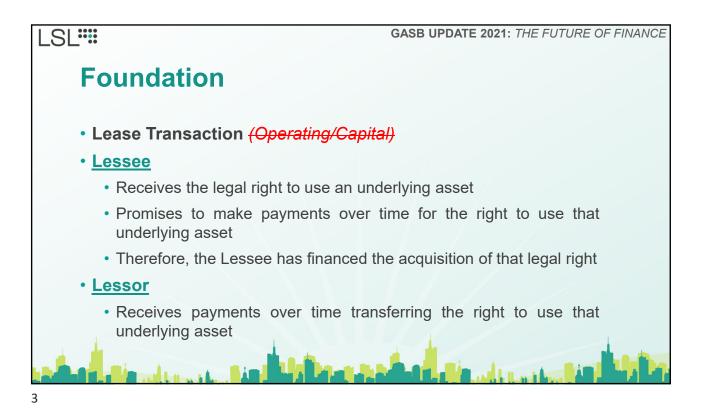
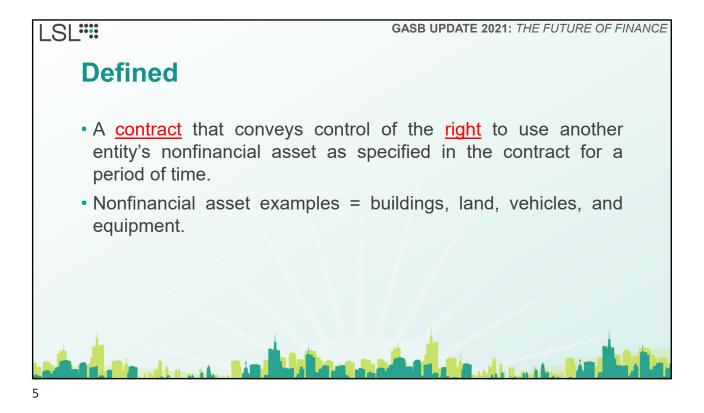


FISCAL YEAR ENDED
JUNE 30, 2022



LSL GASB UPDATE 2021: THE FUTURE OF FINANCE **Objective** • Establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. • Lessee is required to recognize the lease liability and the right to use lease asset. · Lessor is required to recognize the lease receivable and a deferred inflow of resources.



LSL **GASB UPDATE 2021: THE FUTURE OF FINANCE Exclusions** Non-exchange transaction: Lease for \$1/year (GASB 33) Lease for free (future GASB project – revenue/exp recognition) Licensing Contracts (ie. Computer software)* GASB 96. Service Concession Arrangements (GASB 60)* GASB 94. • Intangible Assets, except for "right-to-use" as in Subleasing for an underlying asset. Conduit Debt (Interpretation 2) *GASB 91. Supply Contracts and Leases of Inventory.

Lease Term • The period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable: • Option to extend the lease if reasonably certain to exercise • Option to terminate if reasonably certain not to exercise • Short-term Lease = maximum term of 12 months (or less) including options to extend regardless of probability.





Financial Reporting – Lessee Measurement

Liability = Present Value of payments expected to be made during the lease term (less any lease incentives).

Present Value:
Interest rate the lessor charges the lessee (implicit interest rate)
Alternative – Estimated incremental borrowing rate is acceptable

Financial Reporting – Lessee Measurement • Variable Payments: • Dependent on index/rate – Use baseline and the current index/rate to measure the future payments • Dependent on future performance – Don't estimate performance • Use minimum guarantee amounts • Variable payments that are fixed in substance and reliably measured • Purchase Options/Residual Guarantees – include if reasonably certain those options will occur and are required

Financial Reporting – Lessee Measurement

Asset

• Amount of initial measurement of the lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

• Include cost to place asset into service.

• Include initial direct costs associated with lease.

• Structuring fees (legal and administrative costs)

Lessee Reporting Example – Facts & Assumptions

• Lease contract for equipment beginning July 1, 20X1 for 60 months.

