



STATE AND LOCAL GOVERNMENT FINANCE DIVISION
AND THE LOCAL GOVERNMENT COMMISSION

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DEPUTY TREASURER

Memorandum # 2021-09

TO: Local Government Finance Officials and Their Independent Auditors

FROM: Susan McCullen, Director, Fiscal Management Section, State and Local Government Finance Division

SUBJECT: GASB Statement No. 87, Leases, Part 2

DATE: June 15, 2021

In December 2020, the North Carolina State and Local Government Finance Division (SLGFD) issued [Memorandum #2021-05 – GASB Statement No. 87, Leases, Part 1](#). This new memorandum builds on the information provided in Memorandum #2021-05, which focused primarily on various policy and planning aspects associated with the lease guidance provided by Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This memorandum focuses on the implementation of GASB 87, both from a lessee and lessor perspective. To assist NC local governments with implementing GASB 87, the SLGFD has developed some tools that will help local governments post various transactions in the general ledger. The tool assumes that all the up-front work of decisioning a contract or agreement have been completed, and you have identified the population of agreements that meet the definition of a lease in GASB 87. With those decisions made, then local governments are ready to begin using these reporting tools.

Decisioning a Contract or Agreement

As discussed in [Memorandum #2021-05 – GASB Statement No. 87, Leases, Part 1](#), local governments will need to gather the entire population of agreements, contracts and existing leases and review them for the lease criteria in GASB 87. The local government and their auditors will need to answer some of the following questions although this is not an exhaustive list.

What is the lease term of the document, per the GASB 87 lease term guidance?

Is this agreement an exchange or exchange-like transaction?

Do any of the lease exceptions in GASB 87 apply to this agreement?

What is the discount rate for this agreement?

What variable and non-lease costs are included in this agreement that are not part of the lease expense?

GASB 87 - Excel Templates

There are two GASB 87 Excel templates – one for lessees and one for lessors. The template is intended to be used in a one-to-one relationship with each agreement. That is, a local governmental unit with five lease agreements will need to download and complete five different workbooks, one for each of the agreements. Together, all the agreements will provide the entries that are needed for the GASB 87 lease journal entries in the initial year of implementation.

The templates are designed such that the user completes a questionnaire on the “Questionnaire” tab and payment schedules on the “Calculations” tab. After completion, the templates provide suggested journal entries for year one of implementation. The user and his or her auditor should review all entries provided by the templates and adjust them as needed to accommodate the specific circumstances of each of the lease agreements. For example, the templates charge all variable and non-lease lease related payments for excess use or for insurance or repairs and maintenance to an expense or revenue account in the month of the payment – the user may deem it necessary to charge the payment to an asset or liability account and amortize over a period of time greater than one month.

Following are brief walk-throughs of both the lessee and lessor GASB 87 Excel templates.

Lessee GASB 87 Excel Template Walkthrough

One GASB 87 Excel template should be completed for each agreement that meets the requirements reported under GASB 87.

Step 1 - Complete the Initial Section of the Lease Questionnaire tab.

