



NEW FOR FYE 2022
GASB 87 LEASES
CLOSING INSTRUCTIONS &
REQUIREMENTS

Issued by Financial Operations 3/14/2022

Inventory Log for Leases – (Form ACFR-12)

Effective for fiscal year 2022, the Governmental Accounting Standards Board (GASB) Statement No. 87, Leases, establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. There is no longer an operating vs capital classification. 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.

GASB 87 applies to leases of capital assets—including buildings, land, and equipment. The ACFR-12 Form requires agencies/departments to report all revenue where the State is the lessor on the contract and all expenditures/expenses where the State is the lessee on the contract.

Please keep in mind, Software technology arrangements including Software as a Service, Platform as a Service, and Infrastructure as a Service will be addressed under Statement No. 96 beginning in fiscal year 2023. The reporting requirements will be similar to leases and be available later this year.

A thorough review of all contracts will be required by departments and agencies to meet the new reporting standard for leases. Departments/agencies are responsible for identifying a complete population and documenting why they believe the steps performed are sufficient. Records and supporting documentation should be kept and maintained for review by external auditors.

Departments/agencies are also responsible for performing timely reporting to F&M on any changes to existing agreements, new agreements or terminations that follow the annual inventory log. The FIN-ACFR12LOG should be updated and submitted to F&M as changes in contracts are executed. [See VISION Month End Closing Instructions.](#)

Finance & Management’s Reporting Group will review the agreements submitted and if they meet the criteria of a lease under GASB87 will then make the calculation required to complete the journal entries in VISION. F&M will be available to provide guidance to departments in meeting these new requirements.

A lease under GASB 87 is defined as follows:

Lease: A lease is defined as a “contract that conveys control of the right to use another entity’s nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction”.

- Contract refers to any contractual obligation which may or may not contain the use of “lease agreement” within the contract but meet the definition of a lease (conveys control of the right to use).
- Control in the lease applies to the right-to-use the asset; the contract should convey both of the following:

- a. The right to obtain the present service capacity from use of the underlying asset as specified in the contract
 - b. The right to determine the nature and manner of use of the underlying assets specified in the contract.
- Nonfinancial assets refer to capital assets – like buildings, land, vehicles, and equipment.
 - Period-of-time is the Lease Term of the contract that meets the capital lease criteria as defined under GASB87. The lease term must be greater than 12 months, including any options to extend, regardless of their probability of being exercised.
 - Exchange or exchange-like occurs when the transaction gives things of similar value to lessee/lessor. Contracts that transfer the right to use asset for only \$1 per year would be a consider a donation not an exchange-like transaction.

Contracts with Multiple Components and Contract Combinations: Some contracts contain a lease component as defined above and non-lease component such as a service agreement on the asset. These contracts should be included on the lease inventory log. A contract that involves the right to use multiple assets should also be included.

The Lessor on an expense contract cannot be a state agency or department. Do not include these contracts on the Lease Inventory ACFR-12 worksheet(s).

Provide an inventory of the GASB 87 leases on Form ACFR-12 that are both in effect during the current fiscal year and will continue into the subsequent year(s). The form should be e-mailed to VISION.ACFR@vermont.gov, by **April 15, 2022**. All departments must submit a signed Certification Form even if there are no leases to report.

Please refer to the ACFR-12 instructions document for more detailed information on leases, lease reporting, and completing the ACFR-12 form.

The ACFR-12 form, and instructions are available on the Finance and Management website: <https://finance.vermont.gov/forms/YE>