

# GASB 87: Leases

South Carolina Comptroller General's Office

Reporting

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# CPE

- ▶ “It is the responsibility of the licensee to be accountable for the hours earned during the CPE course. The licensee should not engage in any other activities that would denigrate the learning objective of the course to the licensee or others. If the other activity is unavoidable, then that time should be subtracted from the overall CPE credit.”

# GASB, what is it?

- ▶ Government Accounting Standards Board (GASB)
- ▶ Established 1984
- ▶ Authoritative standard body for state and local government financial reporting

# Goals of the GASB

- ▶ Develop and issue accounting standards for governments
- ▶ Transparent process
- ▶ Promote financial reporting
- ▶ Provide useful information to taxpayers, public officials and others who use financial reports

# Summary

- ▶ Establish and improve financial accounting and reporting standards for states and local governments
- ▶ Provide useful information to users of financial statements

# What is a Capital Lease Today?

- ▶ A lease is defined as a contract that conveys **control** of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.
- ▶ Today GASB requires a lease to be classified as Capital if any of the following four criteria are met.
  - ▶ Ownership is shifted to the lessee before the end of the leasing period
  - ▶ There is a Bargain Purchase Option - The lessee can buy the asset at the end of the lease for less than fair market value
  - ▶ The lease period is at least 75% of the asset's useful life
  - ▶ Present Value of the lease payments is at least 90% of the fair value of the asset at the inception of the lease

# Changes to Capital Lease Definition with GASB 87

- ▶ Substantially all leases are treated as Financing Leases (or Capital Leases)
- ▶ Short-Term Leases will continue to be reported as Operating Leases.
  - ▶ Short-term is defined as a lease that, at the commencement of the lease, has a maximum possible lease term of 12 months, including any options to extend regardless of their probability of being exercised.
- ▶ Other Exceptions for Capital Reporting include:
  - ▶ Investment Assets (Rental Property)
  - ▶ Regulated Leases (Airports)
  - ▶ Intangible Assets (Software Licenses)
  - ▶ Biological Assets (Timber, Animals)
  - ▶ Inventory
  - ▶ Supply Contracts (Power Supply Arrangements)

# GASB 87 - Measurement of Lease Liability

- ▶ Lease liability should be measured at the PRESENT VALUE of future payments expected to be made during the lease term.
  - ▶ Present value (PV) is the current worth of a future sum of money given a specified rate of return.
- ▶ Measurement should include the following, if required by lease:
  - ▶ Fixed payments
  - ▶ Variable payments based on rate at commencement of lease
  - ▶ Amounts EXPECTED to be paid/credited for items such as:
    - ▶ Residual value guarantees
    - ▶ Purchase option
    - ▶ Penalties for early termination
    - ▶ Incentives/Credits
    - ▶ Any other payments reasonably certain of being required



# GASB 87 - Measurement of Lease Liability - continued

- ▶ Performance or usage payments should not be included in the measurement of the lease liability
- ▶ Future payments must be discounted using the interest rate. If no rate is provided, the incremental borrowing rate (an estimate of the rate charged for borrowing like goods for the same term) should be used.
- ▶ Accrued interest liability is required if payment is made in arrears.
- ▶ Remeasurement should take place each fiscal year if any of the following occurs (if expected to significantly affect liability measurement):
  - ▶ Change in term or rate
  - ▶ Plans change for residual value guarantee or purchase option being exercised
  - ▶ Estimates in payment amounts change
  - ▶ Contingent/Variable payments become fixed

# GASB 87 - Measurement of Lease Liability - continued

- ▶ If Remeasurement is required, the liability should be adjusted for any change in rate if expected to significantly affect the amount of the liability. Remeasurement is not required solely for a change in rate.
- ▶ Remeasurement - An update to the discount rate is required if there is a significant impact to the liability due to one or both of the following:
  - ▶ Change in lease term
  - ▶ Likelihood of exercising purchase has changed.
- ▶ Remeasurement of liability nor reassessment of the discount rate is required solely for a change in incremental borrowing rate.
  - ▶ If update to discount rate is required, use revised rate the lessor charges or incremental borrowing rate at time of update.

