

DETERMINATION OF LEASE AS EXPENDITURE OR ASSET		
		<i>This schedule is provided as a demonstration of the effect of GASB 87 and will probably require your Accountant or CPA to work through this process to determine how to record these transactions in your books. It would take me many hours to work through this transaction. I copied an example prepared by Frank Crawford, CPA. This is not my work. Jim</i>
		GASB 87 redefines accountability for leases. Each of the following forty (40) identified topics must be considered to determine lease or asset classification. Each item could have an impact on value and classification of a lease transaction. Some process similar to this should be followed before classifying and recording a lease type transaction as capitalized or expensed.
		<b>EXAMPLE</b>
<b>No.</b>	<b>Consideration</b>	<b>Leased Item</b>
1	Agreement	Truck
	Enter Description for Lease (could be number identifier or other)	
2	Agreement Effective Date	1-Jan-20
3	Lessee/Lessor	Lessee
4	Governmental/BTA	Governmental
5	Underlying Asset Type	Vehicles
6	Control/Right to use (Y/N)	Yes
	To determine whether a contract conveys control of the right to use the underlying asset, a government should assess whether it has both of the following: a. The right to obtain the present service capacity from use of the underlying asset as specified in the contract; and b. The right to determine the nature and manner of use of the underlying asset as specified in the contract.  Consider a review of the lease implementation guide Q&A's. Note: Control does not have to be uninterrupted and while the agreement may have conditions on use that does not limit your entities control of service capacity of the agreement.	
7	Max Lease term greater than 12 months	Yes
	Consideration of max term includes any options to extend whether they are deemed reasonably certain to exercise or not. Note: If any option exist that would extend the term beyond 12 months the agreement cannot be considered short term.	
8	Is there an exchange or exchange-like transaction	Yes
	the values exchanged, though related, may not be quite equal or in which the direct benefits may not be exclusively for the parties to the transaction. Nevertheless, the exchange characteristics of the transaction are strong enough to justify treating the transaction as an exchange for accounting recognition. Is the payments made by the lessor equal to the value being received or close.	
9	Does Agreement Transfer Title (without termination options)	No
	For consideration of terminations options; non-appropriation or fiscal funding clauses are not considered termination options unless reasonable certain to exercise	
10	Lease Determination	Lease
	<b>Answers to the following items determine transaction recording details</b>	
11	Agreement Term	5
	Is total period identified in the agreement (not including any options to extend or terminate) enter term in years	

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12	Termination Option (If "No", go to #18)	Yes
13	Reasonably Certain	No
	This is representative of a high level of certainty: consideration of how options have been handled in the past, the economic impact of the option, and the importance/significance of the underlying asset to operations should be considered	
14	Year to Exercise	3
	Identify the year you are reasonably certain to exercise option	
15	Option to Extend	No
16	Reasonably Certain	
17	Years to Extend	
	enter the number of years you are reasonably certain to be extending the agreement beyond the original term.	
18	Termination Option	No
19	Reasonably Certain	
20	Year to Exercise	
21	Option to Extend	No
22	Reasonably Certain	
23	Years to Extend	
24	Assessed Term	5
24	Term (less term Cancellable)	5
26	Term Options	0
27	Extend Options	0
28	Payment Frequency	Monthly
29	Payment (Beginning of Period or End of Period)	Beginning
30	Payment Periods	60
31	(Yes/No)	No
	If multiple then assess reasonableness to allocate; if a component is another underlying asset add to inventory	
32	Describe	
33	Fixed/Ins substance fixed payments	2000
34	Variable payments to track for note disclosure	No
35	Describe	
36	Interest Rate (stated or implied)	Stated in Agreement
	If the agreement does not include a stated rate; consider application of GASB Statement No. 62 par. 173-187	
37	If Imputed - Describe	
38	Rate	0.06
39	Present Value	\$103,968
40	Preparer Consideration of Materiality (yes = material, no = not considered)	Yes
	Accumulation of Immaterial Agreements	0