GASB Understanding Costs and Benefits

Leases

Summary

The Governmental Accounting Standards Board (GASB) issues new accounting and financial reporting standards only when the benefits of the standards—improvements in the usefulness of reported financial information for making decisions and assessing government accountability—justify the net costs they impose on financial statement preparers (to implement the new standards), auditors (to audit the financial reports prepared under the new standards), and users (to consider and interpret the new information).

GASB Statement No. 87, Leases, was the culmination of a reexamination of state and local government accounting standards that had been in place without significant revision for 30 years. Statement 87 applies a single accounting and financial reporting approach to all transactions that meet the definition of a lease (with certain practical exceptions). It reduces complexity in the standards by eliminating the requirements to distinguish between operating leases and capital leases and to follow different recognition and disclosure guidance for each. Statement 87 is effective for fiscal years starting after December 15, 2019.

This document summarizes how the GASB assessed the expected benefits and perceived costs of its new lease standards. This document also outlines the process that led the GASB to conclude that the expected benefits of the new standards justify the costs. The GASB's consideration of the costs and benefits of these standards also can be found in the Basis for Conclusions of Statement 87.

Background

The prior accounting guidance for governments that were lessees was centered on a determination of whether a transaction resulted in an *operating lease* or a *capital lease*. A capital lease would have met one or more of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than 75 percent of the estimated economic life of the lease property.
4. The present value of rental or other minimum lease payments equals or exceeds 90 percent of the fair value of the lease property, less any investment tax credit retained by the lessor.

All other leases were considered operating leases.

For governments that were lessors, reporting of capital leases involved additional criteria to determine whether the lease should be classified as a sales-type lease, a direct-financing lease, or a leveraged lease. Other factors that affected reporting for both lessors and lessees included whether a lease involved land, a building, equipment, or some combination thereof.

The accounting and financial reporting for leases differed significantly for capital and operating leases. For an operating lease, a lessee (the government acquiring the right to use the leased asset) reported its lease payments as expenses in the period incurred. For a capital lease, however, a lessee was required to recognize a capital asset and a long-term liability equal to the present value of the future minimum payments under the terms of the lease.

The standards for leases were widely criticized for creating an artificial distinction between capital and operating leases, which were viewed by many as having the same economic impact on a lessee. Most notably, both types of leases create a long-term obligation to make future payments, but lessees reported that obligation as a liability only for *capital* leases.

Despite their perceived shortcomings, the lease standards persisted for over 30 years without significant revisions to the basic capital-operating approach.

The New Leases Standards. In 2011, the GASB initiated pre-agenda research on leases, which initially involved monitoring the progress of a joint project of the Financial Accounting Standards Board (FASB)

	Assets	Liability	Deferred Inflow
Lessee	Intangible lease asset (right to use underlying asset)—value of lease liability plus prepayments and initial direct costs that are ancillary to place asset in use	Present value of future lease payments (incl. fixed payments, variable payments based on index or rate, reasonably certain residual guarantees, etc.)	Not applicable
Lessor	• Lease receivable (generally includes same items as lessee's liability) • Continue to report the leased asset	Not applicable	Equal to lease receivable plus any cash received up front that relates to a future period

and the International Accounting Standards Board (IASB) to reexamine their guidance for leases. In 2013, the GASB added a leases project to its current technical agenda. An objective of that project was to reexamine the GASB's leases guidance in light of (1) the research and approaches considered by the FASB and IASB and (2) the definitions of financial statement elements (including assets and liabilities) that the GASB established in 2007 in Concepts Statement No. 4, *Elements of Financial Statements*. Those definitions were not in place when the prior leases guidance was established.

Statement 87 is founded on the premise that *all leases are financings of the right to use a capital asset*. Therefore, with certain exceptions for practical (that is, cost-benefit) reasons, leases are accounted for in the same manner and the prior distinction between operating and capital leases is eliminated. In effect, leases will be accounted for as capital leases, though there are some differences in the requirements from prior standards for capital leases.

Statement 87 provides a more explicit definition of a lease as a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) for a length of time in an exchange or exchange-like transaction (that is, equal or approximately equal values are being exchanged). This definition clarifies, among other things, that nonexchange transactions, such as dollar-a-year rents, are not treated as leases.