# Capital Lease Accounting Today- Pre GASB 87

## Governmental Funds

- ▶ The asset value is established as the principle amount plus sales tax and ancillary charges (i.e. installation charges)
- ▶ Depreciation occurs over the normal useful lives of the established assets
- ▶ The offset account when establishing a leased capital asset is 5060999997 which is a capital lease contra expenditure account-this account does not consume budget
- ▶ The lease payments are charged to debt service principle and interest expenditure accounts 5041820000 and 5041830000, this is when budget is consumed

# Capital Lease Accounting Today- Pre GASB 87 - continued

## Proprietary Funds

- ▶ The asset value is established as the principle and interest plus sales tax and ancillary charges
- ▶ Depreciation occurs over the normal useful lives of the established assets
- ▶ The offset account when establishing a leased capital asset is 2306700000 which is a liability account
- ▶ The lease payments are charged to the liability account 2306700000 which reduces the amount of future liability

Establishing assets under today's lease accounting is the functionality you will see here shortly in the presentation by the SCEIS team. However, we want you to be aware of the changes that will be forthcoming with GASB 87 in FY2021.

# GASB 87- Capital Asset Recording for a Capital Lease

- ▶ The capital asset value is established at the Present value of:
  - 1) payments expected to be made during the lease term (i.e. the initial measurement of the lease liability as shown on slides 8 & 9) plus
  - 2) any payments made to lessor at or before commencement of the lease and
  - 3) any direct costs that are ancillary charges necessary to place the leased asset into service less
  - 4) any rebates, discounts or incentives provided by the lessor.
- ▶ The capital asset is amortized over the shorter of the lease term or useful life of the underlying asset EXCEPT if the lease contains a purchase option that the lessee has determined is reasonably certain of being exercised then it is depreciated over the normal life of the asset as established by capitalization policy.
- ▶ Wonder why the difference in language between amortization and depreciation? Intangible assets, which is the right to use an asset, are amortized and assets held are depreciated.

# GASB 87- Capital Asset Recording for a Capital Lease - continued

- ▶ New asset classifications- the current asset classifications will be mirrored with asset classifications starting with Cap lease - Intangible.

11000	Buildings
11001	Cap Lease-Intangible Buildings
11100	Buildings Improvements
11101	Cap Lease-Intangible Buildings Improvements
11200	Leasehold Improvements
11201	Cap Lease-Intangible Leasehold Improvements
14000	Vehicles and Transportation
14001	Cap Lease-Intangible Vehicles and Transportation

# Additional Sample of Asset Classifications for GASB 87

14200	Buses
14201	Cap Lease-Intangible Buses
15000	Office Equipment
15001	Cap Lease-Intangible Office Equipment
15200	Photocopy & Fax Equipment
15201	Cap Lease-Intangible Photocopy & Fax Equipment
15400	Data Processing Equipment
15401	Cap Lease-Intangible Data Processing Equipment
15600	Printing Equipment
15601	Cap Lease-Intangible Printing Equipment
15800	Office Furniture
15801	Cap Lease-Intangible Office Furniture
25100	Works of Art (Depreciable)
25101	Cap lease-Intangible Works of Art (Depreciable)

# GASB 87- Capital Asset Recording for a Capital Lease - continued

- ▶ ALL qualifying capital leases under GASB 87 are required to be entered into the SCEIS asset system regardless of present value costs. There will be 3 new classifications under low value assets for capital leases.
  - 1) Capital leases less than \$2,500
  - 2) Capital leases greater than \$2,500 but less than \$5,000
  - 3) Capital leases for Buildings less than \$100,000.

There is a financial reporting requirement that if as a whole the low value items are material to the reporting entity then they must be included in the capital asset reporting and disclosures.

29911 LV-Cap Lease<\$2500
29912 LV-Cap Lease<\$5000
29901 LV-Bldgs_Intangibles Less than \$100,000.



# GASB 87- Capital Asset Recording for a Capital Lease - Flowchart & Examples

- ▶ Review and discuss handouts of the flowchart

# Recap- What changes with the implementation of GASB 87?

- ▶ The majority of leases will become a capital leases; exceptions are the short term leases as previously defined and then those very specific exceptions that have been listed such as leases for computer software license.
- ▶ The value of the asset will be the same under the governmental or proprietary accounting because the asset value is the present value of all payments that are associated with the lease.
- ▶ Assets will be classified into two distinct categories- a) leased assets which are classified as capital lease intangible property and are amortized over the shorter of the lease term or the useful life of the underlying asset or b) assets “intended to purchase” which are classified as a normal capital assets and depreciated over the useful life of the underlying asset.

