

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

JOHN BEL EDWARDS
GOVERNOR



JAY DARDENNE
COMMISSIONER OF ADMINISTRATION

May 5, 2021

MEMORANDUM OSRAP 21-21

TO: Fiscal Officers

FROM: Lindsay Schexnayder, CPA
Director, Office of Statewide Reporting and Accounting Policy

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

GASB Statement No. 87 improves the usefulness of government's financial statements by requiring the recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. Under this statement, a lessee government will recognize a lease liability and an intangible right-to-use lease asset and a lessor government will recognize a lease receivable and a deferred inflow of resources at the beginning of the lease term.

The requirements of GASB 87 are effective for reporting periods beginning after June, 15, 2021 (fiscal year 2022 for all June year-ends). GASB 87 is applied retroactively; existing leases are to be recognized and measured based upon facts and circumstances of the lease in the period of implementation of Statement 87, not inception of the lease.

GASB 87 does not apply to the following:

- ◆ leases of intangible assets (i.e. rights to explore natural resources, licensing contracts for motion picture films, video recordings, copyrights, etc.)
- ◆ leases of biological assets (i.e. timber, living plants, & living animals)
- ◆ leases of inventory
- ◆ service concession arrangements (GASB 60)
- ◆ leases in which the underlying asset is financed with outstanding conduit debt
- ◆ supply contracts

GASB 87 includes exceptions for the following:

- ◆ short-term leases – leases with a maximum term of 12 months or less including any options to extend, regardless of the probability of exercising the option. (**¶16-19, 90**)
- ◆ contracts that transfer ownership – depending upon the termination options
- ◆ investment assets - per GASB 72

OSRAP Memo 21-21

May 5, 2021

Page 2

Additional information regarding application of the changes adopted for financial statements reporting in conformance with this standard can be found on GASB's website at the following web address: www.gasb.org/jsp/GASB/Document_C/DocumentPage?cid=1176169170145&acceptedDisclaimer=true

OSRAP will begin sending out additional information as fiscal year 2022 approaches, but if you have any questions, you may contact 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.

LS/rc