

Instructions for Completing the GASB 87 Annual Reporting Submission Workbook

I. Background

Under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, a lessee is required to recognize a lease liability and an intangible asset representing the lessee's right to use the leased asset.

GASB 87 requires a different accounting treatment for each of the following three categories of contracts:

1. Short-term leases:

Defined as 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. The following may change the assumption of a short-term lease:

- For a lease that is cancelable by either the lessee or the lessor, the maximum possible term is the noncancelable period (where neither the lessor nor the state can cancel the lease for any reason).
- If both the lessor and the state have an option to terminate without permission from the other party (or if both parties must agree to extend, those periods are cancelable).
- If beyond the noncancelable period, the state is in a 'holdover period' operating under the lease but in a month-to-month or year-to-year, the maximum possible term is the noncancelable period including any notice period (either a month or a year).

If your department has a short-term lease but has modified the lease to extend beyond 12 months, it is not a short-term lease.

EXAMPLE: A state department engages a landlord for office space for 12 months due to a remodeling of the department's headquarters. Two months into construction, the contractor notifies the department that the remodeling will take 36 months due to unforeseen issues. The department notifies the landlord that the office space is needed for 36 months in total. The landlord agrees to the contract modification. This lease would no longer be short-term and would need to be assessed from the beginning of the original contract term. See "leases" in #3 below.

2. Contracts that transfer ownership (referred to as "financed purchases" hereinafter):

Defined as a contract that transfers ownership of the underlying asset to the purchaser by the end of the contract and does not contain termination options.

Note that the mere inclusion of a bargain purchase option does not qualify as a transfer of ownership—the ownership transfer must not contain termination options.

3. Leases other than short-term leases and contracts that transfer ownership (referred to as "leases" hereinafter):

All other leases that do not meet the definition of short-term leases or contracts that transfer ownership. GASB 87 defines a lease as 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.

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Since there are specific criteria under GASB 87 that must first be evaluated before a contract's information is entered into the workbook, the SCO strongly encourages departments to gain an understanding of the GASB 87 accounting and reporting requirements for leases.

For further guidance, we strongly encourage departments to use the "GASB 87 Leases Implementation Part I GASB 87 Overview" and "GASB 87 Leases Implementation Part II Business Process" documents published on the SCO website: https://sco.ca.gov/sard_gaap_basis_reporting.html before completing this template.

The GASB 87 Lessee, Lessor, and Financed Purchase Templates are Excel workbooks developed by the SCO to provide departments with a tool that will help them generate the information for the journal entries and note disclosures required under GASB 87. Upon generating the information for each asset, consolidate the entries and note disclosures by fund, using the GASB 87 Annual Reporting Submission Workbook.

This document outlines the steps a department will need to take and information it will need to consider in order to compile the GASB 87 Annual Reporting Submission Workbook.

II. Annual Reporting Submission Workbook Scope and Applicability

Contract type:

The Annual Reporting Submission Workbooks has a separate set of tabs for each lease type (lessor, lessee, and financed purchase) described above.

Threshold:

Departments should compile the Annual Reporting Submission Workbooks for all templates that were prepared. Refer to the instructions for each template type for the required threshold.

III. Annual Reporting Submission Workbook Worksheets

A. Lessee Worksheets

1. Version Changes - *Informative only.*

This is an informative summary of the changes between versions of the Annual Reporting Submission Workbook. Refer to the "Required Action" column to identify necessary changes in preparation. No input is required on this tab.

2. LS-Fund ##### Journal Entries - *Compile and submit one copy for each fund.*

This worksheet is used to summarize all lessee contracts for one fund. Fill out all yellow cells, using the directions below. Rename the tab, replacing "#####" with the 4-digit fund number.

- a. **Fiscal Year** – select the reporting fiscal year from the drop down menu.
- b. **Organization Name** – type the organization name.
- c. **Organization Code** – type the 4-digit organization code.
- d. **Fund Number** – type the 4-digit fund number.

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- e. **Fund Classification** – select if the fund is classified as “governmental” or “proprietary” from the drop down menu.
- f. **Fund Type** – select if the fund is “governmental”, “proprietary – internal service fund”, or “proprietary – enterprise fund” from the drop down menu.
- g. **Entry #0** – In columns M and N, summarize the totals from Entry #0 on all lessee templates and lessee modification templates for this fund. In columns P and Q, enter the beginning balance that SCO GAAP has on hand. Ensure the entry balances. Find the SCO GAAP Beginning Balances published on the SCO Website:
https://sco.ca.gov/sard_gaap_basis_reporting.html
- h. **Entries #1–10** – In columns J and K, summarize the totals from the respective entries on all lessee templates and lessee modification templates for this fund. Ensure that all entries are balanced.