# Where This All Goes

- ▶ Most agencies operate on the modified accrual (fund accounting) basis
  - ▶ Capital lease liabilities are not recognized on their corresponding fund's general ledger and financial statements
  - ▶ Lease payments are recognized as they are paid
- ▶ Certain business-like agencies (i.e. Motor Pool and General Services) operate on a full accrual basis (proprietary fund accounting)
  - ▶ Capital lease liabilities are recognized on their corresponding fund's general ledger and financial statements
  - ▶ Only capital lease interest and operating lease payments are recognized as they are paid

# Where This All Goes

- ▶ Fund accounting entities' capital lease liabilities are recognized in the State's Comprehensive Annual Financial Report (CAFR) in a fund statement to government-wide reconciliation
  - ▶ Capital lease liabilities are added to the government-wide financial statements
  - ▶ Payments of capital lease principal are eliminated from the statement of activities
  - ▶ The capital lease liabilities are also summarized in the notes to the CAFR
  - ▶ The related capital assets are also added to the government-wide statements
- ▶ Post-GASB 87, this will remain the same

# Fund Statements - CAFR

## Balance Sheet

### GOVERNMENTAL FUNDS

June 30, 2017

(Expressed in Thousands)

## Exhibit B-1

	General Fund	Totals
<b>ASSETS</b>		
Cash and cash equivalents.....	\$ 966,753	\$ 2,467,007
Investments.....	2,760,196	3,534,937
Invested securities lending collateral.....	4,679	11,499
Receivables, net:		
Accounts.....	84,716	301,637
Contributions.....	26	91
Accrued interest.....	23,452	30,091
Income taxes.....	609,924	609,924
Sales and other taxes.....	570,241	700,425
Student accounts.....	125	125
Patient accounts.....	10,565	14,901
Loans and notes.....	36,240	638,809
Due from Federal government and other grantors.....	37,783	868,970
Due from other funds.....	64,258	153,015
Due from component units.....	9,841	41,914
Interfund receivables.....	51,417	254,525
Inventories.....	25,598	42,587
Restricted assets:		
Cash and cash equivalents.....	—	801,232
Accounts receivable, net.....	—	119,765
Other.....	—	62,385
Prepaid items.....	10,146	16,664
Other assets.....	—	242
<b>Total assets.....</b>	<b>\$ 6,266,860</b>	<b>\$ 10,670,746</b>
<b>LIABILITIES</b>		
<b>Liabilities:</b>		
Accounts payable.....	191,230	\$ 653,291
Accrued salaries and related expenditures.....	100,197	155,782
Retainages payable.....	1,267	3,791
Tax refunds payable.....	845,479	845,537
Payable—aid to individuals/families.....	1,697	2,156
Intergovernmental payables.....	84,133	396,490
Due to other funds.....	66,881	177,832
Due to component units.....	13,248	37,305
Interfund payables.....	650	205,643
Unearned revenues.....	12,866	368,916
Securities lending collateral.....	9,687	19,401
Other liabilities.....	217,161	217,178
<b>Total liabilities.....</b>	<b>1,644,488</b>	<b>3,083,322</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Unavailable revenues.....	2,757	108,639
Deferred nonexchange revenues.....	18,481	18,481
<b>Total deferred inflows of resources.....</b>	<b>21,238</b>	<b>127,120</b>
<b>FUND BALANCES</b>		
Nonspendable.....	120,194	155,516
Restricted.....	604,959	4,401,955
Committed.....	2,137,028	2,725,696
Assigned.....	397,688	408,787
Unassigned.....	440,357	(231,651)
<b>Total fund balances.....</b>	<b>3,700,228</b>	<b>7,460,303</b>
<b>Total liabilities and fund balances.....</b>	<b>\$ 6,266,860</b>	<b>\$ 10,670,746</b>

# Government-Wide Reconciliation - CAFR

## Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position

### Exhibit B-1a

June 30, 2017  
(Expressed in Thousands)

