Lease Flowsheet – Illustrations

1. Control
   GASB 87 
   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 the use of the underlying asset as specified in the contract
   b. The right to determine the nature and manner of use of the underlying asset as specified in the contract.

2. Nonfinancial Asset
   GASB 87 ¶7
   As used in the definition of a lease, a nonfinancial asset is an asset that is not a financial asset as the term is defined in Statement No. 32, Fair Value Measurement and Application. Examples of nonfinancial assets include land, buildings, vehicles, and equipment.

3. Exchange and Exchange-like Transactions
   GASB 87 Footnote 3
   The scope of the Statement includes both exchange and exchange-like transactions. Footnote 3 of Statement No. 32, Accounting and Financial Reporting for Nonexchange Transactions, states that the difference between exchange and exchange-like transactions is a matter of degree. In contrast to a “true” exchange transaction, an exchange-like transaction is one in which 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 transactions are strong enough to justify treating the transaction as an exchange for accounting recognition.

4. Reasonable
   GASB 87 ¶4
   Based on the terms of the contract and professional judgment, recognizing the use of observable information, for example, using readily available observable stand-alone prices. Stand-alone prices are those that would be paid or received if the same or similar assets were leased individually or if the same or similar nonlease components (such as services) were contracted individually. Some contracts provide discounts for bundling multiple leases or lease and nonlease components together in one contract. Those discounts may be taken into account when determining whether individual component prices do not appear to be unreasonable. For example, if the individual component prices are each discounted by the same percentage from normal market prices, the discount included in those component prices may not appear to be unreasonable.