

# GASB 87, *Leases*

APRIL 2021  
CHIEF FINANCIAL OFFICE  
STATEWIDE ACCOUNTING & REPORTING SERVICES

## Agenda

- Overview
- Key concepts
- Lessee accounting & disclosures
- Lessor accounting & disclosures
- Agency implementation
- Practical application
- Summary

## Overview

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## Overview

- Effective for the fiscal year beginning July 1, 2021 (**FY 2022**).
- Enhances the relevance and consistency of information about the government's leasing activities.
- Establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset.
  - Eliminates the distinction between operating leases and capital leases.
- Applies to contracts not explicitly identified as leases, but that meet the definition of a lease. GASB 87 ¶6

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## Overview (cont.)

- Requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases.
- Requires a lessee to recognize a lease liability and a right to use lease asset, when applicable.
- Requires a lessor to recognize a lease receivable and a deferred inflow of resources, when applicable.
- Modifies disclosure requirements for leasing activities.

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## Key concepts

*Definitions, exclusions, short-term leases, and financed purchases.*

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## Key concepts: *definitions*

- **Lease** – 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. GASB 87 ¶4
  - **Conveys control** – includes (1) the right to obtain the present service capacity from use of the underlying asset as specified in the contract and (2) the right to determine the nature and manner of use of the underlying asset as specified in the contract. GASB 87 ¶5

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## Key concepts: *definitions (cont.)*

- **Lease term** – the period during which a lessee has a noncancelable right to use an underlying asset, plus optional periods that are reasonably certain to be exercised. GASB 87 ¶12
  - Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancelable periods and are excluded from the lease term.

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## Key concepts: *exclusions*

- GASB 87 does not apply to:
  - Contracts for services, **unless** the contract contains both a lease component and a service component (e.g. disposal services).
  - Leases of intangible assets (e.g. rights to explore for natural resources, licensing contracts for computer software).
  - Leases of biological assets (e.g. timber, living plants, living animals).
  - Leases of inventory.

GASB 87 ¶6 &amp; ¶8

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## Key concepts: *exclusions (cont.)*

- GASB 87 does not apply to:
  - Contracts that meet the definition of service concession arrangements (GASB 60 ¶ 4).
  - Leases in which the underlying asset is financed with outstanding conduit debt, **unless both** the underlying asset and the conduit debt are reported by the lessor.
  - Supply contracts (e.g. power purchase agreements).
  - Interagency leases.

GASB 87 ¶6 &amp; ¶8

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## Key concepts: *short-term leases*

- **Short-term lease** – a lease that has a maximum possible term of 12 months or less, including any options to extend regardless of the probability of extending. GASB 87 ¶16
  - 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 noncancelable period, including any notice periods.
- **Short-term leases** should be recognized as outflows of resources (when the agency is the lessee) or inflows of resources (when the agency is the lessor) based on the payment provisions of the lease contract. GASB 87 ¶17 & 18

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## Key concepts: *short-term leases (cont.)*

- **Short-term lease example 1** – ODOT (lessee) has a lease with Joe's Excavation Inc. for the right to use heavy equipment for 12 months with no options to extend.
- ODOT records the lease payment issued as follows:
  - DR 3500 *Expenditure Control – Cash*
  - CR 0070 *Cash on Deposit with Treasurer*

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## Key concepts: *short-term leases (cont.)*

- **Short-term lease example 2** – ODF (lessor) has a lease with BLM for the right to use land for 20 years with no options to extend. ODF has a right to cancel the lease with 180 days written notice to BLM. The noncancelable portion of the lease is 180 days (six months); therefore, this lease qualifies as a short-term lease.
- ODF records the lease payment received as follows:

DR 0070 *Cash on Deposit with Treasurer*

CR 3100 *Revenue Control – Cash*

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## Key concepts: *other*

- Asset impairment. GASB 87 ¶34
- Contract combinations. GASB 87 ¶69-70
- Contracts with multiple components. GASB 87 ¶63-68
- Financed purchases. GASB 87 ¶19
- Leases between related parties. GASB 87 ¶90-91
- Sale-leaseback or lease-leaseback transactions. GASB 87 ¶82-87
- Lease incentives. GASB 87 ¶61-62
- Lease modifications & terminations. GASB 87 ¶71-79
- Subleases. GASB 87 ¶80-81

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## Lessee Accounting

Lessee recognition & measurement for leases other than short-term leases and financed purchases.