Illustration # 1

Lease Questionnaire			
1	Lease Description (ie. "Office Lease", "Equipment Lease", etc.)	Savin/Ricoh C2500 Copier	<< Enter brief description of lease
2	What is your fiscal year end?	6/30/2022	<< Select from dropdown list
3	Beginning Lease Date	2/11/2021	<< Enter beginning lease date
4	Was the lease in place prior to the first year of GASB 87 implementation?	Y	<< Formula driven by prior responses
5	Prior fiscal year end for lease restatement under GASB 87	6/30/2021	<< Formula driven by prior responses
6	Ending Lease Date	5/10/2026	<< Enter ending lease date
7	First Lease Payment Due Date on/after: 7/1/2021	7/10/2021	<< Enter the first lease payment due date after the date indicated
8	Last Lease Payment Due Date	5/10/2026	<< Enter the last lease payment due date in the lease term
9	What is the lease payment frequency (monthly, quarterly, annually)?	Monthly	<< Select from dropdown list
10	Are there any lease prepayments to be applied to future months?	N	<< Select from dropdown list
11	NA		<< Leave Blank
12	Are there additional delivery and installation costs associated with the leased asset?	N	<< Select from dropdown list
13	NA		<< Leave Blank
14	Was a lease incentive received at or before the commencement of the lease?	N	<< Select from dropdown list
15	NA		<< Leave Blank
16	What is the annual discount rate for the lease at 7/1/2021	4.62%	<< Use the annual discount rate stated in lease if available, otherwise use the internal rate of return for the lease. If the internal rate of return cannot be determined, use the organization's annual incremental borrowing rate (See GASB 62 paragraphs 183-184)
17	Prior to GASB 87, is this lease an operating or capital lease?	Operating	<< Select from dropdown list

1. Lease Description – Enter a description of the leased asset. This information is not required to be completed for the template to function, but completion is recommended for the user’s documentation purposes. Units might consider using chart of account codes or document numbers here that correspond to information in the financial system to help you reconcile the Excel templates to system reports.
2. Fiscal Year End – Select the organization’s fiscal year end from the dropdown list provided in the cell. The choices provided are 6/30/2022, 9/30/2022, 12/31/2022, and 3/31/2023.
3. Beginning Lease Date – enter the beginning lease date in MM/DD/YYYY format. Consult GASB 87 as needed. For example, rent holidays at the beginning of the lease term should be excluded from the lease term per GASB 87.

4. Was the lease in place prior to the first year of GASB 87 implementation? – Item is formula driven based on beginning lease date. No user participation needed.
5. Prior fiscal year end for lease restatement under GASB 87 – Item is formula driven based on beginning lease date. No user participation needed.
6. Ending Lease Date – Enter the ending lease date in MM/DD/YYYY format, using GASB 87 guidance as needed. For example, an optional lease extension period should be included in the lease term if the extension is reasonably certain to be exercised.
7. First Lease Payment - Enter the first lease payment due date that occurs after the date indicated in the Excel tool. The implementation date of the lease is 7/1/2021 in the example provided.
8. Last Lease Payment - Enter the last lease payment due date in the lease term.
9. Lease Payment Frequency – Select “Monthly”, “Quarterly”, or “Annually” from the dropdown list.
10. Prepayments – If a prepayment was made for a future month, then select “Y” from the dropdown, otherwise select “N”. This would include deposits that are not returned.
11. Prepayment Amount – This line displays as “NA” unless “Y” is selected in #10 above. If there are prepayments or deposits, enter the amount.
12. Delivery and Installation Costs – If there are delivery and installation costs associated with the leased asset, then select “Y” from the dropdown list, otherwise select “N”.
13. Delivery and Installation Amount - This line displays as “NA” unless “Y” is selected in #12 above. If there are delivery and installation costs, enter the amount.
14. Lease Incentive – If a lease incentive was received at or prior to lease commencement, then select “Y” from the dropdown list, otherwise select “N”. Incentives during the lease term, such as rent holidays, would not be included.
15. Lease Incentive Amount - This line displays as “NA” unless “Y” is selected in #14 above. If lease incentives were received, enter the amount.
16. Discount Rate – Enter the discount rate stated in the lease agreement, if applicable. Many lease agreements will not state a discount rate. If there is not a discount rate provided in the lease, then determine the internal rate of return for the lease and enter that rate. If there is not enough information provided to determine the internal rate of return, then enter the organization’s incremental borrowing rate. Refer to GASB 62 paragraphs 183-184 as needed to guide you in determining the rate to use. Market interest rates for loans for similar assets, the organization’s bond rates, or the organization’s bank borrowing rates may be used as a baseline discount rate. Adjustments may be needed for the length of the lease term, the type of asset, etc. Units might need to discuss some of these calculations with their auditors.
17. Operating vs. Capital – This line is “NA” if the beginning lease date occurs after the beginning of the first year of GASB 87 implementation. If the lease start date is prior to GASB 87 implementation, then select “Operating” or “Capital” from the dropdown list.

