

Office of Statewide Reporting and Accounting Policy
State of Louisiana
Division of Administration

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

November 12, 2021

MEMORANDUM OSRAP 22-07

TO: Fiscal Officers All
State Entities

FROM: Lindsay Schexnayder, CPA
State Accounting Systems Director

SUBJECT: Implementation of Governmental Accounting Standards Board (GASB) Statement
No. 87, Leases (GASB 87)

PURPOSE

This bulletin is intended for communication of the following matters to all State Entities:

- i. Intensification of State-wide GASB 87 implementation efforts and expected timelines for related activities;
- ii. Overall methodology to be followed by the State Entities as it relates to various technical areas of implementation; and,
- iii. Near-term participation expected from all State Entities.

Further details and training sessions will be provided to all State Entities in near future to facilitate compliance with the implementation methodology communicated herein.

BACKGROUND

Effective **July 1, 2021**¹, GASB 87 has pervasively changed the definition of a lease as well as the classification model, accounting, reporting, and disclosure requirements applicable to such leases. Transition to GASB 87 will have a material impact on the government-wide financial statements of the State as will bring probable future cash flows associated with **all** Leases² on to the statement of net position (e.g., lease asset and lease liabilities for all of State's lessee positions), with subsequent impact on statement of activities (e.g., amortization and interest expense on lessee positions).

¹ GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance has deferred the effective date of GASB 87 to fiscal years beginning after June 15, 2021. Accordingly, the GASB 87 effective (transition) date is deemed to be July 1, 2021 for purposes of the State of Louisiana government-wide financial statements.

² "Leases" represents all contracts or contract components that meet the definition of a lease as defined in GASB 87, **except** Contracts/Agreements that Transfer Ownership, Short-term Leases, and Certain Regulated Leases.

BACKGROUND (Continued)

Operationalization of this standard will require a significant volume of lease data abstraction, use of technology for sophisticated calculations, development of new accounting policies, design/implementation of new reporting processes, and internal controls around such processes. Collaboration by the State Entities and various stakeholders (OCFO, IT/Systems, procurement, real estate, equipment/personal property, audit readiness/controls) will be key to timely and effective completion of these efforts.