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## Lessee Accounting: *lease liability*

- A lessee initially should measure the lease liability at the present value of payments expected to be made during the lease term.
- Measurement of the lease liability includes:
  - Fixed payments.
  - Variable payments that depend on an index (e.g. CPI) or a rate (e.g. market interest).
  - Variable payments fixed in substance.
  - Amounts that are reasonably certain of being required to be paid under residual value guarantees.

GASB 87 ¶21

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## Lessee Accounting: *lease liability (cont.)*

- Measurement of the lease liability includes (cont.):
  - The exercise price of a purchase option if it is reasonably certain that the option will be exercised.
  - Payments for penalties for terminating the lease, if the lease term reflects such options.
  - Any lease incentives receivable from the lessor.
  - Any other payments that are reasonably certain of being required.

GASB 87 ¶21

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## Lessee Accounting: *lease liability (cont.)*

- Future lease payments should be discounted using the interest rate the lessor charges which may be the interest rate implicit in the lease. GASB 87 ¶23
  - If the interest rate cannot be readily determined by the lessee, the lessee's estimated incremental borrowing rate (an estimate of the interest rate that would be charged for borrowing the lease payment amounts during the lease term) should be used.
- Calculate the amortization of the discount on the lease liability and report that amount as an outflow of resources (e.g. interest expense) for the period. GASB 87 ¶24

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## Lessee Accounting: *lease liability (cont.)*

- Remeasurement of the lease liability is necessary when one or more of the following occurs:
  - A change in the lease term.
  - The likelihood of a residual value guarantee being paid has changed from reasonably certain to not reasonably certain, or vice versa.
  - The likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa.
  - A change in the estimated payment amounts already included in the lease liability balance.
  - A change in the interest rate the lessor charges, if used as the initial discount rate.
  - A contingency is resolved which results in variable payments now meeting the criteria for being included in the lease liability.

GASB 87 ¶25

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## Lessee Accounting: *lease liability (cont.)*

- If a lease liability qualifies for remeasurement, the liability also should be adjusted for any change in an index or rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the liability since the previous measurement. GASB 87 ¶26
- A lease liability is not required to be remeasured solely for a change in an index or rate used to determine variable payments.

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## Lessee Accounting: *lease liability (cont.)*

- The lessee should also update the discount rate as part of the remeasurement if one or both of the following changes have occurred and the changes are expected to significantly affect the amount of the lease liability:
  - A change in the lease term.
  - The likelihood of a purchase option being exercised has changed from reasonably certain to not reasonably certain, or vice versa. GASB 87 ¶27
- If the discount rate **is** required to be updated, the discount rate should be based on the revised interest rate the lessor charges the lessee at the time the discount rate is updated. If that interest rate cannot be readily determined, the lessee's estimated incremental borrowing rate at the time the discount rate is updated should be used.

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## Lessee Accounting: *leased asset*

- A lessee initially should measure the leased asset as the sum of the following:
  - Amount of the initial measurement of the lease liability.
  - Lease payments made to the lessor at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term.
  - Initial direct costs that are ancillary charges necessary to place the leased asset into service.

GASB 87 ¶30

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## Lessee Accounting: *leased asset (cont.)*

- A leased asset should be amortized in a systematic and rational manner over the shorter of the lease term or the useful life of the underlying asset. GASB 87 ¶31
  - If a lease contains a purchase option that the lessee has determined is reasonably certain of being exercised, the leased asset should be amortized over the useful life of the underlying asset. GASB 87 ¶32
- A leased asset generally should be adjusted by the same amount as the corresponding lease liability when that liability is remeasured. GASB 87 ¶33
  - If that change reduces the carrying value of the leased asset to zero, any remaining amount should be reported in the resource flows statement (e.g. a gain).

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## Lessee Accounting: *disclosure*

- A lessee should disclose the following about its lease activities:
  - A general description of its leasing arrangements.
  - Total amount of lease assets by major class and the related accumulated amortization.
  - The amount of outflows of resources recognized for variable payments.
  - The amount of outflows of resources recognized for other payments (e.g. residual value guarantees or termination penalties).
  - Principal and interest requirements for the lease liability.
  - Commitments under leases before the commencement of the lease term.
  - The components of any loss associated with an impairment.

GASB ¶37

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## Lessee Accounting: *disclosure (cont.)*

- A lessee should also disclose the following about its lease activities:
  - Sublease transactions. GASB ¶81
  - Sale-leaseback transactions. GASB ¶85
  - Lease-leaseback transactions. GASB ¶87
- SARS will develop new lease disclosures for use in **FY 2022** financial report preparation.

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## Lessor Accounting

Lessor recognition & measurement for leases other than short-term leases and certain regulated leases.

