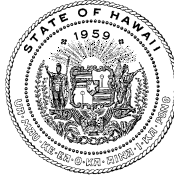


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DEPARTMENT OF ACCOUNTING AND GENERAL SERVICES | KA 'OIHANA LOIHELU A LAWELAWÉ LAULĀ
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October 16, 2023

COMPTROLLER'S MEMORANDUM NO. 2023-21 - AMENDED

TO: Heads of Departments and Agencies

ATTN: Administrative and Fiscal Offices

FROM: Keith A. Regan, Comptroller 

SUBJECT: Implementation of GASB 87, *Leases* and GASB 96, *Subscription Based Information Technology Arrangements* Capitalization Threshold

As part of the State's adoption and implementation of Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, and GASB Statement No. 96 – *Subscription-Based Information Technology Arrangements*, this document outlines the capitalization thresholds set by the State for recognizing lease and subscription liabilities, and corresponding assets in our government-wide financial statements as well as proprietary fund financial statements.

GASB 87: Leases

Policy Statement

- The State will recognize a lease liability and a corresponding right-of-use lease asset in the government-wide financial statements.

Capitalization Threshold

- The State sets the capitalization threshold for leases at an initial, individual present value of \$100,000 or more for land and building leases, and \$25,000 or more for equipment and other leases. The policy is applicable to leases with a term greater than one year.

Compliance Criteria:

- Individual Lease Value: The initial present value of an individual lease must be \$100,000 or greater for land and building, and \$25,000 or greater for equipment and other.
- Lease Term: The term of the lease must exceed one year.

By adhering to these criteria, the State ensures compliance with GASB 87 and facilitates uniformity in financial reporting across all governmental units.

GASB 96: Subscription-Based Information Technology Arrangements

Policy Statement

- The State will recognize subscription liability and a corresponding right-of-use subscription asset in both the government-wide financial statements and its proprietary fund financial statements.

Capitalization Threshold

- The State sets the capitalization threshold for subscription-based information technology arrangements at an initial, individual present value of \$500,000 or more. The policy is applicable to subscriptions with a term greater than one year.

Compliance Criteria:

- Individual Subscription Value: The initial present value of an individual subscription must be \$500,000 or greater.
- Subscription Term: The term of the subscription must exceed one year.

By adhering to these criteria, the State ensures compliance with GASB 96 and establishes a uniform reporting standard for all governmental units.

Summary

The adoption of these capitalization thresholds for GASB 87 and GASB 96 ensures that the State's financial reporting remains accurate, transparent, and compliant with the latest accounting standards. We encourage all responsible departments to align their accounting practices with these new capitalization thresholds.

If you have any questions in applying the capitalization threshold, please contact Ron Shiigi, DAGS Audit Division, at ronald.t.shiigi@hawaii.gov or the GASB implementation project team at dagsauditgasb@hawaii.gov.