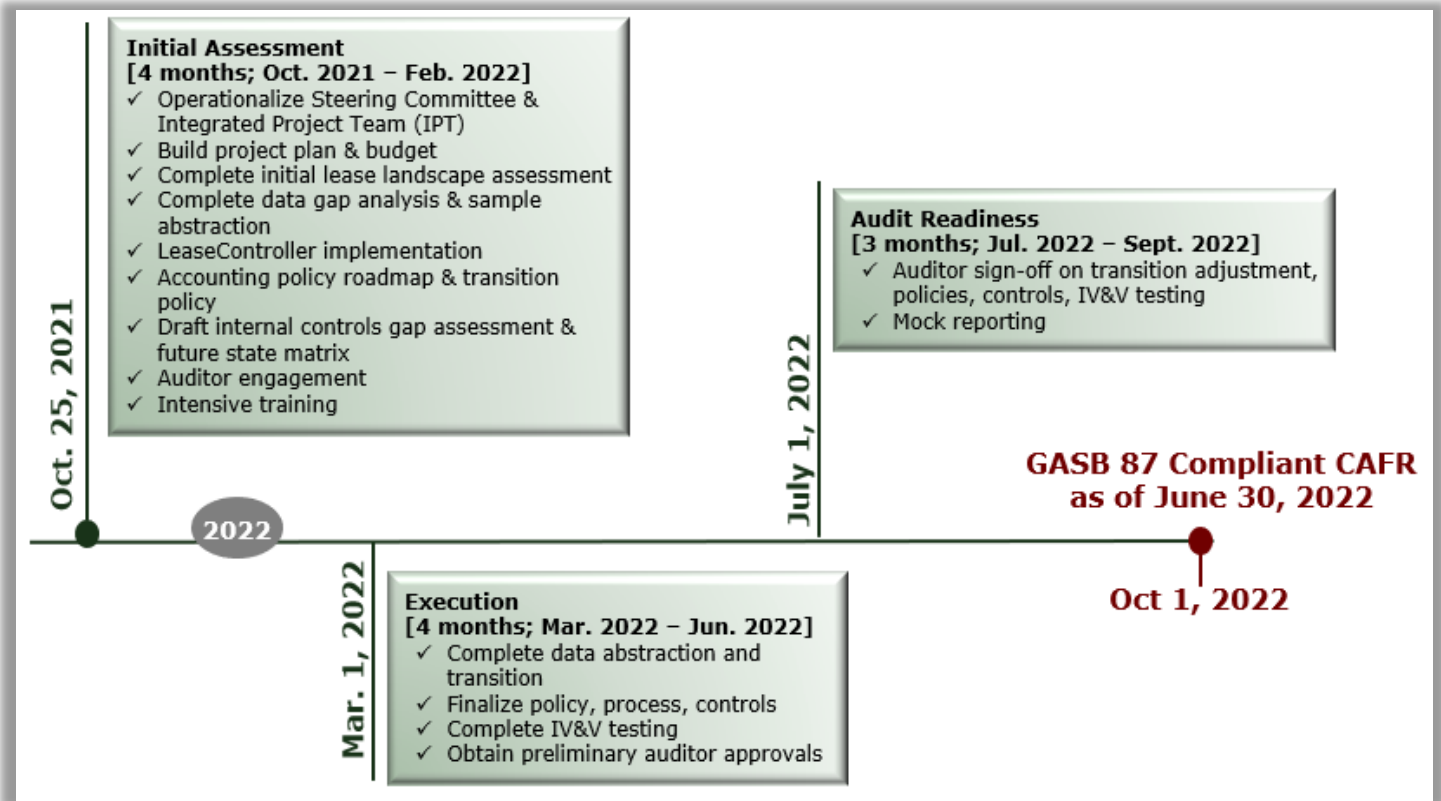
METHODOLOGY & TIMELINE

Transition Model

GASB 87 will be implemented prospectively by the State, whereby all leases in effect as of transition date (July 1, 2021) will be measured in compliance with GASB 87, using facts and circumstances in effect as of such date. Resulting adjustments will be recorded to the “*Net Position - Beginning of the Period*” line item within the State’s statement of activities. The State’s historical financial statements will not be subject to any restatement as such financial information is not presented in the current year financial statements for comparative or any other purposes.

Timeline & Methodology

The State will adopt an agile methodology to operationalize GASB 87 reporting based on the following timeline and activities:



METHODOLOGY & TIMELINE (Continued)

Contractor Support

Deloitte has been engaged to support the initial assessment phase activities outlined above. Scope of support to be provided by Deloitte will be comprised of guidelines established at the State level. State Entities will also have the option to sign up for supplemental advisory support from Deloitte that is unique to the State Entity requirements. Such incremental support will be subject to fees payable at the State Entity level. Any question intended for contractors should be directed to Lindsay Schexnayder at Lindsay.Schexnayder@la.gov or **225.342.1091** and Burju Cobb at bucobb@deloitte.com or **571.317.9074**.

Technology

LeaseController™ will be available for deployment by all State Entities to facilitate compliance with GASB 87 reporting requirements. Note however, further instructions will be provided to the State Entities pertaining to data abstraction guidelines prior to deployment of this solution.

NEXT STEPS

Sponsorship and leadership of all State Entity Fiscal Officers is expected for end-to-end implementation of GASB 87. Roles and responsibilities of the Fiscal Officers will include, but not be limited to, oversight of and/or participation in the following initial assessment phase activities to be completed in the near term:

Activity	Purpose
<ul style="list-style-type: none"> • Identification and assignment of key stakeholders and team members from various departments of the State Entity. 	<p>Stand up Project Management Structure</p> <ul style="list-style-type: none"> • Formation of Steering Committee for change and risk management. • Formation of Integrated Project Team for completion of required tasks.
<ul style="list-style-type: none"> • Completion of lease surveys, data calls, interviews, training sessions and workshops. • Contribution of reliable and complete responses to surveys/questionnaires (to the extent State Entity needs support in performing related assessment). 	<p>Complete Initial Lease Landscape Assessment</p> <ul style="list-style-type: none"> • Development of initial lease landscape assessment. • Completion of embedded lease search. • Scaling of remaining efforts for each State Entity.
<ul style="list-style-type: none"> • Timely and complete input for identification of lease related data residing in various systems (to the extent State Entity needs support in performing related assessment).. 	<p>Fit Gap Analysis and Sample Abstraction</p> <ul style="list-style-type: none"> • Validation of existing lease data, completion of GASB 87 data gap assessment, planning for data abstraction efforts to close gaps identified. • Buildup of data conversion plan for leveraging legacy data.
<ul style="list-style-type: none"> • Input for areas of management estimate and judgments. • Review and approvals of all assessment developed by contractors (Deloitte). 	<p>Draft Accounting Policies</p> <ul style="list-style-type: none"> • Development of initial GASB 87 policy positions and data abstraction guidelines on a centralized basis.

NEXT STEPS (Continued)

In performing such responsibilities, the State Entity Fiscal Officers will be equipped with training, centralized guidance, policies, tools, accelerators, and other necessary support (i.e., supplementary resources needed for substantive procedures). Examples of guidance to be provided will include the following:

- Draft GASB 87 implementation methodology memos detailing initial materiality assessment, scoping assessment, search for embedded leases, and other areas of significant management estimates and judgments will be documented and distributed for commentary.
- Complete list of GASB 87 key fields and recommended abstraction guidelines for each field.
- Sample of embedded lease assessments on select service types (to be determined in collaboration with State Entity Fiscal Officers) with supporting memos.
- Sample of lease abstraction output.

Initial reach-out phase will commence in **November 2021** with timelines for specific activities to be determined upon further discussions with the Reporting Entity Fiscal Officers and other key stakeholders.

INQUIRIES

Any question concerning this bulletin should be directed to Rhonda Coston at (225) 342-1093 or Mark Rhodes at (225) 342-0711 or via email at rhonda.coston@la.gov or mark.rhodes@la.gov.