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## Lessor Accounting: *lease receivable*

- A lessor initially should measure the lease receivable at the present value of payments expected to be received during the lease term, reduced by any estimated allowance for uncollectible amounts. GASB 87 ¶44

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## Lessor Accounting: *lease receivable*

- Measurement of the lease receivable should include the following:
  - Fixed payments.
  - Variable payments that depend on an index or rate.
  - Variable payments that are fixed in substance.
  - Residual value guarantee payments that are fixed in substance.
  - Any lease incentives payable to the lessee.

GASB 87 ¶44

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## Lessor Accounting: *lease receivable (cont.)*

- The future lease payments to be received should be discounted using the interest rate implicit in the lease. GASB 87 ¶47
- The lessor should calculate the amortization of the discount on the lease receivable and report that amount as an inflow of resources (e.g. interest revenue) for the period.

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## Lessor Accounting: *lease receivable (cont.)*

- The lessor should remeasure the lease receivable if one or more of the following changes have occurred:
  - There is a change in the lease term.
  - There is a change in the interest rate the lessor charges the lessee.
  - A contingency is resolved resulting in variable payments meeting the criteria to be included in the measurement of the lease receivable.

GASB 87 ¶49

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## Lessor Accounting: *lease receivable (cont.)*

- If the lease receivable is remeasured, the receivable should also be adjusted for any change in an index or rate used to determine variable payments if that change in the index or rate is expected to significantly affect the amount of the receivable since the previous measurement. GASB 87 ¶50
  - A lease receivable is not required to be remeasured solely for a change in an index or rate used to determine variable payments.

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## Lessor Accounting: *lease receivable (cont.)*

- The lessor should update the discount rate as part of the remeasurement if one or both of the following changes have occurred and the changes individually or in the aggregate are expected to significantly affect the amount of the lease receivable:
  - There is a change in the lease term.
  - There is a change in the interest rate the lessor charges the lessee.
- If the discount rate is updated based on one of both of the changes above, the receivable should be remeasured using the revised discount rate.

GASB 87 ¶51-52

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## Lessor Accounting: *deferred inflow of resources*

- A lessor initially should measure the deferred inflow of resources as follows:
  - The amount of the initial measurement of the lease receivable.
  - Lease payments received from the lessee at or before the commencement of the lease term that relate to future periods (e.g. last month's rent), less any lease incentives paid to, or on behalf of, the lessee at or before the commencement of the lease term.

GASB 87 ¶53

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## Lessor Accounting: *deferred inflow of resources (cont.)*

- A lessor subsequently should recognize the deferred inflow of resources as inflows of resources (e.g. revenue) in a systematic and rational manner over the term of the lease.
- The deferred inflow of resources should be adjusted by the same amount as any change resulting from the remeasurement of the lease receivable.

GASB 87 ¶54

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## Lessor Accounting: *disclosure*

- A lessor should disclose the following about its lease activities:
  - A general description of its leasing arrangements.
  - The total amount of inflows of resources (e.g. lease revenue, interest revenue, and any other lease-related inflows).
  - The amount of inflows of resources recognized in the reporting period for variable and other payments not previously included in the measurement of the lease receivable.
  - The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt and the principal and interest payments are secured by the lease payments.

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## Lessor Accounting: *disclosure (cont.)*

- A lessor should also disclose relevant information about the following lease activities, if applicable:
  - Leases of assets that are investments.
  - Certain regulated leases.
  - Sublease transactions.
  - Sale-leaseback transactions.
  - Lease-leaseback transactions.

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## Lessor Accounting: *disclosure (cont.)*

- If a lessor's principal ongoing operations consist of leasing assets to other entities, the government should disclose a schedule of future payments showing principal and interest separately, for each of the five subsequent fiscal years and in five-year increments thereafter.
- Additional disclosure requirements apply to a lessor with one or more regulated leases.
- SARS will develop new lease disclosures for use in **FY 2022** financial report preparation.

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## Agency Implementation

Research/identification, development, and execution.

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	Phase 1 Research/Identify	Phase 2 Develop	Phase 3 Execute
To Do	Identify other contracts not previously deemed a 'lease' that identify 'right to use' assets.	Develop an internal training strategy for impacted employees identified during Phase 1.	Train the impacted employees identified in Phase 1.
	Research required data for measurement and determination of leases using the Lease Data Matrix.	Establish internal procedures for gathering required data elements associated with existing leases.	Gather all required data elements associated with existing leases as per internal procedures established in Phase 2.
	Identify impacted employees in agency divisions/sections and determine resources available to obtain required data elements.	Establish internal procedures for assembling required data elements associated with new leases.	Collect all required data elements associated with future leases as per internal procedures established in Phase 2.
	Identify data availability challenges (e.g. data not included in lease).	Create a process for evaluating and identifying leases based on GASB 87 criteria.	Evaluate and identify leases based on GASB 87 criteria.
	Report the number of leases, where the agency is the lessee or lessor, to SARS using asset class matrix.	Verify segregation of duties exists for newly established processes.	Maintain segregation of duties.
		Develop a mechanism to share required data between impacted employees identified in Phase 1 (e.g. central data repository).	Share required data elements between impacted employees using mechanism developed in Phase 2.
			Enter required data elements into SFMA or equivalent (e.g. TEAMS).
			Attend training presented by SARS.