Step 2 – Complete the second Section of the Lease Questionnaire (Questions #18-20) if the lease is a capital lease and also begins in a prior year (The answer in Question #4 is “Y”). Otherwise, this section will all default to “NA”. Fill in the data for the dates indicated for the fields shown. See illustrations below:

Illustration # 2 – No restatement is needed because beginning lease date is during the current fiscal year that GASB 87 is implemented. Answer to Question #4 is “N”. All fields are “NA”.

1	Lease Description (ie. "Office Lease", "Equipment Lease", etc.)			C2500 Copier	
2	What is your fiscal year end?			6/30/2022	<< Select from dropdown list
3	Beginning Lease Date			2/11/2022	<< Enter beginning lease date
4	Was the lease in place prior to the first year of GASB 87 implementation?			N	<< Formula driven by prior response
5	Prior fiscal year end for lease restatement under GASB 87			6/30/2021	<< Formula driven by prior response
6	Ending Lease Date			5/10/2026	<< Enter ending lease date
7	First Lease Payment Due Date on/after 2/11/2022			7/10/2021	<< Enter the first lease payment due date
8	Last Lease Payment Due Date			5/10/2026	<< Enter the last lease payment due date
9	What is the lease payment frequency (monthly, quarterly, annually)?			Monthly	<< Select from dropdown list
10	Are there any lease prepayments to be applied to future months?			N	<< Select from dropdown list
11	NA				<< Leave Blank
12	Are there additional delivery and installation costs associated with the leased asset?			N	<< Select from dropdown list
13	NA				<< Leave Blank
14	Was a lease incentive received at or before the commencement of the lease?			N	<< Select from dropdown list
15	NA				<< Leave Blank
16	What is the annual discount rate for the lease at	7/1/2021		46.2%	<< Use the annual discount rate stated in the lease agreement. If use the internal rate of return for the lease cannot be determined, use the organization's borrowing rate (See GASB 62 paragraph 10)
17	NA			Operating	<< Leave Blank
No restatement in P 1, below questions are N/A					
18	NA			-	<< Leave Blank
19	NA			-	<< Leave Blank
20	NA			-	<< Leave Blank

Illustration #3 – A restatement is provided for a capital lease reported in the prior year. Questions #18-20 prior year balances related to the capital lease will be needed to complete the restatement information.

1	Lease Description (ie. "Office Lease", "Equipment Lease", etc.)			33494361000 C2500 Copier	<< Enter brief description of lease
2	What is your fiscal year end?			6/30/2022	<< Select from dropdown list
3	Beginning Lease Date			2/11/2019	<< Enter beginning lease date
4	Was the lease in place prior to the first year of GASB 87 implementation?			Y	<< Formula driven by prior response
5	Prior fiscal year end for lease restatement under GASB 87			6/30/2021	<< Formula driven by prior response
6	Ending Lease Date			5/10/2026	<< Enter ending lease date
7	First Lease Payment Due Date on/after 7/1/2021			7/10/2021	<< Enter the first lease payment due date
8	Last Lease Payment Due Date			5/10/2026	<< Enter the last lease payment due date
9	What is the lease payment frequency (monthly, quarterly, annually)?			Monthly	<< Select from dropdown list
10	Are there any lease prepayments to be applied to future months?			N	<< Select from dropdown list
11	NA				<< Leave Blank
12	Are there additional delivery and installation costs associated with the leased asset?			N	<< Select from dropdown list
13	NA				<< Leave Blank
14	Was a lease incentive received at or before the commencement of the lease?			N	<< Select from dropdown list
15	NA				<< Leave Blank
16	What is the annual discount rate for the lease at	7/1/2021		46.2%	<< Use the annual discount rate stated in the lease agreement. If use the internal rate of return for the lease cannot be determined, use the organization's borrowing rate (See GASB 62 paragraph 10)
17	Prior to GASB 87, is this lease an operating or capital lease?			Capital	<< Select from dropdown list
Complete the prior FYE financial information for the lease (ENTER CREDIT AMOUNTS AS POSITIVE AMOUNTS)					
18	Asset under capital lease at	6/30/2021		-	<< Enter Amount
19	Accumulated depreciation for asset under capital lease at	6/30/2021	6/30/2021	-	<< Enter Amount AS A NEGATIVE
20	Debt payable for capital lease at	6/30/2021		-	<< Enter Amount AS A NEGATIVE

