory actions and early adoption, particularly avoiding of wasteful agreements that may**