



DEPARTMENT OF FINANCE

Marc Elrich
County Executive

Michael Coveyou
Acting Director

April 30, 2019

Director of Research and Technical Activities
Project No. 3-24
Governmental Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Dear Director,

We appreciate the opportunity to respond to the Government Accounting Standards Board's (GASB) request for written comments to the exposure draft of a Proposed Implementation Guide on *Leases*.

We find the guidance in this exposure draft positive and helpful, except we believe two additional questions are warranted.

1. A question on the treatment of property taxes and insurance related to the leased asset. There is no clear indication how to account for these costs paid by the lessee in the standard or exposure draft of implementation guide. They are not the cost for services provided to lessee. we have considered the following two different approaches:

First, payments for property tax and insurance will be treated the same as maintenance cost and therefore excluded from the lease liability.

Second, depending on whether the lessees is required to pay a fixed or variable amount, if fixed amount, such payments should be included in contract consideration and allocated to the lease and non-lease components. However, if a lessee is required to pay the actual amounts which is variable amount rather than fixed amount, such payments should be excluded from contract consideration.

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2. Question related to the determination of the Incremental borrowing rate (IBR). IBR will be affected by many considerations, such as the amount of lease payment, lease term, the type of rate. For example, the type of rate can be secured, unsecured or weighted-average rate. Due to the complexity of the determination process of IBR, it would be helpful if the Board provide at least one example of the acceptable IBR determination method.

We appreciate the efforts of the Board and the chance to provide input on this exposure draft.

Sincerely,



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