

## Lease Sample Transactions

Follow [Governmental Accounting Standards Board Statement 87](#) when making determinations regarding leases and lease attributes.

The following example journal entries are for governmental funds only. Additional entries will be required to convert to the government-wide financial statements.

### Governmental Funds Lessee Entries

#### At Inception of the Lease

XX E 32X XXXXXX	Various Rental Exp.	\$\$	
XX R 878	Lease Proceeds		\$\$

The debit lease expenditure should be recorded to the applicable WUFAR Fund, Object and Function based on the type of non-financial asset being leased. Objects 322 Computers and Technology Related Equipment, 325 Vehicle and Equipment Rental, 326 Site Rental, and 328 Building Rental are used for the initial lease expenditure in the above entry.

The initial value of the lease used in the entry is calculated as the present value of lease principal payments. The calculation does not include lease payments that are dependent on a lessee's performance or usage of an underlying asset. If the present value of lease payments (or implicit interest rate) is not specified in the contract, the districts incremental borrowing rate should be used to calculate the present value. The following other lease related payments may be included in the present value of payments in the lease term:

The present value of the following payments should be included in initial value, if required by the lease:

1. Fixed payments, less any lease incentives receivable from the lessor.
2. Variable payments based on an index or rate (such as CPI), using the rate as of the beginning of lease.
3. Variable payments that are fixed in substance.
4. Residual value guarantees reasonably certain of being required.
5. Purchase options reasonably certain of being exercised.
6. Termination penalties if lease term reflects lessee exercising termination options/fiscal funding clauses.
7. Any other reasonably certain payments.

If your lease requires any payments in addition to the fixed lease payments, we suggest reviewing GASBS 87 in detail, reviewing Implementation Guide 2019-003, Leases for relevant questions, reviewing a lease tool, and/or contacting your auditor to determine the correct initial value.

#### Lease Principal and Interest Payments

XX E 678 2810000	Lease Principal	\$\$	
XX E 688 2810000	Lease Interest	\$\$	
XX B 711000	Cash		\$\$

Payments of principal and interest on leases are made from the same fund that recorded the initial lease transaction.

The outstanding long-term liability that relates to the Lease Liability will be recorded in 08-842600 on the annual and budget reports.

### Modification, Remeasurement & Termination Entries

If the lease modification, remeasurement, or termination decreases the lease liability:

XX E 678 281000	Lease Principal	\$\$	
XX R 969 500000	Other Adjustments		\$\$

If the lease modification or remeasurement increases the lease liability:

XX E 969 492000	Other Adjustments	\$\$	
XX R 878	Lease Proceeds		\$\$

The implementation of GASBS 87 may require the restatement of beginning fund balance. Because the PI-1505 Annual Report beginning balances must tie to prior year ending PI-1505 balances, the district must record the amount of the restatement for GASBS 87 implementation as a current year revenue or expenditure using source or object 969 Other Adjustments as shown in the above entries. In the audited financial statements, the beginning balances must be properly restated, and the source or object 969 adjustment must be removed.

### Governmental Funds Lessor Entries

At Inception of the Lease

XX A 713400	Lease Receivable	\$\$	
XX L 880000	Deferred Inflows of Resources		\$\$

The lease receivable is initially measured based on the present value of future lease payments to be received. A corresponding deferred inflow of resources, measured at the initial value of the lease receivable, is recorded to reflect that the receivable relates to future periods.

The present value of future lease payments should include the following, if required by a lease:

1. Fixed payments
2. Variable payments based on an index or rate (such as CPI), using the rate as of the beginning of lease.
3. Variable payments that are fixed in substance, excluding variable lease payments that are dependent on a lessee's performance or usage of the underlying asset.
4. Residual value guarantee payments that are fixed in substance.
5. Any lease incentives payable to the lessee.
6. Less provision for uncollectible accounts.

If your lease requires any payments in addition to the fixed lease payments, we suggest reviewing GASBS 87 in detail, reviewing Implementation Guide 2019-003, Leases for relevant questions, reviewing a lease tool, and/or contacting your auditor to determine the correct initial value.

### Lease Payments Received

XX A 711000	Cash	\$\$	
XX A 713400	Lease Receivable	\$\$	
XX R 280	Interest Revenue	\$\$	

Systematically (i.e. monthly, quarterly, annually) over the Lease Term

XX L 880000	Deferred Inflows of Resources	\$\$	
XX R 293	Rentals		\$\$

Lease revenue and a corresponding reduction in the deferred inflows of resources are recorded systematically over the term of the lease, including recognizing interest revenue related to the receivable. This is calculated using straight line over the term of the lease.

#### Modification, Remeasurement, & Termination Entries

If the lease modification or remeasurement increases the lease receivable:

XX A 713400	Lease Receivable	\$\$	
XX L 880000	Deferred Inflows of Resources		\$\$

If the lease modification, remeasurement, or termination decreases the lease receivable:

XX L 880000	Deferred Inflows of Resources	\$\$	
XX A 713400	Lease Receivable		\$\$

The implementation of GASBS 87 may require the restatement of beginning fund balance. Because the PI-1505 Annual Report beginning balances must tie to prior year ending PI-1505 balances, the district must record the amount of the restatement for GASBS 87 implementation as a current year revenue or expenditure using source or object 969 Other Adjustments as shown in the above entries. In the audited financial statements, the beginning balances must be properly restated, and the source or object 969 adjustment must be removed.

#### Governmental Fund Contracts that Transfer Ownership

At Inception of Contract

XX E 5XX XXXXXX	Expenditure	\$\$	
XX R 871	Contracts that Transfer Ownership Proceeds		\$\$

The debit expenditure should be recorded to the applicable WUFAR Fund, Object and Function based on the type of non-financial asset being transferred in the contract. Because the contract transfers ownership finances the purchase of the assets, the appropriate 500 Capital Objects WUFAR code should be used.

#### Principal and Interest Payments

XX E 671 281000	Contract Transfer Ownership Principal	\$\$	
XX E 681 281000	Contracts that Transfer Ownership Interest		\$\$
XX A 711000	Cash		\$\$

The outstanding long-term liability that relates to the Contract that Transfers Ownership will be recorded in 08-842800 on the annual and budget reports.

#### Governmental Fund Lease Implementation

Lessees:

If the implementation of GASBS 87 decreases lease liability:

XX E 671 281000	Lease Principal	\$\$	
XX R 969 500000	Other Adjustments		\$\$

If the implementation of GASBS 87 increases lease liability:

XX E 969 492000	Other Adjustments	\$\$	
XX R 871 281000	Lease Proceeds		\$\$

The implementation of GASBS 87 may require the restatement of beginning fund balance. Because the PI-1505 Annual Report beginning balances must tie to prior year ending PI-1505 balances, the district must

record the amount of the restatement for GASBS 87 implementation as a current year revenue or expenditure using source or object 969 Other Adjustments as shown in the above entries. In the audited financial statements, the beginning balances must be properly restated, and the source or object 969 adjustment must be removed.

Lessors:

XX A 713400	Lease Receivable	\$\$	
XX L 880000		Deferred Inflows of Resources	\$\$

In the audited financial statements, the implementation may require a restatement of beginning fund balance. Because the PI-1505 Annual Report beginning balances must tie to prior year ending PI-1505 balances, use object or source 969 for the beginning balance restatement entry depending on the values of the Lease Receivable and Deferred Inflow-Lease Receivable at the time of implementation.