Initially, a government lessee will recognize a long-term liability equal to the present value of future lease payments that are fixed (or effectively fixed in substance). (See the box above.) The government also will recognize an intangible asset that represents its right to use the underlying capital asset that it is leasing. The value of the intangible asset should equal the amount of the long-term liability plus any prepayments made to the lessor and any costs incurred to place the underlying leased asset into use.

A government lessor will continue to report the capital asset that it is leasing to another entity (it previously was required to derecognize the asset for capital leases) and to apply the required standards to the asset—such as recording depreciation expense and disclosing changes in the amount of the asset during the fiscal year. (However, if the lessee is required to return the underlying leased asset in the same or better physical condition at the end of the lease, the government will not depreciate the asset during the term of the lease.) The government lessor will recognize a long-term lease receivable, measuring the amount in generally the same manner as a lessee measures its long-term lease liability. The government also will recognize a deferred inflow of resources equal to the lease receivable plus any up-front payments the government received from the lessee that relate to future periods, similar to current reporting for service concession arrangements.

In subsequent fiscal years, a government lessee will report amortization expense on its intangible lease asset. (See the box on the next page.) As it makes lease payments, it will reduce (1) the amount of its long-term lease liability by the principal portion of the payments and (2) accrued interest payable by the interest portion. A government lessor similarly will reduce its long-term lease receivable and accrued interest receivable as payments are received. It will reduce the deferred inflow of resources and recognize lease revenue in a systematic and rational manner over the term of the lease.

Statement 87 requires disclosures that are similar to those for capital leases under the prior lease standards. A government lessee will present the following notes to financial statements:

- General description of leasing arrangements
- Total amount of lease assets (by major classes of underlying assets) and the related accumulated amortization
- Amount of outflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease liability
- Principal and interest requirements to maturity for each of the next five fiscal years and in five-year increments thereafter

	Assets	Liability	Deferred Inflow
Lessee	Amortize the intangible lease asset over shorter of useful life or lease term	Reduce by lease payments (less amount for interest expense)	Not applicable
Lessor	• Reduce receivable by lease payments (less amount needed to cover accrued interest) • Depreciate leased asset (unless indefinite life or required to be returned in its original or enhanced condition)	Not applicable	Recognize revenue over the lease term in a systematic and rational manner

- Commitments under leases that have not yet begun (other than short-term leases)
- Components of any net impairment loss recognized on the lease asset during the period.

A government lessor will present the following notes to financial statements:

- General description of leasing arrangements
- Total amount of inflows of resources (such as lease revenue and interest revenue), if not otherwise displayed on the face of the financial statements
- Amount of inflows of resources recognized for the period for variable payments and other payments (such as residual value guarantees or penalties) not previously included in the measurement of the lease receivable
- The existence, terms, and conditions of options by the lessee to terminate the lease or abate payments if the lessor government has issued debt for which the principal and interest payments are secured by the lease payments.

Statement 87 also requires disclosures for specific types of lease transactions, including leases of assets that are investments, certain regulated leases, subleases, sale-leasebacks, and lease-leasebacks.

Research and Outreach with Stakeholders

The GASB employed a variety of tools and techniques to ensure its decisions were informed through broad participation in the standards-setting process. This is important in part because many governments of various types and sizes engage in leasing activities—some as both lessees and lessors—and those transactions amount to many billions of dollars each year. Some of the more significant due process activities are described below.

Pre-Agenda Research Activities. The GASB benefited significantly from the research conducted by the FASB and IASB as part of their leases project. The GASB supplemented that research by interviewing knowledgeable and experienced financial statement users regarding the usefulness of the information disclosed by government lessees and lessors in notes to financial statements. In-depth interviews were conducted with 23 users—10 regarding lessee disclosures and 13 about lessor disclosures.

User Type	Number of Interviews: Lessee Disclosures	Number of Interviews: Lessor Disclosures	Total
Academics	3	1	4
Citizen/taxpayer group	1		1
Legislative fiscal staff	2	2	4
Municipal bond analysts:			
Bond insurers	1	2	3
Buy-side	1	2	3
Rating agencies	1	2	3
Sell-side	1	4	5
Total	**10**	**13**	**23**

Meetings with Advisory Groups and Stakeholders. The GASB assembled a task force at the beginning of the project. The task force was composed of members broadly representative of the GASB's stakeholders. The GASB met in person with its task force, and task force members reviewed and commented on papers describing the issues discussed by the GASB and on drafts of the proposed standards. In addition, further feedback was received from members of the Governmental Accounting Standards Advisory Council (GASAC) at 13 of its meetings between 2011 and 2017.