Illustration #4 – An example of a real-life operating lease for a copier is included in Addendum 1 with the completed lease questionnaire. The lease used in this illustration was effective prior to GASB 87 implementation. See Addendum 1 – Copier Lease that is included with this memorandum. It is redacted as needed to protect proprietary vendor information.

1	Lease Description (ie. "Office Lease", "Equipment Lease", etc.)	Savin/Ricoh C2500 Copier	<< Enter brief description of lease
2	What is your fiscal year end?	6/30/2022	<< Select from dropdown list
3	Beginning Lease Date	2/1/2021	<< Enter beginning lease date
4	Was the lease in place prior to the first year of GASB 87 implementation?	Y	<< Formula driven by prior responses
5	Prior fiscal year end for lease restatement under GASB 87	6/30/2021	<< Formula driven by prior responses
6	Ending Lease Date	5/10/2026	<< Enter ending lease date
7	First Lease Payment Due Date on/after: 7/1/2021	7/10/2021	<< Enter the first lease payment due date after the date indicated
8	Last Lease Payment Due Date	5/10/2026	<< Enter the last lease payment due date in the lease term
9	What is the lease payment frequency (monthly, quarterly, annually)?	Monthly	<< Select from dropdown list
10	Are there any lease prepayments to be applied to future months?	N	<< Select from dropdown list
11	NA		<< Leave Blank
12	Are there additional delivery and installation costs associated with the leased asset?	N	<< Select from dropdown list
13	NA		<< Leave Blank
14	Was a lease incentive received at or before the commencement of the lease?	N	<< Select from dropdown list
15	NA		<< Leave Blank
16	What is the annual discount rate for the lease at 7/1/2021	4.62%	<< Use the annual discount rate stated in lease if available, otherwise use the internal rate of return for the lease. If the internal rate of return cannot be determined, use the organization's annual incremental borrowing rate (See GASB 62 paragraphs 183-184)
17	Prior to GASB 87, is this lease an operating or capital lease?	Operating	<< Select from dropdown list
Complete the prior FYE financial information for the lease (ENTER CREDIT AMOUNTS AS NEGATIVE AMOUNTS):			
18	NA	-	<< Leave Blank
19	NA	-	<< Leave Blank
20	NA	-	<< Leave Blank

The lease in the addendum does not contain several key information points that were needed to complete the above questions.

The lease does not have a stated discount interest rate; therefore, we attempted to determine an internal rate of return to impute the lessor's implied lending rate. To determine the internal rate of return, we obtained a market value quote for the equipment. We also determined the amount of the monthly lease list payment that is attributable to the equipment by estimating the amount of the monthly payment attributable to usage and deducting that amount from the total. Much of this information will have to be obtained from the lessor or other parties if it is not available in the lease.

The steps used to calculate the monthly payment attributable to usage is below. For your information, we included quote screenshots for equipment purchases and an excerpt of the lease terms from the lease agreement.