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	Essential Data Elements	Definition	GASB 87 Reference	Data Figure (e.g. lease # 123)	Responsible Party (e.g. Procurement, Accounting)	Source Document (e.g. Master Agreement ¶1 pg.1)	Source System (e.g. Fixed Asset System (FAS))
DRAFT							
1	Lease number or Master PA/PO#	A contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.	¶4 - ¶7				
2	Lessor name	The name of the lessor.	N/A				
3	Lessor address	The address of the lessor.	N/A				
4	Lessor point of contact	Lessor point of contact if agency has questions regarding lease.	N/A				
5	Agency point of contact	Lessee point of contact if agency staff or lessor has questions about the lease.	N/A				
6	Right to use clause	Determination of right to use must have <b>both</b> of the following: a) right to obtain the present service capacity from the use of the asset. b) right to determine the nature and manner of the use of the asset.	¶5				
7	Lease Term in months	Period in which a lessee has a <b>noncancelable</b> right to use an underlying asset plus periods with options to extend that are reasonably certain by the lessee/lessor or periods to terminate that are reasonably certain will not be exercised by the lessee/lessor. Periods in which both lessee and lessor have option to terminate without permission from the other party are cancelable and are excluded.	¶12 - ¶15				
8	Lease Start Date	The initial start date of the lease.	N/A				
9	Lease end date	The end date of the lease.	N/A				
10	Option to extend and decision factors	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.	¶12 - ¶14				
	Number of months	Number of months.	N/A				
	Reasonably certain?	Is it reasonably certain the lease will be extended?	N/A				
11	Option to terminate and decision factors	Periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party (or if both parties have to agree to extend) are cancelable periods and are excluded from the lease term.	¶12 - ¶14				
	Reasonably certain?	Is it reasonably certain the lease will be terminated?	N/A				
12	Period(s) in which lessee and lessor have permission to terminate	Periods in which both the lessee and the lessor have the option to terminate the lease without permission from the other party (or if both have to agree to extend) are cancelable periods and are excluded from the lease term.	¶12				

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**GASB Statement 87 Scope Guide**

Purpose: To assist in determining whether the leased asset is within the scope of GASB Statement No. 87 (use to answer the first box in the Lease Accounting Decision Tree).

Type of Underlying Asset	Included?	GASB 87 Reference/Explanation
Agricultural (crops, orchards, etc.)	Yes	
Air space	No	Excluded paragraph 8(a)
Airport hangar	Maybe	Follow decision tree. Determine whether the leases meet the "conveys control of the right to use" criterion
Biological assets (living plants, timber, animals)	No	Specifically excluded, paragraph 8(b)
Building & Structures	Yes	
Cell Towers	Yes	
Computer Software	No	Specifically excluded, paragraph 8(a)
Computers	Yes	
Contracts that transfer ownership	No	Report as a financed purchase per paragraph 19
Copy Machines	Yes	
Dams, dikes, or docks	Yes	Follow decision tree. Determine whether the leases meet the "conveys control of the right to use" criterion
Equipment (postage, medical, etc.)	Yes	
Grazing land	Maybe	Follow decision tree. Determine whether the leases meet the "conveys control of the right to use" criterion
Hunting, fishing, boating, ATV permits	No	Lessee does not have "control of the right to use"
Inventory	No	Specifically excluded, paragraph 8(c)
Land used by a single entity	No	Lessee does not have "control of the right to use"
Land used by multiple entities	No	Lessee does not have "control of the right to use"
Land easements	Maybe	Follow decision tree. Determine whether the leases meet the "conveys control of the right to use" criterion
Machinery	Yes	
Mining (rights to explore for or to exploit natural resources such as oil, gas, and minerals)	No	Specifically excluded, paragraph 8(a)
Patents and Copyrights	No	Specifically excluded, paragraph 8(a)
Right-of-Way	Maybe	Follow decision tree. Determine whether the leases meet the "conveys control of the right to use" criterion
Road Use Permits	No	Lessee does not have "control of the right to use"
Service Concession Arrangements	No	Specifically excluded, paragraph 8(d), account for under GASB Statement No. 60
Supply contracts (power purchase agreements)	No	Specifically excluded, paragraph 8(f)
Vehicles	Yes	

**Additional exclusions:**  
 1. All interagency leases.  
 2. Any lease for which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor (specifically excluded, paragraph 8(e)).