Total fund balances—governmental funds.....		\$ 7,480,303
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not considered current financial resources and therefore are not reported in the funds:		
Non-depreciable capital assets.....	\$ 4,853,363	
Depreciable capital assets.....	17,774,218	
Accumulated depreciation.....	(5,982,615)	
Total capital assets.....		16,644,966
Internal service funds are used by management to charge the costs of certain activities to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the Statement of Net Position.....		
		642,496
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds payable.....	(2,586,369)	
Notes payable.....	(22,953)	
Accrued interest on bonds.....	(21,210)	
Capital leases.....	(1,871)	
Net pension liability.....	(3,644,515)	
Compensated absences.....	(225,239)	
Policy claims.....	(35,505)	
Other.....	(166,763)	
Total long-term liabilities.....		(6,704,425)
Net position of governmental activities.....		\$ 18,840,419

# Government-Wide Statements - CAFR

## Statement of Net Position

June 30, 2017

(Expressed in Thousands)

	PRIMARY GOVERNMENT			COMPONENT UNITS
	Governmental Activities	Business-type Activities	Totals	
<b>ASSETS</b>				
Capital assets-nondepreciable.....	4,862,596	233,759	5,096,355	6,101,183
Capital assets-depreciable, net.....	11,898,857	22,456	11,921,313	9,183,428
<b>Total assets.....</b>	<b>\$ 28,576,537</b>	<b>\$ 1,379,449</b>	<b>\$ 29,955,986</b>	<b>\$ 27,217,490</b>
<b>LIABILITIES</b>				
Long-term liabilities:				
Due within one year.....	990,957	26,553	1,017,510	385,592
Due in more than one year.....	6,376,615	292,316	6,668,931	16,404,439
<b>Total liabilities.....</b>	<b>\$ 10,419,534</b>	<b>\$ 464,296</b>	<b>\$ 10,883,830</b>	<b>\$ 19,460,688</b>
<b>NET POSITION</b>				
<b>Total net position.....</b>	<b>\$ 18,840,419</b>	<b>\$ 818,791</b>	<b>\$ 19,759,190</b>	<b>\$ 8,446,897</b>

# Fund Statements - CAFR

## Statement of Revenues, Expenditures, and Changes in Fund Balances

### GOVERNMENTAL FUNDS

For the Fiscal Year Ended June 30, 2017

(Expressed in Thousands)

## Exhibit B-2

	General Fund	Totals
<b>Revenues:</b>		
<b>Taxes:</b>		
Individual income.....	\$ 4,118,671	\$ 4,143,217
Retail sales and use.....	3,627,303	4,436,958
Corporate income.....	340,327	340,327
Gas and motor vehicle.....	—	883,891
Insurance.....	168,974	168,974
Hospital.....	267,235	267,235
Other.....	537,147	661,573
Licenses, fees, and permits.....	269,248	552,790
Interest and other investment income.....	59,974	151,157
Federal.....	85,018	8,934,219
Local and private grants.....	7,907	70,056
Departmental services.....	730,417	927,982
Contributions.....	9,880	503,409
Fines and penalties.....	77,653	165,561
Tobacco legal settlement.....	—	73,533
Other.....	180,791	562,690
<b>Total revenues.....</b>	<b>10,480,646</b>	<b>22,843,672</b>
<b>Expenditures:</b>		
<b>Current:</b>		
General government.....	573,727	818,312
Education.....	567,931	1,102,649
Health and environment.....	2,904,557	8,563,572
Social services.....	197,548	1,740,666
Administration of justice.....	820,582	845,291
Resources and economic development.....	183,623	269,758
Transportation.....	1,852	1,044,346
Capital outlay.....	100,884	985,878
<b>Debt service:</b>		
Principal retirement.....	147,648	261,033
Interest and fiscal charges.....	28,486	127,391
Intergovernmental.....	4,660,235	6,726,753
<b>Total expenditures.....</b>	<b>10,187,073</b>	<b>22,486,849</b>
<b>Excess of revenues over (under) expenditures.....</b>	<b>293,472</b>	<b>357,823</b>
<b>Other financing sources (uses):</b>		
Bonds and notes issued.....	—	51,103
Refunding bonds issued.....	—	213,595
Premiums on bonds issued.....	—	22,464
Capital leases.....	47	47
Payment to refunded bond escrow agent.....	—	(229,205)
Transfers in.....	116,728	449,624
Transfers out.....	(207,055)	(441,944)
<b>Total other financing sources (uses).....</b>	<b>(90,291)</b>	<b>66,884</b>
<b>Net change in fund balances.....</b>	<b>203,181</b>	<b>423,607</b>
Fund balances at beginning of year.....	3,487,046	7,038,898
<b>Fund balances at end of year.....</b>	<b>\$ 3,700,228</b>	<b>\$ 7,460,303</b>