Ricoh IM
C2500 Color...
\$4,196.00
Copyfaxes
Free shipping

Monthly payment	221.54
Estimated monthly usage included in payment:	
B&W overage rate per sheet	0.0165
Base B&W sheets included in payment	1,500
	24.75 (24.75)
Color overage rate per sheet	0.0935
Base color sheets included in payment	200
	18.70 (18.70)
Monthly equipment lease payment	178.09

Ricoh IM
C2500 Color...
\$4,188.88
A Matter of ...
Free shipping

TERM AND PAYMENT INFORMATION

63 Payments* of \$ 221.54
 *plus applical

The payment ("Payment") period is monthly unless otherwise indicated.

Payment includes 1500 B&W pages per month
 Overage billed monthly at \$.0165 per B&W page

Payment includes 200 Color pages per month
 Overage billed monthly at \$.0935 per Color page

By Initialling here, you agree that maintenance and supplies are not included in this Agreement and Paragraph 13 shall not apply to this Agreement.

Since we know the market value of the equipment (We used \$4,196 from the two quotes provided, which are materially the same.) and the amount of the monthly lease payment attributable to the equipment (\$178.09), we can schedule out the cash flows for the 63 monthly payments. Use the Excel IRR function to determine a monthly discount rate of 3.85%, which equates to an annual discount rate of 46.22%. *This is a very high discount rate. We would not expect discount rates to be this high, but we are showing this particular lease as an example to emphasize to lessees the need to examine lease terms and resulting implied discount rates prior to entering into a lease.* (Note: The Excel XIRR function may also be used to impute the lender’s implied lending rate. The rates imputed using the IRR and XIRR functions will be similar, but not identical.)

A	B	C	D	E
	monthly rate	annual rate		
	3.85%	46.22%		
	(4,196.00)	value of equipment		
1	178.09	63 monthly payments		
2	178.09			
3	178.09			
4	178.09			
5	178.09			
6	178.09			
7	178.09			
8	178.09			
9	178.09			
10	178.09			
11	178.09			
12	178.09			

If we had been unable to develop an internal rate of return, we would have needed to determine our incremental borrowing rate to use as the discount rate. To determine an incremental borrowing rate, units might contact their primary banker to determine what terms would be offered for the similar circumstance (For example, an equipment loan that is payable over 5 years) or they may use interest rates from other similar financings.

In addition, the first and last lease payment dates, as well as the beginning and ending lease dates are not provided in the agreement; however, we know these dates based on our interactions with the lessor and the invoices we have paid thus far for the copier lease. Although the operating lease in this example began prior to the GASB 87 implementation, we do not need to provide any prior year information as there are typically no balances associated with operating leases, just rent expenditures/outflows.

Step 3 – With all the required information entered into the lease questionnaire, then move to complete the Lessee Calculations information on the Lessee Calculations tab. Fill in the estimated payment amounts in the red-highlighted column **"INPUT Expected Scheduled Payment Amount net of any Lease Incentive"**. **The amounts entered in this column should only include the amount attributable to the asset being leased (not the usage or non-lease components)!** In the copier example, that is the \$178.09 calculated in this memorandum. The Monthly Payment Dates will automatically populate based on questionnaire responses. There should be a payment amount provided for each date. If on a particular date, the payment is \$0, then enter "0" for that amount and disregard the warning message. *Do not include prepayments that were included in questions 10 and 11 of the questionnaire.* The amounts input should be what is known at the later of lease inception or lease restatement date. See GASB 87 paragraph 21 for more information.

Illustration #5 – Illustration below is before Step 3 completion, with warning messages.