**Lease Accounting Decision Tree for Lessees**  
 For assets leased to an outside entity (non-state agency).

<sup>1</sup>A contract conveys control of the right to use the asset when the lessee is provided both:  
 1. The right to determine the nature and manner of use of the asset, and  
 2. The right to obtain service level capacity from use of the asset.  
<sup>2</sup>Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor's option to:  
 1. Extend the lease if it is reasonably certain the option will be exercised or  
 2. Terminate the lease if it is reasonably certain that the option will not be exercised.

**Lease Accounting Decision Tree for Lessors**  
 For assets leased to an outside entity (non-state agency)

<sup>1</sup>A contract conveys control of the right to use the asset when the lessee is provided both:  
 1. The right to determine the nature and manner of use of the asset, and  
 2. The right to obtain service level capacity from use of the asset.  
<sup>2</sup>Period a lessee has a non-cancelable right to use the asset, plus a lessee or lessor's option to:  
 1. Extend the lease if it is reasonably certain the option will be exercised or  
 2. Terminate the lease if it is reasonably certain that the option will not be exercised.

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## Agency implementation

- Identify impacted employees in the agency's divisions and/or program areas.
- Create a process for complying with GASB 87.
  - Assign roles and responsibilities.
  - Monitor activity associated with contracts and agreements (e.g. new, amended, terminated, extended).
  - Notify impacted employees when action is required (e.g. evaluation, measurement).

**DAS** DEPARTMENT OF ADMINISTRATIVE SERVICES

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## Agency implementation

- Evaluate the agency's contracts and agreements to determine which are subject to the new lease reporting standards.
  - Identify contracts and agreements that meet the definition of a short-term lease, a financed purchased, or qualify for an exclusion (e.g. interagency leases).
- Evaluate purchase orders to determine if any qualify as a lease contract.
- Evaluate service contracts to determine if an embedded lease exists.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Agency implementation

- Collect all required data elements associated with GASB 87 subject leases.
- Measure the leases using guidelines discussed earlier in this presentation.
- Prepare amortization schedule for each intangible right to use asset.
- Enter required accounting information into applicable financial system (e.g. R\*STARS).

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Practical Application

How to measure and record reportable leases.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Scenario #1 - Lessee

- Equipment lease
  - 5-year non-cancellable lease of equipment.
  - Useful life of leased equipment is 7 years.
  - Annual payments of \$50,000 due in advance.
  - Interest rate of 3.5%.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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### Scenario #1 – Initial lease liability measurement

Label: Initial Lease Liability Measurement

Compounding Period: Annual Nominal Annual Rate: 3.500 %

Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	Unknown	1		
2 Lease Payment	03/16/2022	50,000.00	4	Annual	03/16/2025

Label: Initial Lease Liability Measurement

Compounding Period: Annual Nominal Annual Rate: 3.500 %

Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	183,653.97	1		
2 Lease Payment	03/16/2022	50,000.00	4	Annual	03/16/2025

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Recognize lease proceeds and asset acquisition

- Recognize lease proceeds (T-Code 908R)
 

DR 1551 Deposit Liability	\$183,653.97	
CR 3200 GAAP Revenue Offset (c/o 1700)		\$183,653.97
- Recognize acquisition of the leased asset (T-Code 909R)
 

DR 3600 GAAP Expenditure Offset (c/o 5770)	\$183,653.97	
CR 1551 Deposit Liability		\$183,653.97

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)



### Scenario #1: Record the lease liability and leased asset

- Establish the lease liability (T-Code 462)
 

DR 3200 GAAP Revenue Offset (c/o 1700)	\$183,653.97	
CR 1716 Lease Obligations-Noncurrent		\$183,653.97
  
- Establish the leased asset (T-Code 545)
 

DR1 08xx* Leased Asset	\$183,653.97	
CR1 3600 GAAP Expenditure Offset (c/o 5770)		\$183,653.97
DR2 3074 Change in Capital Assets	\$183,653.97	
CR2 3018 Net Investment in Capital Assets		\$183,653.97

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Adjust the leased asset for initial payment

- Initial lease payment (T-Code 222)
 

DR 3500 Expenditure Control Cash (c/o 7xxx*)	\$50,000	
CR 0070 Cash on Deposit w/ OST		\$50,000
  