The GASB routinely meets with members of organizations representing its stakeholders. The stakeholders from those organizations discussed the leases project and provided feedback to the GASB at many of those meetings. GASB members and staff also made presentations about the project and met informally with

Stakeholder Type	Comment Letters		Public Hearings		Field Test	Total
	PV	ED	PV	ED		
Preparers	21	50	7	8	17	103
Auditors/practitioners	13	15	6	2		36
Users	4	6	2	1		13
Total	**38**	**71**	**15**	**11**	**17**	**152**

many other national, regional, state, and local stakeholder organizations.

Exposure of Proposals for Public Comment. The project that led to Statement 87 involved two rounds of public exposure and comment—a Preliminary Views (PV) in 2014 and an Exposure Draft (ED) of proposed standards in 2016.

Thirty-eight comment letters were received in response to the Preliminary Views, and 71 comment letters were received in response to the Exposure Draft. Fifteen individuals or groups testified at three public hearings on the Preliminary Views, which were held in April 2015 in three different cities (in combination with a separate Preliminary Views on fiduciary activities). Another 11 individuals or groups testified at a public hearing on the Exposure Draft in June 2016. During the Preliminary Views comment period, a field test was conducted with 17 participating governments—12 as lessees, 2 as lessors, and 3 as both lessee and lessor (see more below).

Webinar. During the comment period for the Preliminary Views, the GASB published a plain-language summary, *The GASB's Lease Accounting Proposals: What Financial Statement Users Need to Know.* In conjunction with that document, the GASB conducted a webinar to inform users about the proposals in the Preliminary Views.

Preparer Field Test. As noted above, during the comment period for the Preliminary Views, the GASB conducted a field test to obtain feedback about the cost and effort associated with implementing the proposed standards. Field tests also are valuable for understanding how proposals might affect current practice and for identifying provisions that are difficult to understand or apply.

Five localities, four states, two universities, a special district, a school district, a state agency, a port authority, an airport, and a housing authority completed the field test, including three governments that completed both as lessee and lessor. In all, 17 governments provided the GASB with the results of their pro forma application of the proposed standards. The results of the field test were summarized and reported to the Board, which considered the results during its deliberations.

Stakeholder Concerns

Scope of the Standards. Many of the comments received from stakeholders during the due process that led to Statement 87 related to what transactions should and should not be covered. The most significant scope-related issues are discussed here.

Beginning with the Preliminary Views, the GASB proposed that certain transactions that meet the proposed definition of a lease nevertheless be excluded from the revised standards. The existing lease standards in Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* already excluded some lease arrangements and transactions that contain features like leases, such as contracts for the rights to explore for natural resources, licensing contracts, and service concession arrangements. The GASB proposed to carry forward those scope exclusions because of the unique features and complexities associated with those types of transactions.

Some stakeholders requested that the GASB consider other transactions for exclusion from the scope of the proposed standards. Some respondents to the Preliminary Views recommended that all leases of intangible assets be removed from the scope, not just the types of intangible assets specified in Statement 62, so that intangible asset issues could be addressed on a comprehensive basis. The scope of Statement 87 therefore excludes *all* leases of intangible assets (except when an intangible right-to-use asset resulting from a lease is sublet and, thereby, itself becomes an underlying leased asset).

Some respondents requested clarification of whether lease standards should be applied to computer software licenses and cloud computing arrangements. Existing implementation guidance stated that lease standards should not be applied to software licenses. Statement 87 elevates that guidance to Category A authoritative generally accepted accounting principles (GAAP). The GASB also separately initiated pre-agenda research specifically on cloud computing and other information technology arrangements.

Some stakeholders asked that leases that transfer ownership of the underlying asset and do not contain termination options be accounted for as leases rather than financed purchases. Some stakeholders also requested that leases containing an option to purchase the underlying asset at a bargain price be accounted for as leases. The GASB agreed with the latter argument, concluding that a bargain purchase option should be treated like any other option—that is, it becomes a factor in the accounting only when the option has been or is reasonably certain to be exercised. In that case, the lease is considered a contract that transfers ownership, which will be accounted for as a financed purchase rather than as a lease under Statement 87.

