



Professional Standards Committee Highlights

REVISED GOVERNMENT INDUSTRY ALERT: GASB 87, LEASES



The CalCPA Governmental Accounting & Auditing Committee and California Committee on Municipal Accounting (CCMA) recently reissued a Government Industry Alert related to GASB Statement No. 87, *Leases*, 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). The reissuance of the Government Industry Alert was made to correct the journal entries for the lessor that were reflected in the example. The recording of the lessor entries, including those of the initial lease balance, the recurring lease payments, and the amortization of the deferred inflows to lease revenue, should be recognized at the fund level.

It should also be noted that, as with any GASB pronouncement, the provisions of GASB 87 may not apply to lease receivables or liabilities that are immaterial. As a result,

agencies need to determine which 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@csmfo.org.
