The Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. There is no longer an operating versus capital classification. Lessees will recognize a lease liability and an intangible right-to-use asset, and lessors will recognize a lease receivable and a deferred inflow of resources. Under some circumstances, contracts previously accounted for as leases will be treated as either financed purchases or expenses. Contracts that transfer ownership will also be included in the state’s GASB 87 accounting process, and will be classified as financed purchases.

GASB 87 is effective beginning fiscal year 2021–2022, and applies to leases of capital assets—including buildings, land, and equipment.

By July 1, 2021, state departments will convert their existing lease and financed purchase contracts in accordance with GASB 87. This will apply to existing lease and finance purchase contracts as well as new contracts. In anticipation for that, state departments need to start now to prepare for the July 1, 2021 GASB 87 implementation date.

**How to Prepare?**

a. Review the resources provided to learn and understand the requirements under GASB 87.
b. Review facilities leases with your agency’s facility and/or business services staff and collect documentation of all related agreements and contracts.

*You will only need to collect documentation for contracts that extend beyond June 30, 2021 — GASB 87 does not apply to contracts that end before June 30, 2021.*
c. Review and collect documentation of other existing leases and contracts. This process can be time-consuming, as lease contracts may be spread across the organization in different departments, divisions, and locations. Remember, an agreement may meet the definition of a lease under GASB 87 even if the word “lease” isn’t in the agreement. If the agreement qualifies as a financed purchase contract, it will also be included in our GASB 87 process and its documentation must be collected as well.
d. Create an inventory of all existing lease agreements, financed purchase contracts, and other similar contracts using the supplied *GASB 87 Pre-implementation Data Workbook* for lessee-type and lessor-type contracts. The Workbook will assist your department at determining how to classify your contracts. Input the relevant information for contracts where your department is the lessee in the “Lessee_Data” tab. Input the relevant information for contracts where your department is the lessor in the “Lessor_Data” tab.
e. Determine which agreements meet the GASB 87 definition of a lease or a financed purchase contract, and which can be excluded. Not all leases will meet the definition of a lease under GASB 87. For example, leases between state agencies are excluded. See the *Decision Tree* and *GASB 87 Scope* guides attached for more details. The *GASB 87 Pre-implementation Data Workbook* will also help you make this determination.
f. After completing the GASB 87 Pre-implementation Data Workbook, return it to the SCO to provide a record of your completion of this task by February 28, 2021. The SCO requires only one Workbook per department / business unit.

g. After returning the completed workbook to the SCO, please wait for further communication from the SCO and Department of Finance regarding policy updates and next steps for this implementation.

Resources

Guides and Resources (Click to follow link)
- GASB 87 Pre-implementation Data Workbook
- Lease Accounting Decision Tree – DRAFT
- GASB 87 Scope – DRAFT

GASB Literature and Resources (Click to follow link)
- GASB Statement No. 87, Leases
- GASB Implementation Guide No. 2019-3, Leases
- GASB Leases project webpage
- GASB Exposure Draft, Subscription-Based Information Technology Arrangements
- GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance