



Buncombe County Board of Commissioners

Request for Board Action

Meeting Date: 6/21/2022

New Business

Department: Finance

Presenter(s): John Hudson

Contact(s): Terri Orange/Don Warn

Subject: Budget Amendment for Government Accounting Standard Board's Statement No. 87 Leases Implementation

Brief Summary: Originally the requirements of the Government Accounting Standard Board's Statement (GASB) 87 Leases, was effective for reporting periods beginning after December 15, 2019, however due to the COVID pandemic, the effective date for reporting was amended for periods beginning after June 30, 2021.

As a result, the County is required to implement GASB 87 for fiscal year 2022. Prior to the new standard, lease payments for non-financial assets such as land, buildings, equipment, and vehicles were budgeted in County operating budgets and the various lease payments were recorded as regular expenditures on an annual basis.

GASB 87 dictates that certain leases must be treated as a capital outlay and the total value of the lease must be capitalized rather than expensed on an annual basis, and a corresponding liability must be recorded. These include dozens of leases for items like public safety towers, heavy equipment, and facility leases.

Implementing the standard requires corresponding lease payments during the year to be recorded as debt service rather operating expenditures, as originally budgeted. This change requires a budget amendment to increase the Debt Service functional area to accommodate the reclassification of expenditures.

This increase of \$500,000 in the debt service budget is to allow us to account for these lease payments as required.

Recommended Motion & Requested Action: Approve budget amendment.

County Manager's comments and Recommendation: Approve as requested.