

LEASE ACCOUNTING GASB 87 New Standard for Fiscal Year 2021

- Affects budgeting for **long-term** lease contracts greater than one year or contracts that together with one-sided options to renew, are greater than one year.
- As lessees of leased assets, now considered debts (instead of rent expense), will be budgeted to principal and interest expense.
- As lessors of leased assets, now considered financings (instead of rent revenue), will be budgeted to both rent and interest revenue.
- In order to create an amortization schedule for FY21's budget, we need departments to provide:
 - Copy of the **contract**.
 - Implicit **interest rate** - if not clear in the contract, we will ask the department to coordinate with the vendor what it is.
 - Clarify if you are **reasonably certain** unilateral **options** to renew or terminate **will be exercised** by the lessee or lessor.
- Training will be provided this summer along with new capital asset policy updates.