



Professional Standards Committee Highlights

GOVERNMENT INDUSTRY ALERT: GASB 87, LEASES



The CalCPA Governmental Accounting & Auditing Committee and California Committee on Municipal Accounting (CCMA) recently issued a Government Industry Alert that provides suggested guidance on key considerations related to GASB Statement No. 87, *Leases*. The Government Industry Alert includes the following information on the new lease standard, which is required to be implemented in financial statements with fiscal years beginning after June 15, 2021 (or fiscal year 2022 for June and September year-ends and calendar year 2022):

- Summary of key provisions of GASB 87, which include steps to determine whether a contract is subject to GASB 87
 - The discount rate to be used in the valuation of the lease receivable/lease liability
 - Example journal entries for lessees and lessors
 - Illustration of calculations of the initial value of the lease receivable/lease liability
-

- Summary of footnote disclosure requirements for lessees and lessors

As with any GASB pronouncement, the provisions of GASB 87 may not apply to lease receivables or liabilities that are determined to be immaterial. As a result, agencies need to determine whether leases should be subject to existing (or new) policies, such as the capitalization policy. It is recommended that local governments consult with their auditors when applying materiality thresholds to leases, which should take into consideration lease values that are determined to be significant, individually or in the aggregate.

CCMA's Government Industry Alert can be found at

<https://www.calcpa.org/members/technical-resources/gaa-white-papers>.

If you have questions regarding this topic, contact Jason Al-Imam, Chair of the Professional Standards Committee at standards.chair@csmf.org.
