

April 29, 2019

Director of Research and Technical Activities
Project No. 3-24
director@gasb.org

RE: Invitation to Comment: Project No. 3-24, GASB 87 Exposure Draft of Implementation Guide

First, I want to thank you for the questions and answers section of the Exposure Draft of Implementation Guide which is a tremendous helpful. Secondly, I have follow up questions as follows:

1. Under GASB 87: if a lease meets the criteria of a capital lease, the underlying asset is treated as a County-owned asset and depreciated accordingly; is based on the full accrual method, which will impact the Cost Allocation Plan under the 2 CFR 200 Uniform Guidance and the cost reimbursement claims filed with State of California following implementation of this new accounting standard in fiscal year 2020-21. Currently, many State / Federal agencies claiming process is based on the cash basis method.

The County's Child Protective Services Department enters a long term rental of a building to house its operation. The monthly rent amount includes the Common Area Maintenance (CAM). The CAM amount is varied from month to month. The monthly Rent payment is included in its quarterly claim for reimbursement with State / Federal Department of Health and Human Services (on a cash basis). Would this transaction subject to GASB 87 which is based the full accrual method?

If so, this would impact the County's claims for expense reimbursements. Should amortization amount be posted to Government Funds on a monthly basis?

2. A software vendor provides property tax software as a Service (SaaS) solution for an initial cost of \$10,000,000. The County is required to make annual license fees payment of \$1,000,000 for a period of 5 years. The initial cost is being treated as expenditures since the County does not own or maintain the software. After the 5 year period, the SaaS contract can be extended 2 years. If the contract is not extended, the County's access to the software is terminated. Is this transaction subject to GASB 87 for financial reporting purposes? If so, how should the amount be reported?
3. The County is adding a fixed asset module to its existing financial accounting system. The cost for the fixed asset module is \$75,000 with annual license fees of \$10,000 for 7 years. The County's capitalization threshold is \$100,000. Is this transaction subject to GASB 87 for financial reporting purposes? If so, how should the amount be reported?

I thank you for the opportunity to provide comments on the Exposure Draft of GASB 87 proposed Implementation Guide.

Sincerely,

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