NOTE: Before completing a lessee modification template, review the instructions for remeasurement and modifications to ensure that the modification is required, necessary, AND significant. The lessee modification template should only be used when certain conditions are met. The annual change in IBR published by SCO does NOT qualify (on its own) as a justification for remeasurement.

3. LS-Department Note Disclosure - *Compile and submit only one copy, it encompasses all funds.*

This worksheet summarizes the note disclosures from all lessee templates for the entire department/organization. The worksheet is split into three sections – Governmental Funds, Proprietary – Internal Service Funds, and Proprietary – Enterprise Funds. Fill out all yellow cells, using the directions below.

- a. **Fiscal Year** – select the reporting fiscal year from the drop down menu.
- b. **Organization Code** – type the 4-digit organization code.
- c. **Organization Name** – type the organization’s name.
- d. **Principal Payments** – summarize the future principal payments from all lessee templates and lessee modification templates. Ensure that principal payments are entered into the correct table - Governmental, Proprietary ISF, or Proprietary EF. Please enter amounts rounded to the nearest dollar.
- e. **Interest Payments** – summarize the future interest payments from all lessee templates and lessee modification templates. Ensure that interest payments are entered into the correct table - Governmental, Proprietary ISF, or Proprietary EF. Please enter amounts rounded to the nearest dollar.
- f. **Questions in Column D** – consolidate the answers from questions 1-4 on the lessee templates and lessee modification templates. If any fund answered “yes”, mark “yes” here. Answer question 5 (not included on the lessee templates) – are there any new lessee contracts subsequent to the current reporting year? If so, enter the amount of principal payments due the next reporting period.

4. LS-Lease Liabilities - *Compile and submit only one copy, it encompasses all funds.*

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This worksheet tables the change in lease liability, as required for disclosure in the State ACFR. The table is split between Governmental Funds, Proprietary ISF, and Proprietary EF. Manually fill out all of the yellow cells by taking the sum of “Acct 0691 – Right-To-Use Lease Liability” for each journal entry presented. Enter all numbers, including deductions, as positive values.

5. LS-Check Figures - *Compile and submit only one copy, it encompasses all funds.*

The purpose of this worksheet is to ensure that all information presented balances and tie before submitting to the SCO. If your department only has one fund with lease contracts (and thus only one copy of worksheet “LS-Fund ##### Journal Entries”) the yellow cells will automatically populate. Ensure that all ‘variances’ are zero, or make adjustments as needed.

If your department has multiple funds with lease contracts (and thus multiple copies of worksheet “LS-Fund ##### Journal Entries”, manually update the yellow cells to total “Acct 0691 – Right-To-Use Lease Liability” for each journal entry indicated. Be sure to separate the sums based on Governmental Funds, Proprietary ISF, and Proprietary EF. Ensure that all ‘variances’ are zero, or make adjustments as needed.

B. Lessor Worksheets

1. Version Changes - *Informative only.*

This is an informative summary of the changes between versions of the Annual Reporting Submission Workbook. Refer to the “Required Action” column to identify necessary changes in preparation. No input is required on this tab.

2. LR-Fund ##### Journal Entries - *Compile and submit one copy for each fund.*

This worksheet is used to summarize all lessor contracts for one fund. Fill out all yellow cells, using the directions below. Rename the tab, replacing “#####” with the 4-digit fund number.

- a. **Fiscal Year** – select the reporting fiscal year from the drop down menu.
- b. **Organization Name** – type the organization name.
- c. **Organization Code** – type the 4-digit organization code.
- d. **Fund Number** – type the 4-digit fund number.
- e. **Fund Classification** – select if the fund is classified as “governmental” or “proprietary” from the drop down menu.
- f. **Fund Type** – select if the fund is “governmental”, “proprietary – internal service fund”, or “proprietary – enterprise fund” from the drop down menu.
- g. **Entry #0** – In columns M and N, summarize the totals from Entry #0 on all lessor templates and lessor modification templates for this fund. In columns P and Q, enter the beginning balance that SCO GAAP has on hand. Ensure the entry balances. Find the SCO GAAP Beginning Balances published on the SCO Website:
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- h. **Entry #1–6** – In columns J and K, summarize the totals from the respective entries on all lessor templates and lessor modification templates for this fund. Ensure that all entries are balanced.

NOTE: Before completing a lessor modification template, review the instructions for remeasurement and modifications to ensure that the modification is required, necessary, AND significant. The lessor modification template should only be used when certain conditions are met. The annual change in IBR published by SCO does NOT qualify (on its own) as a justification for remeasurement.

