GASB 87

Hope Rispone
Director, Financial Accounting & Reporting

hope@lsu.edu
What is GASB 87?

• **Effective for fiscal year 2022**, 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.

• Complex statement that will reclassify “operating” leases and bring leases to the balance sheet.

• **State Lease Software – LeaseController** (Deloitte)
GASB 87 Leases

**Lease** – a contract that conveys control of the right to use another entity’s asset as specified in a contract for a period of time in an exchange or exchange-like transaction. (buildings, land, vehicles, equipment)

*LSU is both a Lessor and Lessee*
GASB 87 Lease Exceptions

- **Short term leases** – lease not exceeding 12 months
- **Licensing agreements or contracts for items such as motion pictures, software**
- **Contracts that transfer ownership**
- **Service concession arrangements**
- **Supply contracts**
- **Lease of inventories**
- **Lease of investments**
- **Lease of right to explore for natural resources (gas, oil) or biological assets (timber, plants, animals)**
- **Non-exchange transactions ($1 land lease agreements)**
GASB 87 Leases

Unknown Leases
Contracts labelled as leases but not tracked or reported as leases, oftentimes because of their materiality

Legacy (Known) Leases
Contracts labelled as leases/rent agreements. These contracts are often tracked and reported as leases under the legacy standard (GASB 62)

Embedded Leases
Contracts not labelled "leases" (e.g., service agreements) which contain components that are, in substance, leases (e.g., rights to control land, equipment, etc.)
GASB 87 Impact to Departments?

- **No Direct Impact**
  - Continue to work with Procurement to negotiate lease transactions
  - Record Lease Revenues or Expenses

- **Survey to Identify Leases**
  - Inventory of departmental leases
  - *Embedded leases*** - lease components that reside in contracts not specifically labeled as “lease” or “rental” agreements
Potential Embedded Leases

**TYPES OF ARRANGEMENTS**

- Easements or public-private/public-public partnerships with dedicated property or equipment
- Transportation agreements with dedicated vehicles
- Outsourced warehouse services, parking, or manufacturing arrangements
- IT (e.g., data management) arrangements or shared services with dedicated equipment
- Construction agreement with specific underlying equipment
- Research, development, stewardship collaborations
- Energy supply agreements with dedicated equipment

**TYPES OF UNDERLYING ASSETS**

- Land, air rights, etc.
- Common carriers; special mode vehicles (buses, planes, ambulances, etc.)
- Storage warehouse, manufacturing facility and contracted parking lots/garages
- Hardware (e.g., servers) deployed in IT data centers, antennas, scanners, printers, etc.
- Cranes at major construction sites for improvements, additions and new construction
- Facilities dedicated to R&D or stewardship activities
- Pipelines used for gas, panels for solar energy, etc.

*Note that this is not intended to be an exhaustive list, but merely aid in your consideration*
GASB 87 Contacts

Laurie Wales
*Associate Director, FAR*
llamb18@lsu.edu

Hope Rispone
*Director, FAR*
hope@lsu.edu