- Add initial lease payment to leased asset (T-Code 545)
 

DR1 08xx* Leased Asset	\$50,000	
CR1 3600 GAAP Expenditure Offset (c/o 7xxx*)		\$50,000
DR2 3074 Change in Capital Assets	\$50,000	
CR2 3018 Net Investment in Capital Assets		\$50,000

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #1 – Lease amortization schedule

Compounding Period:	Annual				
Nominal Annual Rate:	3.500%				
<b>Cash Flow Data - Leases and Lease Payments</b>					
Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	183,653.97	1		
2 Lease Payment	03/16/2022	50,000.00	4	Annual	03/16/2025
<b>TValue Amortization Schedule - Normal, 365 Day Year</b>					
Date	Lease Payment	Interest	Principal	Balance	
Lease 03/16/2021				183,653.97	
<b>2021 Totals</b>	<b>0.00</b>	<b>0.00</b>	<b>0.00</b>		
1 03/16/2022	50,000.00	6,427.89	43,572.11	140,081.86	
<b>2022 Totals</b>	<b>50,000.00</b>	<b>6,427.89</b>	<b>43,572.11</b>		
2 03/16/2023	50,000.00	4,902.87	45,097.13	94,984.73	
<b>2023 Totals</b>	<b>50,000.00</b>	<b>4,902.87</b>	<b>45,097.13</b>		
3 03/16/2024	50,000.00	3,324.47	46,675.53	48,309.20	
<b>2024 Totals</b>	<b>50,000.00</b>	<b>3,324.47</b>	<b>46,675.53</b>		
4 03/16/2025	50,000.00	1,690.80	48,309.20	0.00	
<b>2025 Totals</b>	<b>50,000.00</b>	<b>1,690.80</b>	<b>48,309.20</b>		
<b>Grand Totals</b>	<b>200,000.00</b>	<b>16,346.03</b>	<b>183,653.97</b>		



For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #1: Record annual payment, adjust lease liability

- Annual lease payment (T-Code 222)
 

DR 3500 Expenditure Control Cash (c/o 7xxx*, principal)	\$43,572.11	
DR 3500 Expenditure Control Cash (c/o 7401, interest)	\$6,427.89	
CR 0070 Cash on Deposit w/ OST		\$50,000.00
- Adjust lease liability for principal payment (T-Code 459)
 

DR 1716 Lease Obligations-Noncurrent	\$43,572.11	
CR 3600 GAAP Expenditure Offset (c/o 7xxx*)		\$43,572.11

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Record amortization of leased asset

- Leased asset value = \$233,653.97
- Lease term = 5 years (60 months)
- Monthly amortization of leased asset = \$3,894.23
- Record amortization of leased asset (T-Code 542)

DR1 3600 GAAP Expenditure Offset (c/o 74xx*)	\$3,894.23	
CR1 08xx* Amort. of Leased Asset		\$3,894.23
DR2 3018 Net Investment in Capital Assets	\$3,894.23	
CR2 3074 Change in Capital Assets		\$3,894.23

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Lease termination

- Recap of balances at 3/16/2024:
  - GL 08xx\* Leased Asset \$233,653.97
  - GL 08xx\* Amort. of Leased Asset \$140,192.28
  - GL 1281 Lease Obligations-Current \$0
  - GL 1716 Lease Obligations-Noncurrent \$94,984.73

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

Scenario #1: Lease termination (cont.)

- Eliminate excess asset value, record gain/(loss) (T-Code 537R)

DR1 08xx* <i>Leased Asset</i>	\$1,523.04	
CR1 3200 <i>GAAP Revenue Offset (c/o 2331*)</i>		\$1,523.04
DR2 3074 <i>Change in Capital Assets</i>	\$1,523.04	
CR2 3018 <i>Net Investment in Capital Assets</i>		\$1,523.04

\* New R\*STARS profiles proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

Scenario #1: Lease termination (cont.)

- Remove accumulated amortization (T-Code 573\*)

DR 08xx* <i>Amort. of Leased Asset</i>	\$140,192.28	
CR 2951 <i>System Clearing GL</i>		\$140,192.28

- Remove leased asset (T-Code 574\*)

DR 2951 <i>System Clearing GL</i>	\$140,192.28	
CR 08xx <i>Leased Asset*</i>		\$140,192.28

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Lease termination (cont.)

- Eliminate lease proceeds (T-Code 908)
 

DR 3200 GAAP Revenue Offset (c/o 1700)	\$94,984.73	
CR 1551 Deposit Liability		\$94,984.73
  
- Eliminate acquisition of the leased asset (T-Code 909)
 

DR 1551 Deposit Liability	\$94,984.73	
CR 3600 GAAP Expenditure Offset (c/o 5770)		\$94,984.73

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #1: Lease termination (cont.)

- Eliminate the lease liability (T-Code 462R)
 

DR 1716 Lease Obligations-Noncurrent	\$94,984.73	
CR 3200 GAAP Revenue Offset (c/o 1700)		\$94,984.73
  
- Establish the leased asset (T-Code 545R)
 

DR1 3600 GAAP Expenditure Offset (c/o 5770)	\$94,984.73	
CR1 08xx* Leased Asset		\$94,984.73
DR2 3018 Net Investment in Capital Assets	\$94,984.73	
CR2 3074 Change in Capital Assets		\$94,984.73

\* New R\*STARS profiles proposed by major asset class.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #2 - Lessor

- Building lease
  - 3-year non-cancellable lease of storage building.
  - Monthly payments of \$10,000 due in advance.
    - \$10,000 due at lease signing (first month).
  - Interest rate of 5%.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #2 – Initial lease receivable measurement

Label: Initial Lease Receivable Measurement

Compounding Period:  Nominal Annual Rate:  %

Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	Unknown	1		
2 Lease Payment	04/16/2021	10,000.00	35	Monthly	02/16/2024

Label: Initial Lease Receivable Measurement

Compounding Period:  Nominal Annual Rate:  %

Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	325,047.22	1		
2 Lease Payment	04/16/2021	10,000.00	35	Monthly	02/16/2024

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

### Scenario #2: Establish lease receivable and deferred inflow

- Establish lease receivable (T-Code 498\*)
 

DR 0941* <i>Lease Receivable-Noncurrent</i>	\$325,047.22	
CR 1861* <i>Deferred Inflow - Lease Receivable</i>		\$325,047.22
  
- Establish allowance (T-Code 498R)
 

DR 1861* <i>Deferred Inflow - Lease Receivable</i>	\$0.00	
CR 0942* <i>Allowance for Doubtful Lease Receivable-NC</i>		\$0.00

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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### Scenario #2: Adjust deferred inflow for initial lease payment

- Record initial lease payment (T-Code 190)
 

DR 0070 <i>Cash on Deposit w/ OST</i>	\$10,000.00	
CR 3100 <i>Revenue Control Cash (c/o 0687*)</i>		\$10,000.00
  
- Adjust deferred inflow to reflect lease payment received (T-Code 522R\*)
 

DR 3200 <i>GAAP Revenue Offset (c/o 0687*)</i>	\$10,000.00	
CR 1861* <i>Deferred Inflow - Lease Receivable</i>		\$10,000.00

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Scenario #2 – Lease amortization schedule

Compounding Period: Monthly  
Nominal Annual Rate: 5.000%

**Cash Flow Data - Leases and Lease Payments**

Event	Date	Amount	Number	Period	End Date
1 Lease	03/16/2021	325,047.22	1		
2 Lease Payment	04/16/2021	10,000.00	35	Monthly	02/16/2024

**TValue Amortization Schedule - Normal, 365 Day Year**

Date	Lease Payment	Interest	Principal	Balance
Lease 03/16/2021				325,047.22
1 04/16/2021	10,000.00	1,354.36	8,645.64	316,401.58
2 05/16/2021	10,000.00	1,318.34	8,681.66	307,719.92
3 06/16/2021	10,000.00	1,282.17	8,717.83	299,002.09
4 07/16/2021	10,000.00	1,245.84	8,754.16	290,247.93
5 08/16/2021	10,000.00	1,209.37	8,790.63	281,457.30
6 09/16/2021	10,000.00	1,172.74	8,827.26	272,630.04
7 10/16/2021	10,000.00	1,135.96	8,864.04	263,766.00
8 11/16/2021	10,000.00	1,099.03	8,900.97	254,865.03
9 12/16/2021	10,000.00	1,061.94	8,938.06	245,926.97
<b>2021 Totals</b>	<b>90,000.00</b>	<b>10,879.75</b>	<b>79,120.25</b>	
10 01/16/2022	10,000.00	1,024.70	8,975.30	236,951.67
11 02/16/2022	10,000.00	987.30	9,012.70	227,938.97
12 03/16/2022	10,000.00	949.75	9,050.25	218,888.72
13 04/16/2022	10,000.00	912.04	9,087.96	209,800.76
14 05/16/2022	10,000.00	874.17	9,125.83	200,674.93
15 06/16/2022	10,000.00	836.15	9,163.85	191,511.08

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #2: Record monthly payment, adjust lease receivable

