

Lease Term: The period during which a lessee has a noncancelable right to use an underlying asset, plus the following periods, if applicable

- a. Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- b. Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- c. Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- d. Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option." : lessee's or lessor's option to extend or terminate, fiscal funding or cancellation clause only if reasonably certain the option(s) will be exercised.

Present Value (PV): Estimated current value of a future amount to be received or paid out, discounted at an appropriate rate, usually at the interest rate.

Non-Cancelable: Periods during which a lessee has a non-cancelable right to use an underlying asset.

Non-Financial Asset: The underlying asset; specifically, the control of the right to use of an underlying asset not limited to capital assets such as buildings, land, vehicles, and equipment.

Supplies: Tangible personal property other than those described in the definition of equipment. A computing device is a supply if the acquisition cost is less than the lesser of the capitalization level established by the non-Federal entity for financial statement purposes or five thousand dollars, regardless of the length of its useful life.

GASB 87 – New Lease Types

1. **Contracts that Transfer Ownership:** A contract that (a) transfers ownership of the underlying asset to the lessee by the end of the contract and (b) does not contain termination options, but that may contain a fiscal funding or cancellation clause that is not reasonably certain of being exercised. This should be reported as a financed purchase of the underlying asset by the lessee or sale of the asset by the lessor.
2. **Short-Term Leases:** a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. For a lease that is cancelable by either the lessee or the lessor, such as a rolling month-to-month lease or a year-to-year lease, the maximum possible term is the non-cancelable period, including any notice periods.
3. **Leases that Do Not Transfer Ownership:** leases other than short-term or contracts that transfers ownership.