Some stakeholders commented that it is common for lease arrangements to be related to conduit debt transactions. They stated that, in such instances, it would be inappropriate for a government lessor to report revenue related to lease payments: If the government does not report a liability related to the conduit debt, it also may not report the underlying asset and would not report all flows related to the lease, such as outflows of resources related to the repayment of the debt.

In response, Statement 87 explicitly excludes leases in which the underlying asset is financed with outstanding conduit debt, except when the government lessor reports both the underlying asset and the conduit debt. The Board also is addressing issues associated with conduit debt in a separate project.

Regulated Leases. Stakeholders pointed out that certain leases are subject to external laws, regulations, or legal rulings that impact the premise that all leases are financings. For example, the U.S. Department of Transportation and the Federal Aviation Administration require that, in aviation leases between airports and air carriers and other aeronautical users (often referred to as airport-airline agreements), airports charge fees that are "fair and reasonable." Statutory, regulatory, and judicial enforcement of that requirement has had the effect that airports cannot prevent air carriers from entering into leases if facilities are available, provided that the lessee's use of the facilities complies with applicable aeronautical restrictions. Furthermore, those lease agreements almost always require payments that vary from period to period because of the cost-recovery nature of the agreements, and in many instances, they contain revenue-sharing provisions and may require lessees to cover airport revenue shortfalls. These facts persuaded the GASB that the nature of those lease agreements is different from a normal financing of a right to use an underlying asset.

Consequently, the basic accounting approach in Statement 87 does not apply to leases for which external laws, regulations, or legal rulings establish all of the following requirements:

- Lease rates cannot exceed a reasonable amount, with reasonableness being subject to determination by an external regulator.
- Lease rates should be similar for lessees that are similarly situated.
- The lessor cannot deny potential lessees the right to enter into leases if facilities are available, provided that the lessee's use of the facilities complies with generally applicable use restrictions.

The inclusion of those criteria is important because it establishes guidance that can be applied to regulated leases in general, rather than strictly to airport-airline agreements. Furthermore, it clarifies that not all transactions in which an airport is a lessor should be excluded from the principal accounting guidance in Statement 87. Many leases of terminal space to restaurants and other non-aviation-related vendors at airports, for example, are not substantively different from other nonregulated leases, such as leases of vendor stalls at government-owned sports stadiums.

For leases that meet the three criteria above, government lessors will not report a long-term lease receivable and deferred inflow of resources. Instead, they will recognize revenue based on the payment provisions of the lease contract. Also, because these leases do not result in the reporting of a receivable, they are not subject to the same disclosure requirements as other leases. For example, rather than disclose the carrying amount of assets on lease or held for leasing, government lessors in regulated leases will disclose the extent to which capital assets are subject to preferential or exclusive use by counterparties under the lease. Also, rather than reporting a receivable, government lessors in regulated leases will disclose a schedule of expected future minimum payments.

Lease Term. An important aspect of measuring the long-term receivables and liabilities associated with leases is determining the *lease term*—in other words, how long the lease lasts and lease payments will be made. Because leases often include options—such as to extend a lease or terminate it early—determining the length of a lease necessitates evaluating the likelihood that the options will be exercised. Prior lease accounting standards stated that an option should be incorporated in the lease term if it was *reasonably assured* of being exercised. However, the Preliminary Views proposed replacing reasonably assured with *probable,* the threshold that is used for contingencies. Some respondents commented that evaluating whether it is probable that an option will be exercised would be difficult and would result in variation in application. As a result, Statement 87 instead requires a threshold of *reasonably certain,* which (1) is a higher threshold than probable and, thus, easier to evaluate and (2) effectively continues the prior threshold of reasonably assured.

The Exposure Draft proposed that only a lessee's options to extend or terminate a lease be considered by a government lessee in determining the lease term. However, a respondent pointed out that a lessee would be legally bound by options exercised by the lessor—the lessee would have to continue making payments if the lessor extended the lease or would lose the right to use the underlying asset if the lessor terminated the lease. Therefore, lessor's options would need to be considered in order to accurately measure the lessee's lease liability. Although the GASB was aware that lessor-only options may be difficult in certain circumstances for a lessee to evaluate, it agreed that the most conceptually consistent approach for determining the lease term is to consider both lessee and lessor options.