GASB UPDATE 2021: THE FUTURE OF FINANCE

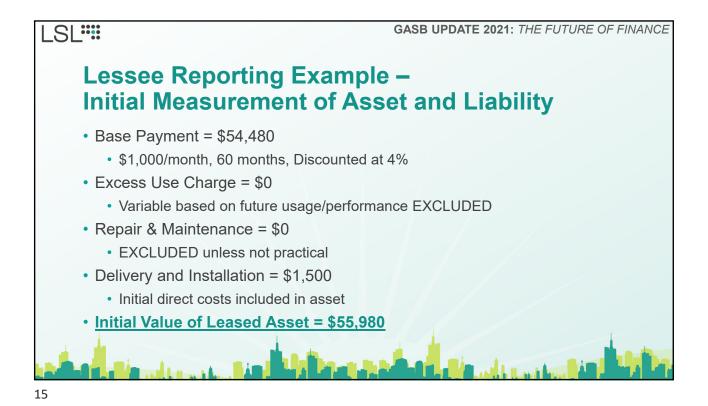
- Option to extend for 24 months; County unsure on exercising option.
- · Lease may continue month-to-month at end of term.
- Base payment \$1,000/month, includes 200 machine hours; \$5 per excess hour.
- · Additional \$80/month for repairs and maintenance.
- Lease contract states 4% interest rate.
- Separate \$1,500 contract for delivery and installation.

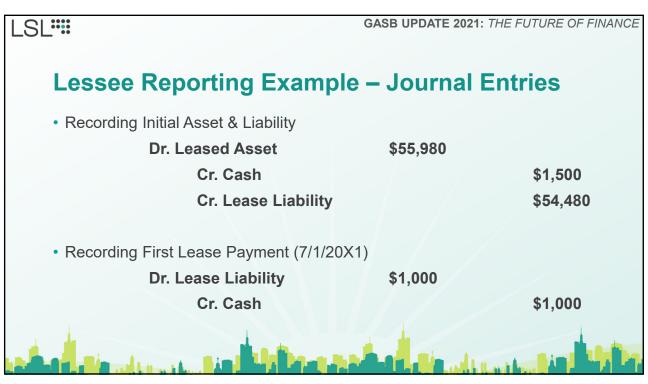
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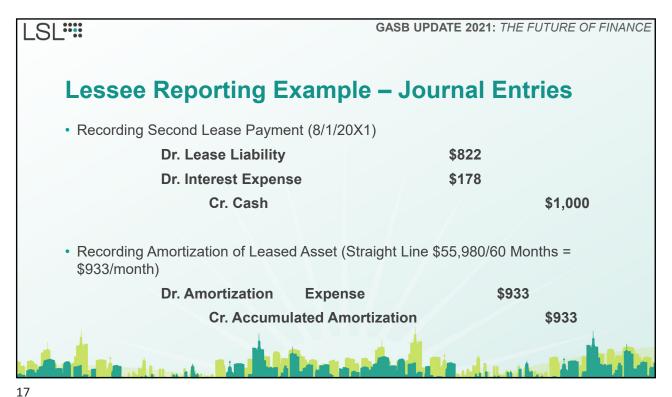
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LSL**:::**

Lessee Reporting Example – Lease Term Noncancellable period of lease is 60 months. County is not reasonably certain to exercise option to extend 24 months. Should NOT be included in lease term Potential month-to-month extensions. NOT included in lease term as not enforceable; either County or Lessor can cancel Lease term = 60 months







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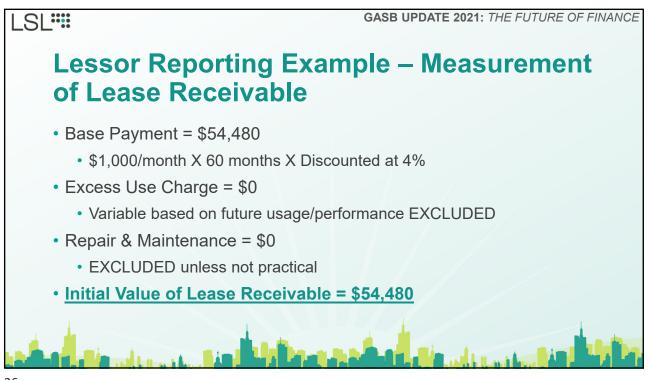