# Government-Wide Reconciliation - CAFR

## Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of Governmental Funds to the Statement of Activities

For the Fiscal Year Ended June 30, 2017  
(Expressed in Thousands)

Net change in fund balances—total governmental funds.....		\$ 423,607
<p>Bond, note, and capital lease proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position. In the current period, proceeds were received from:</p>		
Bonds, notes, and capital leases issued.....	(264,745)	
Bond premiums net of discounts.....	(22,464)	
Net bond and note proceeds.....		(287,209)
<p>Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of:</p>		
Bond, note, and capital lease retirement.....	261,033	
Payment to refunded bond escrow agent.....	229,205	
Total long-term debt repayment.....		490,238
Change in net position of governmental activities.....		\$ 1,318,351

# Government-Wide Statements - CAFR

## Exhibit A-2

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>Changes in net position:</b>				
Net revenues (expenses) .....	\$ (10,006,180)	\$ 285,809	\$ (9,720,371)	\$ (294,896)
<b>General revenues:</b>				
<b>Taxes:</b>				
Individual Income .....	4,143,217	—	4,143,217	—
Retail sales and use .....	4,436,958	—	4,436,958	—
Corporate Income .....	340,327	—	340,327	—
Gas and motor vehicle .....	883,891	—	883,891	—
Insurance .....	168,974	—	168,974	—
Hospital .....	267,235	—	267,235	—
Other .....	661,573	—	661,573	—
<b>Total taxes .....</b>	<b>10,902,175</b>	<b>—</b>	<b>10,902,175</b>	<b>—</b>
Unrestricted investment income .....	191,486	22,777	214,263	—
State Appropriations .....	—	—	—	723,697
Tobacco legal settlement .....	73,533	—	73,533	—
Other revenues .....	154,778	1,802	156,580	—
Additions to endowments .....	—	—	—	49,026
Transfers—internal activities .....	2,559	(2,559)	—	—
<b>Total general revenues, additions to endowments, and transfers .....</b>	<b>11,324,531</b>	<b>22,020</b>	<b>11,346,551</b>	<b>772,723</b>
<b>Change in net position .....</b>	<b>1,318,351</b>	<b>307,829</b>	<b>1,626,180</b>	<b>477,827</b>
Net position at beginning of year, restated .....	17,522,068	610,902	18,132,970	7,968,810
<b>Net position at end of year .....</b>	<b>\$ 18,840,419</b>	<b>\$ 918,731</b>	<b>\$ 19,759,150</b>	<b>\$ 8,446,637</b>

# Proprietary Statements - CAFR

## Statement of Net Position

June 30, 2017

(Expressed in Thousands)

	PRIMARY GOVERNMENT		Totals	COMPONENT UNITS
	Governmental Activities	Business-type Activities		
<b>ASSETS</b>				
Capital assets-nondepreciable.....	4,852,595	233,759	5,086,355	6,101,183
Capital assets-depreciable, net.....	11,898,857	22,456	11,921,313	9,183,428
Total assets.....	\$ 28,576,537	\$ 1,379,449	\$ 29,955,986	\$ 27,217,460
<b>LIABILITIES</b>				
Long-term liabilities:				
Due within one year.....	990,957	26,553	1,017,510	385,592
Due in more than one year.....	6,376,615	292,316	6,668,931	16,404,499
Total liabilities.....	\$ 10,419,534	\$ 464,296	\$ 10,883,830	\$ 19,460,688
<b>NET POSITION</b>				
Total net position.....	\$ 18,840,419	\$ 818,731	\$ 19,768,160	\$ 8,448,837

