

## Procedures for Removing Pre-GASB 87 Lease Balances and Assets for AP Leases

### SABHRS Balance and Asset Identification

1. Identify lease liability balances (Accounts 2104 and 2124) which carried into fiscal year 2022.
  - a. The lease note information provided to the State Accounting Bureau for capital leases during FYE 2021 would be a good starting point.
2. Identify Financed Purchases (Installment Purchases) within those balances
  - a. A contract that both
    - i. transfers ownership of the underlying asset to the lessee by the end of the contract (not optional).
    - ii. does not contain termination options
      1. The following are not considered to be termination options
        - a. Purchase of the underlying asset
        - b. Payment of all sums due
        - c. Default on payments
        - d. A fiscal funding or cancellation clause that is not reasonably certain of being exercised
  - b. Financed Purchases are not leases under GASB 87 and will continue to be recorded in accounts 2104 and 2124, which will be updated to be identified as financed purchase liabilities, while the associated assets will remain unmodified.
3. For the remaining 2104 and 2124 balances that are not financed purchases
  - a. Identify Assets recorded in SABHRS and associated with the balances
    - i. Some lease liabilities may not have associated assets because assets were only recorded for leases with values over capitalization thresholds.
  - b. Follow the procedures below for reversing lease liability balances and retiring lease assets.
  - c. Note all reversals on the SAB's shared [Pre-GASB 87 Lease Reversal Spreadsheet](#).
  - d. Evaluate the agreements associated with the reversed balances and determine if the leases should be recorded as leases in the SABHRS Lease Administration Module (LAM) using MOM 336 (Accounting for Leases as a Lessee).
    - i. All agreements, should be evaluated and recorded (if necessary) as if they commenced on 7/1/2021.
    - ii. Lease payments, made in the current year, for the reversed balances should be reclassified as directed by MOM 336, if the agreement will be recorded as a lease, or to a 62XXX account, if the agreement will not be recorded as a lease.

### Lease Liability Reversal

1. If balances have been adjusted after 6/30/2021 those adjustments should be reversed before the next step.
2. Record this entry for every existing 2104 and 2124 balance associated with an item that has not been identified as a financed purchase (Step 2 above).
  - a. Use the Entitywide ledger for governmental funds.

- b. Use the Actuals ledger for proprietary funds.
  - c. Debit 2104 and/or 2124
  - d. Credit 4xxx (Fund equity closing account appropriate to the fund)
3. Note all such adjustments on the SAB's shared [Pre-GASB 87 Lease Reversal Spreadsheet](#).

### Lease Asset Retirement

1. In SABHRS, Navigate to:
  - a. Main Menu > Asset Management > Asset Transactions > Asset Disposal > Retire/Reinstate Asset
    - i. Search for the asset under the appropriate "Business Unit" using the "Asset Identification" number or "Tag Number"
2. Select "Due to GASB 87" from the "Retire As" dropdown box
  - a. Press "Go"

Book Name: GOVERNMENT Governmental Assets for GASB34

Retire As: Due to GASB 87

Go

Copy Changes to Other Books

- b.
3. Change the "Trans Date" to 7/01/2021

Unit: 61010      Asset

Trans Date: 07/01/2021

- a.
4. Press "Save"

STATE OF MONTANA  
SABHRS FS

Retire Assets

Unit: [redacted]      Asset ID: [redacted]      Tag: [redacted]      Disposed:  In Physical Use

Trans Date: 07/01/2021      Acctg Date: 11/29/2021      Rate Type: CRRNT

Book Name: GOVERNMENT Governmental Assets for GASB34      Base Currency: USD      As Of: 11/29/2021

Retire As: Due to GASB 87      Go      Reinstate      Quantity: 1.0000      Cost: 5,116.06

Retirement

Date/Time: 11/29/21 12:09:44PM      Ret Status: New

\*Disposal Code: Due to GASB 87      Retirement Amt: -5,116.06 USD

Quantity: -1.0000      Base Removal Cost: 0.00

Removal Cost: 0.00      Pr Curr: USD

Proceeds: 0.00      Base Proceeds: 0.00

Convention: Actual Month Convention      Accum Depr: 0.00

Trans Code:      Gain/Loss: 0.00

Retire Option: Calculate Gain/Loss       Override Accum

Comments (0)

Save      Return to Search      Notify

- a.
5. Request a partial close from the State Accounting Bureau or wait for month end.
6. Once a close has been completed, navigate to:
  - a. Main Menu > Asset Management > Accounting Entries > Review Financial Entries
    - i. Search for the asset under the appropriate "Business Unit" using the "Asset Identification" number or "Tag Number"

7. Locate the retirement entries signified with "RET"
  - a. Identify the amount recorded to Account "62808"

The screenshot shows the Accounting Entries interface for the State of Montana SABHRS FS. The interface includes a navigation bar with 'Main Menu', 'Asset Management', 'Accounting Entries', and 'Review Financial Entries'. Below the navigation bar, there are fields for 'Unit', 'Asset ID', 'Tag', and 'Disposed'. The main content area displays a table of Accounting Entries with the following columns: Acctg Date, Trans Type, Account, Amount, Detail, Fund Code, Program Code, Journal ID, GL Journal Line Number, and Journal Date. The entry for 11/29/2021 with account 62808 and amount 35,560.06 is highlighted in yellow.

Acctg Date	Trans Type	Account	Amount	Detail	Fund Code	Program Code	Journal ID	GL Journal Line Number	Journal Date
11/29/2021	RET	1704	-81,021.80	Detail	06530				
11/29/2021	RET	1709	25,425.75	Detail	06530				
11/29/2021	RET	62808	35,560.06	Detail	06530				

8. Create a journal entry in the appropriate ledger
  - a. Entitywide for Governmental Funds
  - b. Actuals for Proprietary Funds
9. Add lines for the "62808" amount recorded by the "RET" entries
  - a. Debit 4xxx (Fund equity closing account appropriate to the fund)
  - b. Credit 62808
10. Note all such reversals on the SAB's shared [Pre-GASB 87 Lease Reversal Spreadsheet](#).
  - a. The historical cost and accumulated depreciation for the spreadsheets will be the amounts from the "RET" entries.
  - b. Confirm that all Asset Account (1XXX) Balances for each reversed asset after closing. If a balance remains, please contact the State Accounting Bureau.