



As promised at the close of our December 6, 2018 webinar on “Preparing for GASB’s New Leasing Standard,” below are Questions asked by participants, with Answers from our speaker, Chris Bitakis. If you have further questions for Chris, please don’t hesitate to contact him directly at cbitakis@redw.com. And thanks again for registering!

Q For materiality, do I consider each lease individually or the aggregate amount of all of the lease liabilities?

A *I would recommend doing an inventory of all leases to see which ones, if any, may be subject to GASB 87. Once you have identified all applicable leases, go through the criteria to see if any could be scoped out, i.e., not subject to GASB 87. From there you can start looking at materiality. However, please remember all related party leases should be identified separately (not with due-to/due-from balances) and disclosed. I would recommend reporting on the face of the financial statements two separate line items for: 1) related party leases and 2) non-related party leases.*

Q Can you recap your comment on Slot Machine and Software leases? (i.e., participation % of net win agreements vs. fixed amount leases)

A *Leases with Variable Payments: Revenue share agreements of gaming machines, which are based on performance, i.e. net win per day. These would not be applicable to the standard due to the variability and unpredictability of those payments. However, many participation agreements also include provision for a minimum charge due to the vendor, which would require your entity to identify these amounts. The minimum guarantee amount or other portions of those variable payments that are fixed in substance can be reliably measured and, therefore, should be included in the lease liability because they are not dependent upon events or transactions that have not occurred. Just remember to determine if you are leasing an underlying asset, i.e., machine not licensing agreement and if there are any fixed/required payments for a specified period of time.*



Q Copier leases might not qualify as a capital asset due to capitalization policies.

A *You are correct, however leases don't always need to jibe with your capitalization policy. A lease is defined as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. However, most copier leases are considered to be insignificant, individually and in the aggregate, and would not be subject to GASB 87.*

Q Are leases for copiers with a usage requirement considered performance based leases?

A *You'll need to full understanding the terms of this contract and be careful for any fixed/minimum payments, which would be subject to this standard. However, the general rule is that variable payments based on future performance of the lessee or usage of the underlying asset should not be included in the measurement of the lease liability.*

Q Do you have any recommendations for software to track and manage leases?

A *The most common one we see is ILease Pro, which works with Sage Intact (see attached), but it may need some tweaking for the GASB standard. Others we've seen have been more applicable to the FASB side and the lessor side (real estate companies), such as AppFolio. I would recommend searching on Google and working with your procurement department.*