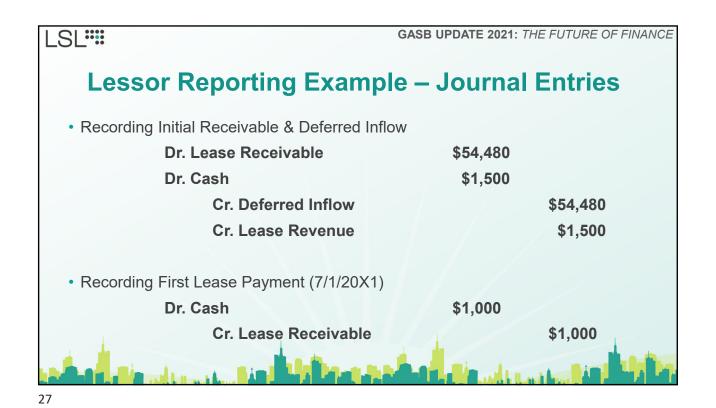


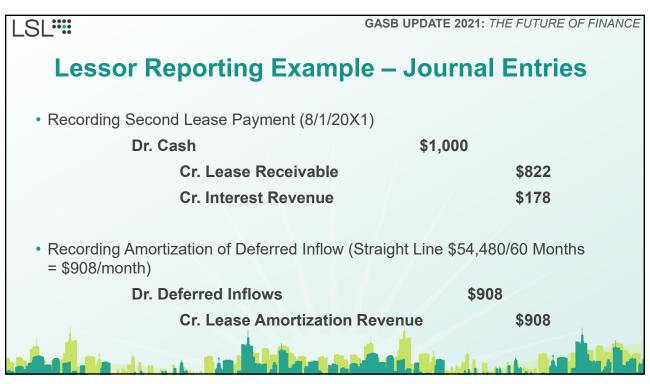


Lessor Reporting Example – Facts & Assumptions Lease contract for equipment beginning July 1, 20X1 for 60 months. Option to extend for 24 months; Lessee unsure on exercising option. Lease may continued month-to-month at end of term. Base payment \$1,000/month, includes 200 machine hours; \$5 per excess hour. Additional \$80/month for repairs and maintenance. Lease contract states 4% interest rate. Separate \$1,500 contract for delivery and installation.

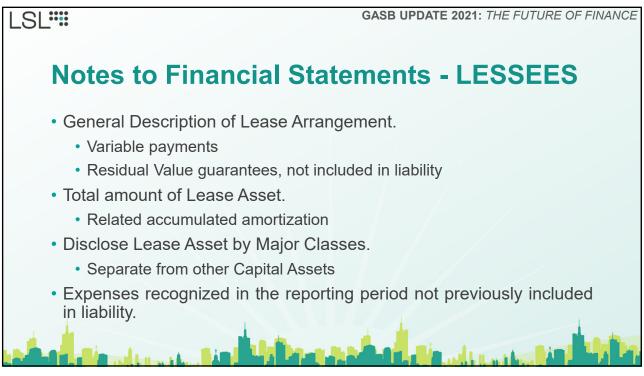
Lessor Reporting Example – Lease Term Noncancellable period of lease is 60 months. Lessee is not reasonably certain to exercise option to extend 24 months. Should NOT be included in lease term Potential month-to-month extensions. NOT included in lease term as not enforceable; either Lessee or County can cancel Lease term = 60 months



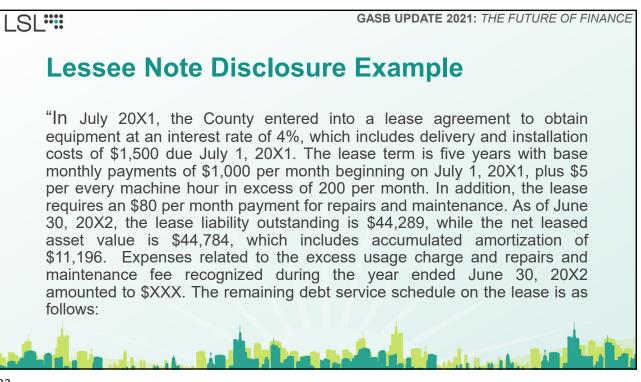








Notes to Financial Statements - LESSEES Debt Service Schedule. Commitments under leases before end of lease term. Components of any loss associated with an impairment. Sublease transactions, if any. Sale-leaseback transaction, if any. Lease-leaseback transaction if any.



