South Carolina’s Preparation for GASB 87
A Never-Ending Process
Inventory of Leases

- Start compiling a list now of current leases
  - Especially concentrate on ones that go past July 1, 2020
  - Agency participation is a must
    - Deal with problem agencies now

- Give agencies “the good news and bad news”
  - Good news: Testing for operating leases vs. capital leases is almost over!
  - Bad news: Almost all leases will be accounted for as capital leases.

- “Don’t trust, but verify”
  - Compare the list of leases with the GL and locate all known payments
  - Research lease payments that are in the GL and not on your list
  - Research other GL accounts where lease payments have traditionally been misclassified
    - i.e. Copier leases misclassified under photocopying
Capital Assets

- Start linking assets to leases now!
  - The list of leases should have a corresponding list of capital assets
  - Create new GL accounts or asset classifications to better segregate capital assets linked to leases

- Enlist the help of your procurement departments for all new leases
  - Example: South Carolina’s Procurement Agency sends the Comptroller General’s Office a list of all new capital leases and description of the related assets on a monthly basis
System Check

- Ensure your system can account for leases paired with capital assets
  - Get your IT team on this now!
  - Identify system functionality and reports that are available
  - Example: In starting South Carolina’s GASB 87 process, we realized that our capital asset system had a leasing tab option that would assist us in linking a lease to a pool of assets. This leasing tab also had a linked report, which required some initial manipulating to make accurate.

- Ensure that agencies are educated in how to set up capital assets linked to leases
  - Hold information sessions
  - Monitor all new leases set up within your system
    - Handle all discrepancies as they arise
Adapt and Modify

- Consider alternatives
  - If equipment is being leased with the intention of using a bargain purchase option (BPO)
    - Consider modifying future leases to notes
      - Consider legal debt margins
    - Consider outright purchases on a rolling replacement program
Next Steps for South Carolina

- Take a closer look at leases with fixed and contingent components
  - Educate agencies on the proper treatment of both components
- Take a closer look at the few leases in which South Carolina is the lessor