Discount rate		46.22%						
Beginning measurement date		7/1/2021			PV Calc as of			
Implementation FYE		6/30/2022			7/1/2021			
Ending lease date		5/10/2026			-		= Beginning Lease Liability	
First Payment in measurement period		7/10/2021			-		Prepayments, installation and delivery costs net of lease	
Last Payment		5/10/2026			-		= Beginning Lease Asset	

Expected/Base Lease Payments and Lease Liability								
	Payment Date	INPUT Expected Scheduled Payment Amount net of any Lease Incentive (include asset component, do not include usage/other components)	Warnings	PV	Beg of Month Principal	Interest	Principal (Reduction)/In crease	End of Month Principal
0	7/10/2021		**warning - no	-	-	-	-	-
1	8/10/2021		**warning - no	-	-	-	-	-
2	9/10/2021		**warning - no	-	-	-	-	-
3	10/10/2021		**warning - no	-	-	-	-	-
4	11/10/2021		**warning - no	-	-	-	-	-

Illustration #6 - After the successful completion of Step 3, with lease liability and asset calculations presented. Notice that the warning messages have been remedied.

Discount rate		46.22%						
Beginning measurement date		7/1/2021			PV Calc as of			
Implementation FYE		6/30/2022			7/1/2021			
Ending lease date		5/10/2026			4,285.37		= Beginning Lease Liability	
First Payment in measurement period		7/10/2021			-		Prepayments, installation and delivery costs net of lease	
Last Payment		5/10/2026			4,285.37		= Beginning Lease Asset	

Expected/Base Lease Payments and Lease Liability								
	Payment Date	INPUT Expected Scheduled Payment Amount net of any Lease Incentive (include asset component, do not include usage/other components)	Warnings	PV	Beg of Month Principal	Interest	Principal (Reduction)/In crease	End of Month Principal
0	7/10/2021	178.09		178.09	4,285.37	-	(178.09)	4,107.28
1	8/10/2021	178.09		171.48	4,107.28	158.20	(19.89)	4,087.39
2	9/10/2021	178.09		165.12	4,087.39	157.43	(20.66)	4,066.74
3	10/10/2021	178.09		153.00	4,066.74	156.64	(21.45)	4,045.28
4	11/10/2021	178.09		153.10	4,045.28	155.81	(22.28)	4,023.00

Step 4 – Also on the Lessee Calculations tab, fill in the actual payment amounts in the red-highlighted column "INPUT Actual Scheduled Payment Amount net of Lease Incentives". These are actual amounts, so only amounts through the end of the current fiscal year will be populated. Generally, these amounts will be the same as those entered in Step 3. If the expected scheduled amount entered in Step 3 includes an expected increase based upon a future index rate, then an index rate change may cause a difference between the amounts entered in Step 3 and Step 4. There should be no warning messages in the adjacent column to the right when complete.

Step 5 – Continuing on the Lessee Calculations tab, enter any additional payments that were made that were related to the lease during the year. Such payments could be for the base usage component, overage usage payments, insurance, property tax, etc. Contingent and variable lease incentives would also be included in this column. In the provided example, the base usage component of the monthly payment of \$43.45 (\$24.75 for B&W sheet + \$18.70 color sheet) was provided in Illustration #4. See GASB 87, paragraph 22 for more information.

Illustration #7 – After Step 4 and Step 5 are completed, the actual payment information through the end of the current year; the resulting adjustment to lease expense; and lease asset amortization are displayed as presented below in Illustration #7.

