

## Public Sector Update

### GASB Statement No. 87 – Leases

By Jeffrey C. Shaver, CPA, Partner

Potentially pervasive changes are coming to lease accounting. Under the provisions of GASB Statement No. 87, nearly every lease will be considered a capital lease. While local governments and school districts would most likely be lessees in these kinds of transactions, some might also be involved in transactions where they are the lessor of these assets.

#### So, What's New?

##### For Lessees

Under this standard, lessees will now be required to recognize in their entity-wide Statement of Net Position a lease liability and an intangible right-to-use lease asset when the lease begins. The intangible asset will be similar to other capital assets by requiring amortization over the life of the lease term, similar to depreciation of tangible capital assets. Also similar to other capital assets, leases will need to be assessed for impairment.

##### For Lessors

Lessors will do the opposite. Lessors will recognize a lease receivable and a deferred inflow of resources at the start of a lease. The receivable will be reduced and revenue recognized as lease payments are received each year. The lessor will continue to report the capital asset on its own Statement of Net Position.

#### Effective Date

The provisions of this GASB Statement are **effective for fiscal years beginning after December 15, 2019 with earlier application encouraged.**

#### Action

Governmental entities should review this standard early to anticipate what changes might need to be made to policies, accounting procedures, laws and regulations.

#### Contact Us

If you have any questions on GASB No. 87 or any other matter related to public sector accounting and auditing, please contact any of those listed or a member of your client team.

Jeffrey C. Shaver, CPA, Partner (NY)  
[jshaver@pkfod.com](mailto:jshaver@pkfod.com)

David Gannon, CPA, Partner (NJ)  
[dgannon@pkfod.com](mailto:dgannon@pkfod.com)

Scott P. Oling, CPA, Partner (NY)  
[soling@pkfod.com](mailto:soling@pkfod.com)

Joseph Centofanti, CPA, Partner (CT)  
[icentofanti@pkfod.com](mailto:icentofanti@pkfod.com)

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