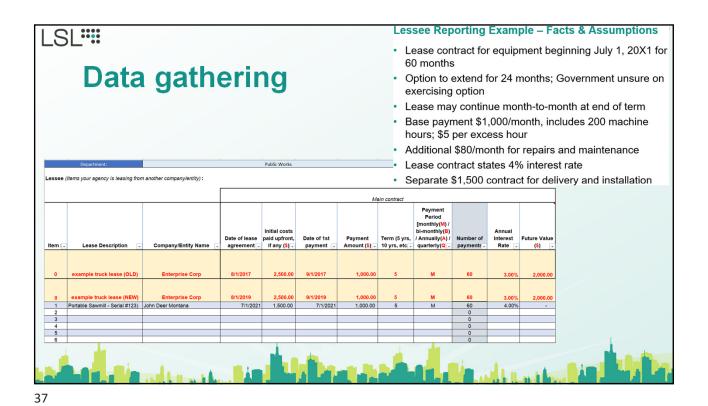
Year Ending June 30, 20X3						
	Principal		Interest		Total	
	\$	10,418	\$	1,582	\$	12,000
20X4		10,843		1,157		12,000
20X5		11,284		716		12,000
20X6		11,744		256		12,000
Total	\$	44,289	\$	3,711	\$	48,000

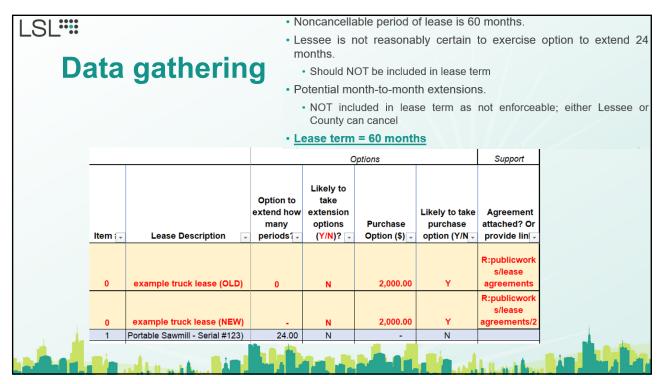
Notes to Financial Statements - LESSOR

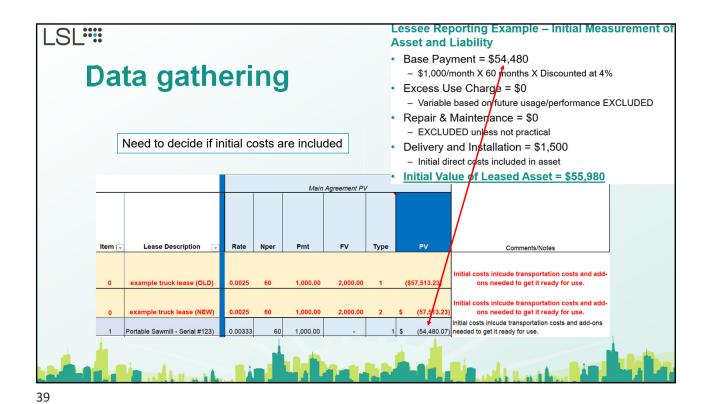
General Description of Lease Arrangement.
Variable payments
Residual Value guarantees, not included in liability
Total amount of Revenues (Lease, Interest, Other).
Revenues recognized in the reporting period not previously included in receivable.
Existence, terms, conditions of options by the lessee to terminate the lease.
Or existence of debt issued secured by lease payments.

