

1. Q: Will this training be recorded for viewing later?

A: The PowerPoint presentation and other training materials will be uploaded to our website located at <https://jfs.ohio.gov/ofsb/bcfta/Statewide-Training.stm> . We do hope to post the recording of future trainings to our website.

2. Q: We are a standalone agency but CCMEP lead agency and do not work with the County Auditor. Who should we work with?

A: For agencies not under the county umbrella, please work with the person(s) or entity responsible for completing the financial statements for your agency.

3. Q: Leases of inventory are excluded under GASB 87. Can you explain the leases of inventory?

A: Inventory is defined in [FASB No. 2016-02 Glossary](#).

4. Q: Would a lease on a copier be considered, "Leases of Inventory"? If so, and since it does not apply to GASB87, would I still use the method of figuring out if it was a capital lease or an operating lease?

*A: No, a lease of a copier is not considered "leases of inventory"; refer to question #3.
No, capital and operating leases under FASB 13 are replaced by Contracts that Transfer Ownership, Short-Term Leases or Leases that Do Not Transfer Ownership under GASB 87.*

5. Q: Would you both amortize and depreciate a leased asset?

A: No, these terms are used distinctly with contracts that transfer ownership (equal to or greater than the capitalization threshold) and leases that do not transfer ownership. See Guiding Questions handout page 2 – (B)(1)(b) & (C)(2)(a).

Contracts that Transfer Ownership (equal to or greater than the capitalization threshold) – the fair market value is depreciated over the life of the asset.

Leases that Do Not Transfer Ownership – the lease asset is amortized over the lesser of the lease term or economic life of the asset.

6. Q: Can you please explain again the difference between amortization and depreciation?

*A: Amortization and depreciation are both methods by which costs are spread over a specific time period.
Amortization is specific to intangible assets right-to-use related costs (Leases that Do Not Transfer Ownership).
Depreciation is specific to costs of assets in financed purchase situations (Contracts that Transfer Ownership).
Also see Q&A #5 above.*



7. Q: Can you explain the comment about us not using operating vs capital leases that was said around copiers/cars?

A: Capital and operating leases under FASB 13 are replaced by Contracts that Transfer Ownership, Short-Term Leases or Leases that Do Not Transfer Ownership under GASB 87. GASB 87 standards must be implemented with fiscal years beginning after June 15, 2021. For counties/agencies operating on a calendar year basis, this would be calendar fiscal year 2022. Early implementation of GASB 87 is encouraged therefore, please work with your county auditor on the coordination of handling leases based upon the date in which GASB 87 is implemented.

8. Q: What about leases that are prior to 6/15/21 does this not apply?

A: At the time of implementation of GASB 87 standards, agencies should work with their county auditor (or person or entity responsible for financial statements if not under the county umbrella) to measure leases put in place prior to GASB 87 implementation. See the [GASB Implementation Guide Q&A 4.76 & 4.77](#).

9. Q: Is there no dollar limit for a short-term lease?

A: No, a dollar limit or threshold does not exist for short-term leases. A short-term lease is 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.

10. Q: What happens if the county auditor determines an arrangement is not a lease under GASB 87, but it is later determined that was incorrect and it is a GASB 87 lease. If an agency made claims based on the auditor's original determination, what do we do? Does the agency leave it alone because they followed the County Auditor's original guidance or do we have to do adjustments to correct the claims to agree to GASB 87?

A: Please work with your county auditor (or person or entity responsible for financial statements if not under the county umbrella) to determine the appropriate course of action. It is important that GASB 87 standards are followed and that the lease is handled accordingly in alignment with how the county auditor is reporting it on the financial statements.

11. Q: Our county does the lease agreement for all county departments for copiers, then they bill each county department. We pay the county for our department's copier expenses. We do not purchase the copiers at the end of the lease. Is this considered a lease for the department or the county and we charge everything to the cost pools?

A: We need additional information on this question. Please reach out to your regional fiscal supervisor.



12. Q: Our experience with vendors when asking them to break out the lease cost for interest, maintenance fees, taxes, insurance, and any other fees, their response is they can't. All we know is a total lease payment. Would that be considered "Principal"?

A: No, the total lease payment would not represent the "principal". The fair value of the right to use the asset would represent the principal.

A good practice when negotiating the lease on the front end is to request an itemization to identify items such as the interest rate and other costs such as maintenance, taxes, and insurance. Knowing the total payments over the life of the lease and the interest rate will enable you to generate an amortization schedule using the amortization tool provided in the lease training. The amortization schedule will detail the monthly principal and interest amounts over the term of the lease.

If the interest rate is not readily available, the incremental borrowing rate can be used. It is recommended that agencies work with their county auditor (or person or entity responsible for completing financial statement if not under the county umbrella) to determine the incremental borrowing rate for consistency in reporting on the financial statement.

13. Q: If the lessor includes an option to purchase at end of lease for a dollar amount, is that still considered a contract that transfers ownership, or would our plans to NOT purchase it make a lease that doesn't transfer ownership?

A: An option to purchase at the end of the lease isn't the determining factor as to the type of lease under GASB 87. However, the reasonable certainty of the option to purchase being exercised does factor in to whether the lease is determined to be a contract that transfers ownership or not.

Work with your county auditor to reassess the lease if there are any changes with options (extensions/ terminations), right to use/capacity of underlying asset, purchase, etc..

14. Q: What if my county is on a cash basis how do we handle this with GASB 87.

A: GASB 87 standards apply no matter whether a county is on a cash-basis or GAAP-basis.

15. Q: Is there anything on the horizon that would update the \$5000 federal threshold? Any chance?

A: At this time, we are unaware of any changes in federal guidance pertaining to the capitalization threshold. Please keep in mind that agencies must adhere to the most restrictive policy between the local capitalization threshold in local policy vs. the federal/state capitalization policy set at \$5,000.



16. Q: Is there anything I need to do about a capital lease that I have that will end in September 2021?

A: GASB 87 standards must be implemented with fiscal years beginning after June 15, 2021. For counties/agencies operating on a calendar year basis, this would be calendar fiscal year 2022. Early implementation of GASB 87 is an option that your county auditor may choose.

At the time of implementation of GASB 87 standards, agencies should work with their county auditor (or person or entity responsible for financial statements if not under the county umbrella) to measure leases put in place prior to GASB 87 implementation. See the [GASB Implementation Guide Q&A 4.76 & 4.77](#) for guidance.

17. Q: Where can we find the 7 things that disqualify the lease from GASB 87?

A: See [GASB 87 Paragraph \(8\)](#) which lists lease types not applicable under GASB 87.

18. Q: Can you please invite me to the August presentation?

A: This training will be hosted through OJFSDA. -