# Why the Classification of Payments is Important

- ▶ Fund statements recognize capital lease principal payments and interest payments on separate and unique lines within their statements of activities
- ▶ Proprietary funds recognize capital lease liabilities on their statements of net position
  - ▶ Current portions (due within 1 year) and noncurrent portions (due after 1 year) are broken out on separate and unique lines
- ▶ Proprietary funds recognize capital lease interest payments and payments on a separate and unique line within their statements of activities

# Why the Classification of Payments is Important

- ▶ Proper accounting for capital lease payments help in the classification process for financial statement construction
- ▶ In pre-GASB 87 accounting, it helps to differentiate operating lease payments from capital lease payments
- ▶ After GASB 87 is implemented, the classification process will be simplified
  - ▶ Almost every lease will be a capital lease

# GASB 87 Example Boat Lease - Agency View of General Ledger

- ▶ Agency XYZ enters into a 3 year lease for a boat.
  - ▶ Annual payment are as follows:
    - ▶ Year 1 - \$5,000
    - ▶ Year 2 - \$5,500
    - ▶ Year 3 - \$6,000
  - ▶ Agency borrowing rate of 10%
  - ▶ Option to purchase price of \$100

# Governmental Funds - Present Value of Boat Lease (No Plans to Purchase)

Term (years)	3
Rate	10%
Annual Amortization	4,533

	Year 1	Year 2	Year 3	Total
Payment	5,000	5,500	6,000	16,500
Present Value	4,545	4,545	4,510	13,600

## Initial Lease Recognition

Intangible Asset - Boat (1801013009)	13,600	
Lease Asset Contra (5060999997)		13,600

## Annual Amortization

Amortization Expense (5060113000)	4,533	
Accumulated Amortization (1803013009)		4,533

## Payment

Capital Lease Principal (5041820000)	4,500	
Capital Lease Interest (5041830000)	500	
Cash (101XXXXXXX)		5,000

# Governmental Funds - Present Value of Boat Lease (Purchase at End of Lease)

Term (years)	3
Rate	10%
Useful Life (years)	5
Annual Depreciation	2,735

	Year 1	Year 2	Year 3	Purchase Price	Total
Payment	5,000	5,500	6,000	100	16,600
Present Value	4,545	4,545	4,510	75	13,675

## Initial Lease Recognition

Asset - Boat (1801013000)	13,675	
Lease Asset Contra (5060999997)		13,675

## Annual Depreciation

Depreciation Expense (5060113000)	2,735	
Accumulated Depreciation (1803013000)		2,735

## Payment

Capital Lease Principal (5041820000)	4,500	
Capital Lease Interest (5041830000)	500	
Cash (101XXXXXXX)		5,000



# Proprietary Funds - Present Value of Boat Lease (No plan to purchase)

Term (years)	3
Rate	10%
Annual Amortization	4,533

	Year 1	Year 2	Year 3	Total
Payment	5,000	5,500	6,000	16,500
Present Value	4,545	4,545	4,510	13,600

## Initial Lease Recognition

Intangible Asset - Boat (1801013009)	13,600	
Capital Lease Liability (2306700000)		13,600

## Annual Amortization

Amortization Expense (5060113000)	4,533	
Accumulated Amortization (1803013009)		4,533

## Payment

Capital Lease Liability (2306700000)	5,000	
Cash (101XXXXXXX)		5,000

# Proprietary Funds - Present Value of Boat Lease (Purchase at End of Lease)

Term (years)	3
Rate	10%
Useful Life (years)	5
Annual Depreciation	2,735

	Year 1	Year 2	Year 3	Purchase Price	Total
Payment	5,000	5,500	6,000	100	16,600
Present Value	4,545	4,545	4,510	75	13,675

## Initial Lease Recognition

Asset - Boat (1801013000)	13,675	
Lease Asset Contra (5060999997)		13,675

## Annual Depreciation

Depreciation Expense (5060113000)	2,735	
Accumulated Depreciation (1803013000)		2,735

## Payment

Capital Lease Liability (2306700000)	5,000	
Cash (101XXXXXXX)		5,000

# Questions ?

This portion of the presentation is eligible for CPE credit.

In order to receive your CPE credit and certificate. Please make sure you have signed in on the registration form located in the back.

The last page of the handout is a survey, we would appreciate if you would complete that and leave on the back table as you exit the presentation today.

We will now turn the presentation over to the SCEIS team to demonstrate the current establishment of a capital leased asset within the system.