- Record monthly lease payment (T-Code 190)

DR 0070 Cash on Deposit w/ OST	\$10,000.00	
CR 3100 Revenue Control Cash (c/o 0687*)		\$8,645.64
CR 3100 Revenue Control Cash (c/o 0802*)		\$1,354.36

- Adjust lease receivable for principal payment (T-Code 560\*)

DR 3200 GAAP Revenue Offset (c/o 0687*)	\$8,645.64	
CR 0941* Lease Receivable-Noncurrent		\$8,645.64

\* New R\*STARS profile requested

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)



## Scenario #2: Record amortization of deferred inflow

- Deferred inflow balance = \$335,047.22
- Lease term = 3 years (36 months)
- Monthly amortization of deferred inflow = \$9,306.87
- Record amortization of deferred inflow (T-Code 522\*)

DR 1861* <i>Deferred Inflow - Lease Receivable</i>	\$9,306.87	
CR 3200 <i>GAAP Revenue Offset (c/o 2347*)</i>		\$9,306.87

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #2: End of the lease term

- Recap of balances at 2/16/2024:
  - GL 0506\* *Lease Receivable-Current* \$0.00
  - GL 0941\* *Lease Receivable-Noncurrent* \$0.00
  - GL 0942\* *Allowance for Doubtful Lease Receivable-NC* \$0.00
  - GL 1861\* *Deferred Inflow - Lease Receivable* \$0.10

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Scenario #2: End of lease term (cont.)

- Calculation of gain/(loss) on lease receivable
  - Difference between the lease receivable balance and the deferred inflow balance.

- Record gain/(loss) on lease (T-Code 522R\*)

DR 3200 GAAP Revenue Offset (c/o 2332*)	\$0.10	
CR 1861* Deferred Inflow - Lease Receivable		\$0.10

\* New R\*STARS profile proposed.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Summary

Next steps to prepare for GASB 87 implementation on July 1, 2021.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

## Summary: *next steps*

- Assign roles and responsibilities to agency staff assisting with implementation efforts.
- Identify leases subject to the GASB 87 reporting requirements.
  - Evaluate all contracts and agreements (including purchase orders) to determine if they meet the definition of a lease or if they contain an imbedded lease.
  - Establish a process to quickly separate noncancelable leases from short-term leases.
- Use the lease data matrix to gather the applicable data elements to measure the leases.
- Acquire T-Value licenses to streamline the lease measurement process (recommended).

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Summary: *next steps (cont.)*

- Modify the agency's internal accounting structure, as needed, to comply with the statewide account profile changes (e.g. new agency object codes).
- Prepare to enter financial transactions beginning 7/1/2021 (FY 2022).
- Develop internal processes to streamline lease reporting on the go forward.
- SARS will update the OAM to reflect the new lease reporting requirements by Summer 2021.
- SARS will update applicable lease disclosures by Spring 2022.

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Agency implementation: *GASB survey*

- Track staff hours and non-staff costs associated with completing the YEC process for **FY 2021** (the year prior to implementation).
- Track staff hours and non-staff costs specifically associated with implementing Statement 87.
- Provide a description of any parts of Statement 87 that your agency found particularly difficult to apply.
- Track staff hours and non-staff costs associated with completing the YEC process in **FY 2022** (the year of implementation).
- Track staff hours and non-staff costs associated with completing the YEC process in **FY 2023** (the year after implementation).

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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## Summary: *other resources*

- SARS training and resources webpage:  
<https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>
  - Implementation timeline
  - Lease data matrix
  - List of proposed R\*STARS Chart of Account changes
  - List of GASB 87 entries
  - GASB 87 Scope Guide
  - Decision Tree – Lessee
  - Decision Tree – Lessor

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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**Slide 71**

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**CSA\*D2** Refer to CAFR contacts email and survey template

CHASE Stacey A \* DAS, 3/2/2021

## Summary: *other resources (cont.)*

- GASB Statement No. 87, *Leases*:
  - [https://gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true](https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true)
- GASB Implementation Guide 2019-3, *Leases*:
  - [https://gasb.org/jsp/GASB/Document\\_C/DocumentPage?cid=1176173189687&acceptedDisclaimer=true](https://gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176173189687&acceptedDisclaimer=true)
- DAS Publishing & Distribution centralized copier services
  - Contact: Tim Hendrix, *State Printer*
  - [Tim.Hendrix@Oregon.gov](mailto:Tim.Hendrix@Oregon.gov)

For more info . . .  
Send an email to: [Stacey.A.Chase@Oregon.gov](mailto:Stacey.A.Chase@Oregon.gov)

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