Remeasurement of the Lease Liability. The amount of the long-term lease liability that is established at the inception of a lease is reduced over time as the lessee makes payments to the lessor. In many cases, that is the only change that is made to the outstanding liability. However, under certain circumstances, it may become necessary to *remeasure* the liability. For instance, a change in the lease term or a change in the likelihood that an option will be exercised would affect the number of future lease payments that will be made and, therefore, would increase or decrease the liability (which equals the present value of those payments).

Some stakeholders raised the issue of contingent rentals subsequently becoming noncontingent. For example, a concessionaire's lease may require a nominal payment in the first year and fixed payments in subsequent years based on a percentage of first-year sales. To more accurately report significant changes to the lease liability and the lease asset, Statement 87 requires that remeasurement occur when a contingency, upon which some or all of the variable payments are based, is resolved such that those payments now meet the criteria for inclusion in the measurement of the lease liability.

Some stakeholders commented that the criteria that led to remeasuring the lease liability should be limited to those that would result in significant increases or decreases in the lease liability. Including factors that cause inconsequential changes to the liability, in their view, would make compliance too costly and complex. One of the key areas of concern was whether it was necessary to remeasure the liability if there were changes in the rate or index that variable payments were based on. In response, the GASB revised the provisions to indicate that remeasurement of variable lease payments is required only if the liability already is required to be remeasured. In other words, if one of the changes that necessitates remeasurement of the liability has not occurred, a change in an index or rate will not trigger remeasurement on its own.

Contracts with Multiple Components. Some leases are components of a broader transaction between a government and another entity. For instance, a transaction may involve a school district (1) obtaining the right to use a fleet of school buses (a lease) and (2) engaging the lessor to maintain and repair the buses (a service contract). Statement 87 generally requires that such a transaction be broken down so that the nonlease portion is not accounted for as a lease. Additionally, if a lease involves multiple underlying assets with different lease terms, Statement 87 generally requires that they be accounted for as separate lease components.

Some stakeholders expressed concern about the cost and difficulty of separating transaction components. Others asked that it be optional. Some commenters specifically cited allocating the contract price between lease and nonlease components, or among multiple underlying assets—they believe doing so generally would be difficult or, in some cases, even impossible. They also were concerned that, as proposed in the Exposure Draft, governments would be required to obtain observable data to confirm that the price for each component in the contract was reasonable.

The GASB consequently modified the language in Statement 87 to require that individual contract prices not appear to be unreasonable based on contract terms and professional judgment (informed by observable information), thus avoiding the implication that governments are required to obtain stand-alone prices to provide positive evidence of reasonableness. The GASB also revised the provisions for instances in which there are no contract prices for individual components or the prices are not reasonable. These changes provide governments with the flexibility to use other reasonable and more cost-beneficial methods to allocate consideration than just observable stand-alone prices. However, Statement 87 emphasizes that governments should maximize the use of observable data both to support a judgment that individual contract prices do not appear to be unreasonable and in determining their best estimate when there are no individual component prices.

Balancing Costs and Benefits

The GASB follows a list of guiding principles when it sets standards, including that the costs incurred through the application of the standards, compared with possible alternatives, are justified when compared to the expected overall public benefit. The GASB considers the balance of costs and benefits throughout the process of developing standards as it makes *individual* tentative decisions during its deliberations. When it is ready to review draft standards that reflect the totality of those tentative decisions, the GASB also considers the *overall* costs and benefits of the standards. Throughout its

Perceived Costs of Statement 87

- **Education and training to become familiar with the new standards**
- **Time and effort necessary to evaluate existing leases and monitor leases in the future**
- **Possible changes in accounting systems and procedures**
- **Potential additional audit work**
- **Possible loss of consistent historical financial trends for financial analysis**

deliberations, the GASB specifically considered the relative expected benefits and perceived costs utilizing information gathered from the pre-agenda research, stakeholder feedback obtained on the due process documents, the results of the field test, and the additional feedback obtained during the deliberations that led to Statement 87.