3. LR-Department Note Disclosure - *Compile and submit only one copy, it encompasses all funds.*

This worksheet summarizes the note disclosures from all lessor templates and lessor modification templates for the entire department/organization. The worksheet is split into three sections – Governmental Funds, Proprietary – Internal Service Funds, and Proprietary – Enterprise Funds. Fill out all yellow cells, using the directions below.

- a. **Fiscal Year** – select the reporting fiscal year from the drop down menu.
- b. **Organization Code** – type the 4-digit organization code.
- c. **Organization Name** – type the organization’s name.
- d. **Principal Receipts** – summarize the future principal receipts from all lessor templates and lessor modification templates. Ensure that principal receipts are entered into the correct table - Governmental, Proprietary ISF, or Proprietary EF. Please enter values rounded to the nearest dollar.
- e. **Interest Receipts** – summarize the future interest receipts from all lessor templates and lessor modification templates. Ensure that interest receipts are entered into the correct table - Governmental, Proprietary ISF, or Proprietary EF. Please enter values rounded to the nearest dollar.
- f. **Questions in Column E** – consolidate the answers from questions 1-2 on the lessor templates and lessor modification templates. If any fund answered “yes”, mark “yes” here.

4. LR-Check Figures - *Compile and submit only one copy, it encompasses all funds.*

The purpose of this worksheet is to ensure that all information presented balances and tie before submitting to the SCO. If your department only has one fund with lessor contracts (and thus only one copy of worksheet “LR-Fund ##### Journal Entries”) the yellow cells will automatically populate. Ensure that all ‘variances’ are zero, or make adjustments as needed.

If your department has multiple funds with lessor contracts (and thus multiple copies of worksheet “LR-Fund ##### Journal Entries”, manually update the yellow cells to total “Acct 0417 – LEASES RECEIVABLE – NONCURRENT” for each journal entry indicated. Be sure to separate the sums based on Governmental Funds, Proprietary ISF, and Proprietary EF. Ensure that all ‘variances’ are zero, or make adjustments as needed.

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C. Financed Purchase Worksheets

1. Version Changes - *Informative only.*

This is an informative summary of the changes between versions of the Annual Reporting Submission Workbook. Refer to the “Required Action” column to identify necessary changes in preparation. No input is required on this tab.

2. FP-Fund ##### Journal Entries - *Compile and submit one copy for each fund.*

This worksheet is used to summarize all financed purchase contracts for one fund. Fill out all yellow cells, using the directions below. Rename the tab, replacing “#####” with the 4-digit fund number.

- a. **Fiscal Year** – select the reporting fiscal year from the drop down menu.
- b. **Organization Name** – type the organization name.
- c. **Organization Code** – type the 4-digit organization code.
- d. **Fund Number** – type the 4-digit fund number.
- e. **Fund Classification** – select if the fund is classified as “governmental” or “proprietary” from the drop down menu.
- f. **Fund Type** – select if the fund is “governmental”, “proprietary – internal service fund”, or “proprietary – enterprise fund” from the drop down menu.
- g. **Entry #0** – In columns M and N, summarize the totals from Entry #0 on all financed purchase templates for this fund. In columns P and Q, enter the beginning balance that SCO GAAP has on hand. Ensure the entry balances. Find the SCO GAAP Beginning Balances published on the SCO Website: https://sco.ca.gov/sard_gaap_basis_reporting.html
- h. **Entry #1–7** – In columns J and K, summarize the totals from the respective entries on all financed purchase templates for this fund. Ensure that all entries are balanced.

3. FP-Lease Liabilities - *Compile and submit only one copy, it encompasses all funds.*

This worksheet tables the change in financed purchase liability, as required for disclosure in the State ACFR. The table is split between Governmental Funds, Proprietary ISF, and Proprietary EF. Manually fill out all of the yellow cells by taking the sum of “Acct 0695 - OTHER NONCURRENT LIABILITIES” for each journal entry presented. Enter all numbers, including deductions, as positive values.

IV. Closing

Now that you’ve completed the GASB 87 Annual Reporting Submission Workbook and ensured that there are no variances in the check figures tab, use the information to verify or complete Report 18 for the GASB 87 Right-To-Use intangible assets. Worksheet “LS-Fund ##### Journal Entries” indicates, in red, the amounts that should be included on Report 18 as beginning balance, additions, and deductions. If the Report 18 needs to be updated after completing the GASB 87 Annual Reporting Submission Workbook or if changes were made to the right-to-use leased intangible assets on Report 18 after initial submission to SCO (as part of capital assets), resubmit the Report 18 with updated amounts for the right-to-use leased intangible assets along with the GASB 87 Annual Reporting Submission Workbook.