Actual Lease Payments and Adjustments to Amortization Expense							Lease Asset Amortization			
Payment Date	INPUT Actual Scheduled Payment Amount net of Lease Incentive	Input Errors	Difference Between Actual and Expected Rent	Add'l Usage/ Insurance/Other Payments for Lease (those deemed not unreasonable) net of any Contingent and Variable Lease Incentives	Total Actual Payment	Adjustment to Lease Expense	Period	Beginning Lease Asset Balance	Amortization	Ending Lease Asset Balance
7/10/2021	178.09		-	43.45	221.54	43.45	7/10/2021	4,285.37	72.63	4,212.74
8/10/2021	178.09		-	43.45	221.54	43.45	8/10/2021	4,212.74	72.63	4,140.11
9/10/2021	178.09		-	43.45	221.54	43.45	9/10/2021	4,140.11	72.63	4,067.47
10/10/2021	178.09		-	43.45	221.54	43.45	10/10/2021	4,067.47	72.63	3,994.84
11/10/2021	178.09		-	43.45	221.54	43.45	11/10/2021	3,994.84	72.63	3,922.21
12/10/2021	178.09		-	43.45	221.54	43.45	12/10/2021	3,922.21	72.63	3,849.57
1/10/2022	178.09		-	43.45	221.54	43.45	1/10/2022	3,849.57	72.63	3,776.94
2/10/2022	178.09		-	43.45	221.54	43.45	2/10/2022	3,776.94	72.63	3,704.31
3/10/2022	178.09		-	43.45	221.54	43.45	3/10/2022	3,704.31	72.63	3,631.67
4/10/2022	178.09		-	43.45	221.54	43.45	4/10/2022	3,631.67	72.63	3,559.04
5/10/2022	178.09		-	43.45	221.54	43.45	5/10/2022	3,559.04	72.63	3,486.41
6/10/2022	178.09		-	43.45	221.54	43.45	6/10/2022	3,486.41	72.63	3,413.77

Step 6 - Review the resulting journal entries on the Lessee 1st Year Adjusting Journal Entries (AJEs) tab. Make modifications to the resulting entries as necessary.

Illustration #8 – Lessee 1st Year AJEs tab details Year 1 entries in Illustration #8.

Month-End for JE	General Fund		Conversion to Governmental Activities		
	DR	CR	DR	CR	
7/31/2021	Capital Outlay	4,285.37		Lease Asset	4,285.37
	Other Financing Source		4,285.37	Other Financing Source	4,285.37
	Cumulative Effect PPA		-	Lease Liability	4,285.37
				Capital Outlay	4,285.37
	<i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i>			<i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i>	
7/31/2021	Debt Service Expenditure - Principal	178.09		Lease Liability	178.09
	Debt Service Expenditure - Interest	-		Interest Expense	-
	Cash		178.09	Debt Service Expenditure - Principal	178.09
				Debt Service Expenditure - Interest	-
	<i>Record lease payment</i>			<i>Record lease payment</i>	
7/31/2021	No Entry			Amortization Expense Lease Asset	72.63
				Accumulated amortization - lease asset	72.63
				<i>Record lease asset amortization</i>	
7/31/2021	Rental Expenditure Expense	43.45		No Entry	
	Cash		43.45		
	<i>Record variable rent expense</i>				

Activities		Governmental Activities		
DR	CR	DR	CR	
4,285.37			Lease Asset	4,285.37
4,285.37			Lease Liability	4,285.37
	4,285.37		Cash	-
	4,285.37			
	<i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i>			
178.09			Lease Liability	178.09
-			Interest Expense-87	-
Principal	178.09		Cash	178.09
Interest	-			
	<i>Record lease payment</i>			
72.63			Lease Amortization Expense	72.63
- lease asset	72.63		Accumulated amortization - lease asset	72.63
	<i>Record lease asset amortization</i>			
			Variable Rental expense - 87	43.45
			Cash	43.45
	<i>Record variable rent expense</i>			

If, after the initial recording of a lease under GASB 87, the lease is modified, terminated or partially terminated (see GASB 87 paragraphs 71-79 for qualifying modifications), the lessee and lessor will need to remeasure the lease liability and lease asset (lease receivable and deferred inflow of resources for lessors) during the accounting period of modification/termination/partial termination. In some cases, the discount rate also will be modified. A separate lease template should be used to perform the remeasurement. The existing lease balances should then be adjusted to the new modified balances, with any difference being posted to a gain or loss account.

In conclusion, you can use the GASB 87 Excel tools when performing your GASB 87 calculations. Prior to using the tools, you should have identified all leases which are in-scope for GASB 87 reporting and you should be familiar with the reporting requirements of GASB 87. This memo is provided as a guide to the GASB 87 Excel tools. If you have further questions in this memorandum, please contact a staff member of the State and Local Government Finance Division staff at 919-814-4300.

