

Implementing GASB 87 – Leases

Effective FY2022

OVERVIEW

Governmental Accounting Standards Board Statement No. 87, Leases (GASB 87), establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. Lessees will recognize a lease liability and an intangible right-to-use asset, and lessors will recognize a lease receivable and a deferred inflow of resources. The statement applies to leases of capital assets (buildings, land, and equipment).

Beginning in March 2021, agencies must record all leases within the scope of GASB 87 that exceed the capitalization threshold (\$500,000 in total lease payments over the lease term) in the Facilities Portfolio Management Tool (FPMT). FPMT will send accounting transactions to AFRS to comply with GASB 87.

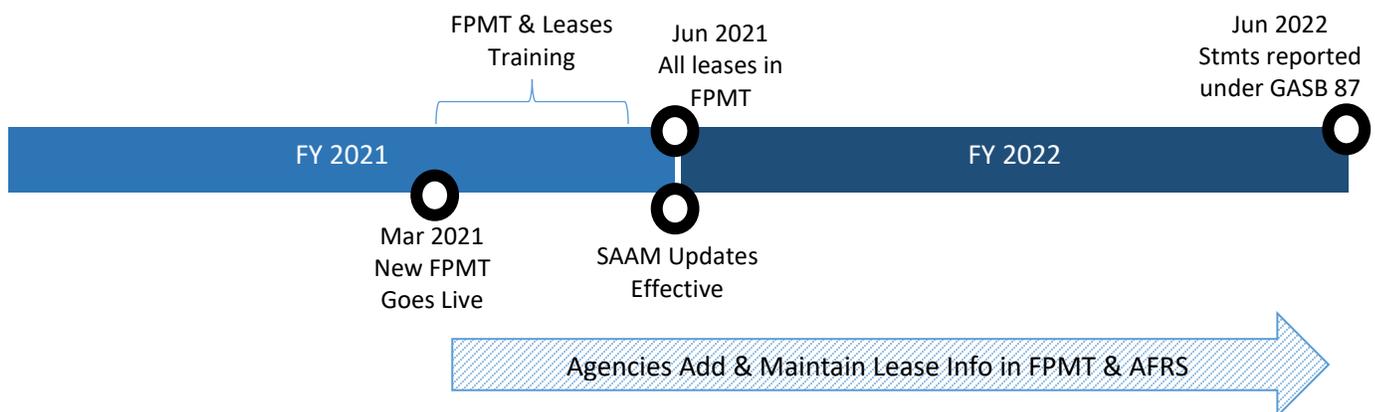
USING FPMT TO TRACK AND ACCOUNT FOR LEASES

[FPMT](#) is a statewide system used to track facilities, and will be modified to meet GASB 87 requirements.

Current FPMT	Spring 2021 Added FPMT Functionality
<ul style="list-style-type: none"> ✓ Track state-owned and leased facilities. ✓ Track receivable leases for facilities when another agency is the lessee. ✓ Used by all state agencies. ✓ Contains 85% of data needed for GASB 87 for about 1,000 facilities leases. 	<ul style="list-style-type: none"> ✓ Track owned and leased land, leases of other assets such as equipment, and software subscriptions. ✓ Track receivable leases (state is lessor) for facilities, land, and other assets when state is not lessee. ✓ Send lease accounting transactions to AFRS, including lease payments. ✓ Produce reports for reconciliation to AFRS, recording entries manually, and financial statement disclosures. ✓ Adding accounting and facilities roles.

Note: Agencies will continue to be required to track all state owned and leased facilities in FPMT, regardless of whether they meet the state’s capitalization threshold (RCW [43.82.150](#)).

TIMELINE



HOW TO PREPARE

1. **Review facilities leases currently in FPMT** either with your agency facility staff who currently use the system or using the [2019 Facilities Inventory](#). This is a good opportunity to communicate with your agency facilities staff about the upcoming changes to FPMT.
2. **Create an inventory of other existing leases and contracts.** This process can be time-consuming, as lease contracts may be spread across the organization in different departments, divisions, and locations. Remember, an agreement may meet the definition of a lease under GASB 87 even if the word “lease” isn’t in the agreement.
3. **Determine which agreements meet the GASB 87 definition of a lease and which can be excluded.**
 - a. Not all leases will meet the definition of a lease under GASB 87. For example, leases between state agencies are excluded. See the [Decision Tree](#) and [GASB 87 Scope](#) guides on the [Leases Accounting Resources site](#) for more details.
 - b. Only leases that exceed the capitalization threshold of \$500,000 in total lease payments (or \$500,000 in remaining lease payments if the lease has already begun) must be recorded under GASB 87 accounting rules. However, all facilities leases must be in FPMT and agencies may use FPMT for all leases, regardless of dollar value.
4. **Document key provisions of each lease agreement** such as the lease term, extensions, termination options, and payment provisions. A list of the data fields that will be in FPMT for each type of lease is available on the [Leases Accounting Resources site](#).
5. **Determine who should have access to FPMT in the future.** Each agency will need to decide which staff should be updating facilities or accounting information, or both in FPMT.
6. **Define new workflows for lease payments, considering how to prevent duplicate payments.** FPMT will send lease payments to AFRS only for the fixed portion of lease payments, such as base rent. Agencies will need to pay the vendor directly for services, such as maintenance and utilities, and payments based on the usage of the asset, such as number of copies made.
7. **Consider who will be allowed to edit and release batches from FPMT, batch type QS.** Batches from FPMT will be placed on hold status in AFRS and agencies will need to review and release the batches in order to post the transactions.
8. **Review/update Master Indexes (MI) used for leases.** FPMT will send accounting transaction to AFRS using the coding from the MI selected in FPMT. In order for the transactions to be recorded properly, the MI must include account, appropriation index, and program index (organization index and project may also be added to the MI).
9. **Ensure all lessors have a Statewide Vendor Number (SWV).** A valid SWV number, including the suffix, must be selected in FPMT to send lease payments. Visit the [Statewide Vendor site](#) for more information.

RESOURCES

- GASB 87 Resources Site contains some tools and will be updated as more are developed. <https://ofm.wa.gov/accounting/administrative-accounting-resources/leases-gasb-87>
- Your agency facility staff currently using FPMT.
- Your OFM accounting consultant or Anna Quichocho (anna.quichocho@ofm.wa.gov or 360-725-0187).