

Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

June 22, 2022

MEMORANDUM OSRAP 22-14

TO: Fiscal Officers
State Entities

FROM: Brian Fleming, CPA
State Accounting System Director

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB)
Statement No. 87, *Leases* (GASB 87) – **Lease Reporting Materiality Threshold**

PURPOSE

The purpose of this bulletin is to provide State Entities with the threshold that the Office of Statewide Reporting and Accounting Policy (OSRAP) has adopted for GASB 87 reporting of leases within the State's Annual Comprehensive Financial Report (ACFR) as well as the State Entities' respective Annual Fiscal Reports (AFR).

BACKGROUND

For general background on the State's GASB 87 implementation initiative, please refer to [OSRAP Memo 22-07, Implementation of Governmental Accounting Standards Board \(GASB\) Statement No. 87, Leases \(GASB 87\)](#). For recommended methodology and procedures to be performed in completion of a lease landscape assessment, entities should refer to [OSRAP Memo 22-11, Implementation of Governmental Accounting Standards Board \(GASB\) Statement No. 87, Leases \(GASB 87\) – Lease Landscape Assessment](#). In addition, refer to the GASB 87 Lease Guidance section in the AFR portal at <https://wwwcfprd.doa.louisiana.gov/osrapPortal/login.cfm> for further documentation pertaining to GASB 87 technical guidance.

APPLICATION OF GASB 87 REPORTING THRESHOLD

Transition leases¹ and new leases commencing post-transition

OSRAP has set a threshold of \$100,000 to be applied in the identification and reporting of leases under GASB 87. This threshold should be evaluated against the total contract value, following the guidelines listed below.

- The lease reporting threshold is applicable to lessee and lessor leases of all types including, but not limited to, leases of land, buildings, office space, vehicles, printers, computers, and other equipment.
- Total contract value should be measured as the gross (undiscounted) aggregate value of fixed and fixed-in-substance cash flows remaining over the term of the contract, including reasonably certain renewal periods. For transition leases only, the cash flows from periods prior to the transition date of July 1, 2021, may be excluded from the total contract value.
- A single lease contract with a total contract value over \$100,000 for the lease of multiple similar underlying assets with the same lease terms (e.g. 100 computers with a 3-year lease term) should be reported regardless of the value of each individual asset.
- A single contract² with a contract value over \$100,000 that contains multiple components will require further evaluation. Such components may include non-lease components (such as services) and lease components consisting of (1) multiple underlying assets with different lease terms or (2) multiple underlying assets that are in different asset classes (e.g. land, building, office space, equipment, etc.). For these types of contracts, the reporting threshold of \$100,000 may be applied to the value of each identified lease component rather than the total contract value. When it is not practical to allocate the total contract value amongst the identified non-lease component(s) and/or the lease component(s), the contract may be treated as a single lease unit.

Individual contracts with a total contract value under \$100,000 require no evaluation for lease reporting under GASB 87. Any contract identified as a lease or as having a lease component(s) that is below the \$100,000 threshold based on guidelines provided above may be recorded in the same manner as a short term lease with rent payments reported as expense (lessee) or revenue (lessor) on the income statement as those payments become due based on the terms of contract. Leases below the \$100,000 threshold are essentially scoped out of GASB 87 due to materiality considerations and, therefore, will not be reported on the balance sheet or subject to GASB 87 disclosure requirements.

¹ Transition leases are those which were in effect as of the State's transition date (July 1, 2021) for implementing GASB 87.

² This includes service agreements, supply contracts, licensing agreements, or other types of arrangements (i.e., contracts not labeled as "leases" or "rent agreements") that may contain a lease component(s) or a right to control the use of an asset (i.e., embedded leases).

Lease modifications

For leases that were recorded on the balance sheet (i.e., total contract value over \$100,000 at the transition or lease commencement date), all modifications to such leases are to be recorded in compliance with GASB 87. In other words, there is no separate threshold for the lease modification itself.

Leases that were originally scoped out of GASB 87 due to materiality considerations (i.e. not recorded on balance sheet) should be re-evaluated when a lease modification occurs. If the lease modification causes the total contract value of the remaining cash flows to exceed \$100,000, the lease should be recorded on the balance sheet.

STATE ENTITIES WITH STAND-ALONE FINANCIAL STATEMENTS

State entities that have their own stand-alone financial statements should consider their own materiality and reduce the \$100,000 threshold, if necessary, when preparing their stand-alone financial statements. If it is necessary that a state entity use a lower threshold for their separate stand-alone financial statements, they may use that same lower threshold for their AFR.

LEASECONTROLLER CONSIDERATIONS

- Leases below the threshold are not required to be entered into LeaseController; however, if they are entered, the *immaterial* attribute should be selected.
- If immaterial leases have already been submitted for approval without the *immaterial* attribute, such leases do not need to be deleted. The respective member(s) of the State Entity assigned as Approver(s) within LeaseController can push such immaterial leases back to Reviewers, who can then push it back to Preparers to add the *immaterial* attribute. These leases should remain in “pending approval” status (i.e. reviewed for accuracy but not subject to final approval) to ensure they do not feed into the LeaseController financial reports.
- For State Entities with stand-alone financial statements that need to enter leases below the threshold, the *material to stand-alone only* attribute should be selected.

INQUIRIES

Any question concerning this bulletin can be directed to Rhonda Coston at Rhonda.Coston@la.gov (cc: LeaseAccountingCOE@deloitte.com) or 225-342-1093.