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GASB Issues Preliminary Views on Lease Accounting for State and Local Governments.

Norwalk, CT, November 20, 2014—The Governmental Accounting Standards Board (GASB) today issued for public comment a [Preliminary Views, Leases](#), which includes proposals to improve the accounting and financial reporting for leases for state and local governments from both a lessee and lessor perspective.

Many governments use leasing to finance certain necessary items—including vehicles, heavy equipment, and buildings—without having to actually purchase them. Some governments also serve in a lessor capacity by leasing assets to other entities.

The purpose of the Preliminary Views is to obtain comments from stakeholders on the Board's views before developing more detailed proposals for changes to existing accounting and financial reporting standards. The Preliminary Views presents the Board's current thinking on the issues associated with accounting for leases—which are based on the foundational principle that all leases are financings of the right to use an underlying asset.

The document includes proposals on how leases would be presented in the financial statements and essential information related to leases that governments would disclose in the notes.

Under the proposal, lessee governments would report the following in their financial statements for all leases except short-term leases (12 months or less):

- An intangible asset that represents the government's right to use the leased asset
- A corresponding liability for lease payments
- Amortization expense related to the lease asset (recognizing the asset amount as an expense over the term of the lease)
- Interest expense related to the lease liability

Government lessors would report the following in their financial statements for all leases except short-term leases:

- A receivable for the right to receive payments
- A corresponding deferred inflow of resources to reflect resources related to future periods
- Lease revenue (and a corresponding reduction in the deferred inflow) systematically over the term of the lease
- Interest revenue related to the receivable

"The Preliminary Views more closely aligns the accounting and financial reporting for leases with the economic substance of those transactions," said GASB Chair David A. Vautt. "The Board has an opportunity to make changes to the current guidance on leases that would result in greater transparency, reduced complexity in application, and more meaningful information for financial statements users."

The Preliminary Views is available on the GASB website, www.gasb.org. Stakeholders are encouraged to review the proposals and provide comments by March 6, 2015.

The GASB will host public hearings on the Preliminary Views on April 8, 9, and 10, 2015. Locations and other details, including instructions for registering to participate, are highlighted in the document.

About the Governmental Accounting Standards Board

The GASB is the independent, not-for-profit organization formed in 1984 that establishes and improves financial accounting and reporting standards for state and local governments. Its seven members are drawn from the Board's diverse range of stakeholders, including preparers and auditors of government financial statements, users of those statements, and members of the academic community. More information about the GASB can be found at its website, www.gasb.org.