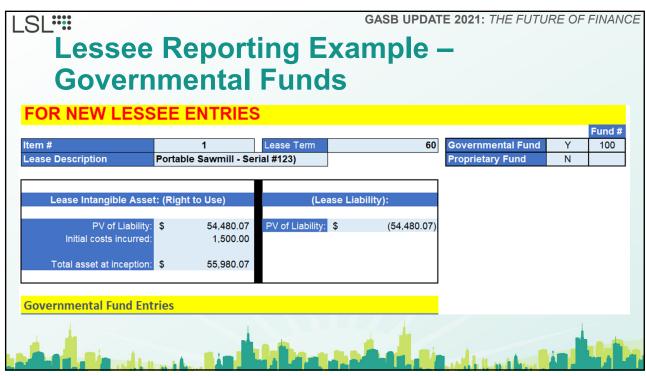


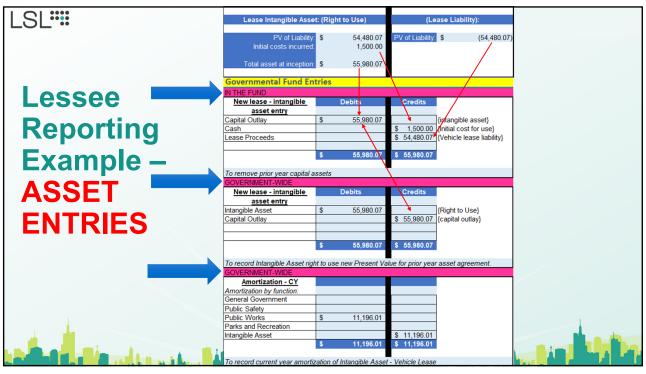




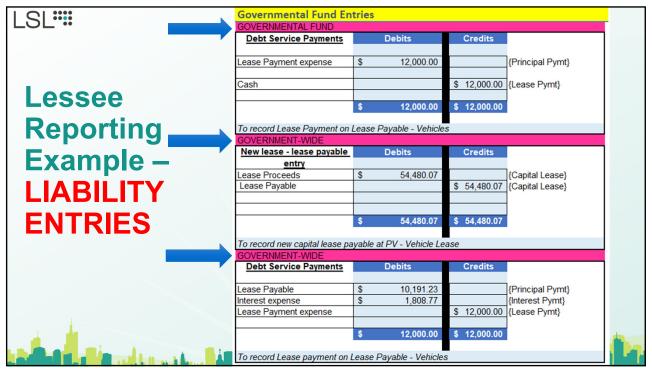


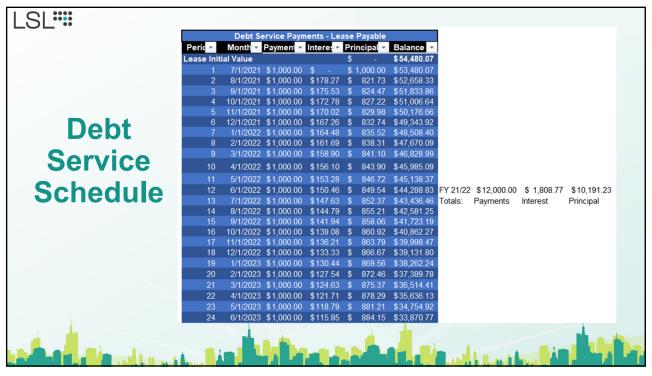


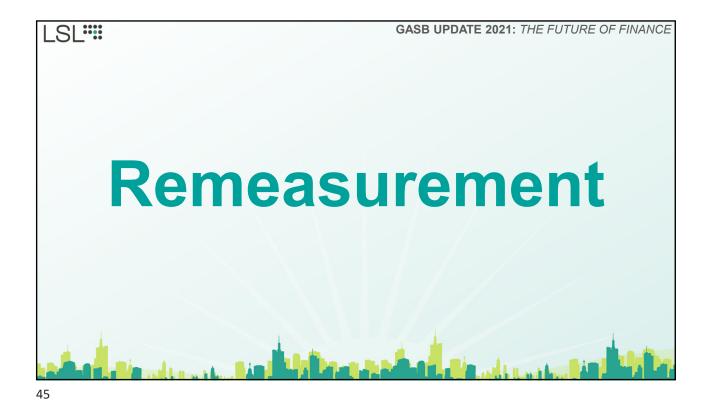












Remeasurement - Liability Certain circumstances require a relook. Changes in the lease contract. Estimates incorporated into the liability measurement changed (probability to exercise option). Change in index/rate alone does NOT require remeasurement Contingent rentals becoming noncontingent. Lessor requires a nominal payment the first year and fixed payments in subsequent years are based on a percentage of first-year sales







