

GASB 87

What You Need to Know to Get Started Now



Public Sector Advisory

What is GASB 87?

- **The Governmental Accounting Standards Board (GASB)** is the independent, private-sector organization based in Norwalk, Connecticut, that establishes accounting and financial reporting standards for U.S. state and local governments that follow Generally Accepted Accounting Principles (GAAP).
- **GASB develops and issues accounting standards** through a transparent and inclusive process intended to promote financial reporting that provides useful information to taxpayers, public officials, investors, and others who use financial reports.
- **GASB Statement No. 87, Leases** changes the reporting requirements of the lease liabilities which were not previously reported on the Balance Sheet. According to Statement No. 87:
 - All operating leases will now be classified as Finance Leases.
 - Unlike ASC 842 and IFRS 16, lessors are required to record lease receivables and deferred inflow of resources.
 - New disclosures are required which were previously not required.

GASB 87 Compliance Deadline Relief

- **On May 8, 2020, GASB issued Statement No. 95, postponement of the effective dates of certain authoritative guidance. It is** intended to provide relief to governments and other stakeholders in light of the COVID-19 pandemic.
- The Statement postpones the effective date of Statement No. 87, leases by 18 months. U.S. state and local governments must now comply with Statement No. 87 on or before June 15, 2021.
- More than 70% of the government organizations are just beginning to address Statement No. 87 compliance.

Experts Stand Ready To Help

- Before engaging in efforts to address Statement No. 87 compliance, government accounting officials may wish to explore software and services which dramatically reduce the time and expense required to meet changing standards.
- **SAP Customers:** SAP CLM natively integrates with other SAP modules like AP, AR, PM, which reduces data transfer complexity and assures integrity of data between modules.

- SAP CLM simplifies transition accounting with additional dates start of consideration, valuation start date, and first posting date. This helps us to cover all forms of transition accounting like retrospective, prospective with ease.
- Additional features, including audit trail, security compliance, and system performance auditing, make SAP CLM the most viable solution for SAP customers.
- SAP is currently in the process of future-proofing SAP CLM. These efforts include updating SAP CLM functionality within relation to non-SAP lease management solutions, new asset accounting, new GL accounting practices, and interface with SAP S/4 HANA.
- **Non-SAP Customers:** Accounting officials should be aware that some past CLM projects have been stalled with non-SAP solutions due to their ineffectiveness in complying to 4-4-5 calendar, multiple depreciation areas, multiple currency, and foreign currency valuations.

Sierra Digital - #1 SAP CLM Services Provider

- Sierra Digital has successfully implemented more than 50 lease management projects globally, in SAP and non-SAP environments, serving brands like these:



- Sierra Digital's proprietary solution, CANOPY, shortens implementation time by over 50% and mass data uploading time by over 90%.
- CANOPY also features a Data Cleansing, Harmonization and a Validation Engine. This feature validates data in accordance with more than 40+ in-built rules, assuring data accuracy in the system.
- Sierra Digital offers end-to-end lease management solutions, including Lease Identification and Classification, Lease Measurement, Transition Accounting, and Disclosure Reporting. These solutions may be deployed in unison with SAP CLM, or apart from it.



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