



STATE OF NEW JERSEY

DEPARTMENT OF EDUCATION

A Memo from the New Jersey Department of Education

Date: December 22, 2021
To: Chief School Administrators, Charter School and Renaissance School Project Leads
Route To: School Business Administrators
From: Scott Henry, Director
Office of Fiscal Policy and Planning
Division of Finance and Business Services

Implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, Leases

The Governmental Accounting Standards Board (GASB) is an independent, nonprofit organization that establishes financial accounting and reporting standards for state and local governments, including school districts, charter schools and renaissance school projects. New Jersey state law and administrative code (*N.J.S.A. 18A:4-14* and *N.J.A.C. 6A:23A-16.1 et seq.*) require school districts, charter schools and renaissance school projects to follow generally accepted governmental accounting principles in accordance with statements issued by the GASB. The Annual Comprehensive Financial Report (ACFR) as prepared by each public school is the basis for the annual independent audit. Implementation of GASB Statement No. 87, Leases, is required for the fiscal year ending June 30, 2022.

[GASB Statement No. 87](#) establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Governmental Accounting Standards Board (GASB) issued [Implementation Guide No. 2019-3, Leases](#), which is an authoritative document that includes questions and answers on topics such as identifying fiduciary activities and reporting fiduciary activities.

Key steps/actions

Based on review of GASB Statement No. 87, Leases, we prescribe the following guidance:

A lessee is required to recognize (1) a lease liability and (2) an intangible asset representing the lessee's right to use the leased asset. A lessee must report the following in its financial statements:

- Amortization expense for using the lease asset (similar to depreciation) over the shorter of the term of the lease or the useful life of the underlying asset;
- Interest expense on the lease liability; and
- Disclosures about the lease, including a general description of the leasing arrangement, the amount of lease assets recognized, and a schedule of future lease payments to be made.

A lessor is required to recognize (1) a lease receivable and (2) a deferred inflow of resources. A lessor will continue to report the leased asset in its financial statements. A lessor must report the following in its financial statements:

- Lease revenue, systematically recognized over the term of the lease, corresponding with the reduction of the deferred inflow;
- Interest revenue on the receivable; and
- Note disclosures about the lease, including a general description of the leasing arrangement and the total amount of inflows of resources recognized from leases.

School districts, charter schools and renaissance schools are advised to review their leases with their auditors to ensure full compliance with GASB Statement No. 87 for fiscal year ending June 30, 2022.

LEAs may direct questions and inquiries to doe.acfr@doe.nj.gov.

c: Members, State Board of Education
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NJDOE Staff
Statewide Parent Advocacy Network
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