Costs of the New Standards. Governments may need to evaluate their existing lease transactions to determine whether they meet the definition of a lease in Statement 87 and whether they qualify as short-term leases (see more below). Governments also may need to evaluate other transactions that they do not consider leases at present against the definition of a lease. To the extent that existing leases were reported as operating leases, governments may need to collect additional information for lessees to recognize an intangible right-to-use asset and long-term lease liability and for lessors to report a long-term receivable and deferred inflow of resources. Although those costs may be significant, the GASB believes they will be largely limited to the period of implementation based on feedback received during the development of the standards. Once existing leases have been evaluated and accounting procedures are established for compliance with the Statement, the ongoing cost of applying the standards—including monitoring leases for changes that necessitate remeasuring the liability (or receivable)—should not be notable.

The GASB discussed various alternatives to relieve some of the burden that would be assumed by preparers and auditors regarding the cost and effort required to prepare and audit financial statements that include leases. As noted previously, the GASB revised guidance related to remeasurement of the liability and leases with multiple components with the primary objective of reducing cost and complexity.

The most significant and broadly applicable cost-saving provision of Statement 87 relates to *short-term leases*. A short-term lease is defined as having a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Those leases are excluded from the basic lease accounting approach in the Statement. Instead, lessees will report expenses for payments on short-term leases, and lessors will report revenue based on contract payment provisions. Furthermore, there are no disclosure requirements for short-term leases. The GASB had proposed a disclosure of the amount of expense or expenditure recognized during a short-term lease but subsequently eliminated the

Significant Cost-Reducing Provisions of Statement 87

- **Elimination of the need to evaluate whether leases are operating or capital**
- **Establishment of a single accounting approach that is similar to the existing guidance for capital leases**
- **Exclusion of short-term leases from the general lease accounting requirements of the Statement, including no disclosures**
- **Revision of guidance related to allocating contract prices for leases with multiple components**
- **Elimination of a requirement to remeasure the lease liability and lease receivable because of changes in the index or rate on which variable payments are based, unless remeasurement is otherwise required**
- **Not requiring a lessor to derecognize the underlying asset or calculate a residual value for all leases**
- **General exclusion from recognition and measurement requirements of leases of underlying assets that are held as investments**
- **Not requiring lessors to disclose the carrying amount (and accumulated depreciation) of assets on lease or held for leasing by major classes of assets (except for certain regulated leases)**
- **Requiring that, at the time of implementing the Statement, leases be recognized and measured using present-day facts and circumstances, rather than those existing at the commencement of each lease term**

provision at the behest of stakeholders. Those stakeholders argued that the cost would outweigh the benefit to users, who are more interested in a government's long-term commitments related to leases.

In addition, as a result of using a single accounting approach for leases, lessors will no longer need to separately classify and track leases as sales-type, direct financing, leveraged, or operating.

Benefits of the New Standards. The requirements of the Statement will enhance usefulness, consistency, and comparability most notably by requiring a common approach to accounting for and reporting leases. Consequently, many leases that previously were not included in the financial statements will now result in the reporting of long-term liabilities by lessees and receivables by lessors. This is a more complete and accurate depiction of a government's long-term obligations and rights to payment under lease arrangements and its resulting net position. Statement 87 will further enhance the decision-usefulness of the information provided to financial statement users by requiring notes to financial statements related to the timing, significance, and purpose of a government's leasing arrangements.

Conclusion

The GASB's assessment of the expected benefits and perceived costs of issuing new standards is unavoidably more qualitative than quantitative because no reliable and objective method has been identified for quantifying the value of improved information in financial statements. Furthermore, it is difficult to accurately measure the costs of implementing new standards until implementation has taken place. Nonetheless, the GASB undertakes that assessment based on the available evidence regarding expected benefits and perceived costs with the objective of achieving an appropriate balance between maximizing benefits and minimizing costs.

Overall, the GASB concluded that the significant benefits of Statement 87—in terms of the greater usefulness of the information that will be provided, improvements in consistency and comparability, and a single overall accounting approach in the lease standards—justify the costs of implementing the Statement.

Expected Benefits of Statement 87

- **More accurate reporting of the magnitude of long-term liabilities and receivables related to leases; users will not need to calculate their own estimates of long-term obligations related to operating leases**
- **Financial analysis will improve because lease information will be more consistent over time and more comparable across governments**
- **Users will receive more decision-useful disclosures with which to evaluate a government's financial health, its ability to meet long-term financial obligations, and future demands on its resources**