SCEIS Capital Lease Functionality

Governmental Funds

Capital Lease Functionality

The purpose of this presentation is to:

1. Introduce SCEIS functionality that will allow agencies to properly account for leased equipment that meet GASB's criteria for a capital lease.

2. Provide a glimpse into future changes in capital lease accounting resulting from GASB 87.

Capital Lease Functionality

- GASB requirements state that leases of equipment with a <u>bargain purchase option</u> must be treated as a financing arrangement for an asset. <u>The leased equipment must be treated as an asset.</u>

- On 02/08/2017, the State entered into a statewide contract with Presidio Technology Capital LL, 7000243384, to provide IT equipment. Presidio's contract has a <u>bargain purchase option</u>; therefore IT equipment leased under this contract must be treated as assets.

Capital Lease Liabilities – Current Criteria

Today's Criteria for a Capital Lease per GASB

1. Ownership - is shifted to the lessee before the end of the lease period,

2. Bargain Purchase Option – The lessee can buy the asset at the end of the lease for less than fair market value,

3. Lease period is at least 75% of the asset's useful life,

4. Present value of the lease payments is at least 90% of the fair value of the asset at the inception of the lease.

Leased Asset Functionality Considerations

Capital Lease Liabilities – Current Criteria

- Proprietary vs Governmental:

  - Proprietary funds will record leasing transactions as assets and liabilities within the fund that will make future payments.

  - Governmental funds will record leasing transactions as assets and expenditures in the fund that will make future payments. Expenditure GL 5060999997 has been created as a "Leased Asset Contra" account. The corresponding commitment item is statistical and will not consume budget.

Capital Lease Functionality: Determine Fund Type – FM5S

Display Fund: Basic Screen

| Long text... | Change history... | Change documents | Classification | ⬚⤳ |

FM Area	SC01		SC FM Area
Fund	10010000		

Names

Name	GENERAL FUND
Description	GENERAL FUND

Basic data

Valid from	01/01/1900	Valid To	12/31/9999
Fund Type	01-01	PG-Governmental/General funds	
Authorization group			

Additional data

Bdgt profile fund		
Customer for fund		
Funds application	01	GENERAL FUND
☑ Balance update		

Leased Asset Functionality Transactions

Capital Lease Functionality

Lesson 1   Single Asset

Lesson 2   Multiple Assets

Lesson 3   Procurement Process

Lesson 4   Lease Payment

Lesson 5   Reporting

Lesson 6   GASB 87

Single Asset

Lease Document

Presidio Technology: Copier Lease

Terms: 3 year lease, monthly payments on Apr 1

Interest Rate	5%
Principle	$5,000.00
First Payment	April 1, 2018
Payment	$150.00

SCEIS

Amortization of $5,000, 3 Year Term, 5%

FY 2018 Interest = $60.00   FY2018 Principal = $390.00

Date	Interest	Principal	Balance		Date	Interest	Principal	Balance
Apr-18	21.00	129.00	4,871.00		Nov-18	16.00	134.00	3,948.00
May-18	20.00	130.00	4,741.00		Dec-18	16.00	134.00	3,814.00
Jun-18	19.00	131.00	4,610.00		Jan-19	15.00	135.00	3,679.00
Jul-18	19.00	131.00	4,479.00		Feb-19	15.00	135.00	3,544.00
Aug-18	18.00	132.00	4,347.00		Mar-19	14.00	136.00	3,408.00
Sep-18	18.00	132.00	4,215.00					
Oct-18	17.00	133.00	4,082.00		Short Term	$ 148.00	$ 1,202.00	$ 3,408.00

SCEIS

Single Asset

Create Asset

admin
THE SOUTH CAROLINA
DEPARTMENT *of* ADMINISTRATION

Create Asset   AS01

Create Asset: Initial screen

Master data	Depreciation areas

Asset Class 15200

Company Code SC01

Number of similar assets 1

Reference

Asset

Sub-number

Company code

☐ Post-capitalization

Create Asset – General Tab

Create Asset – Time Dependent Tab

SCEIS

Create Asset: Master data

←	→	Asset values

Asset	INTERN-00001	0		Copier Lease Asse	
Class	15200			SCEIS_Copy & Fax Eqp	Company Code

| General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas |

Interval from 01/01/1900 to 12/31/9999

Business Area	C050
Cost Center	C050A00010
Resp. cost center	
Int. order	
Location	
Room	
License plate number	
Personnel Number	
Fund	30350000
Functional Area	C050_0000
Grant	Not Relevant
Funds Center	C050A00010

Create Asset – Leasing Tab

SCEIS

Create Asset: Master data

		Asset values

Asset   INTERN-00001   0   Copier Lease Asse
Class   15200   SCEIS_Copy & Fax Eqp   Company Code

General	Time-dependent	Allocations	Origin	Leasing	Deprec. Areas

Leasing

Leasing company	7000243383	
Agreement number	123456	
Agreement date	03/13/2018	Notice date 03/13/2018
Lease start date	03/13/2018	Lease length 3 /
Type	01	
Base value as new	5000.00	USD
Purchase price	1.00	USD
Supplementary text		
No. lease payments	36	
Payment cycle	1	
Lease payment	150.00	USD
Annual interest rate	5.0	
Present Value	0.00	USD

> Enter the length of the leasing agreement here in fiscal years. If the length of the lease exceeds a year, enter the additional time in fiscal periods. For example, a lease that runs for 18 months is entered as 1 year and 6 months.

Create Asset – Leasing Tab

SCEIS

Create Asset: Master data

[🔲] [🔳] | Asset values

Asset	INTERN-00001	0		Copier Lease Asse	
Class	15200			SCEIS_Copy & Fax Eqp	Company Code

| General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas |

Leasing

Leasing company	7000243383	PRESIDIO TECHNOLOGY CAPITAL LLC		
Agreement number	123456			
Agreement date	03/13/2018		Notice date	03/13/2018
Lease start date	03/13/2018		Lease length	3 /
Type	01	Capital lease		
Base value as new	5,000.00	USD		
Purchase price	1.00			
Supplementary text				
No. lease payments	36			
Payment cycle	1			
Lease payment	150.00			
Annual interest rate	5.0000			
Present Value	5,004.86			

Lease payment cycle

The lease payment cycle determines the periodic intervals at which lease payments are made

Example

monthly:	cycle = 1
quarterly:	cycle = 3
semi-annually:	cycle = 6
annually:	cycle = 12

Create Asset - Depreciation Tab

Single Asset

Capitalization - ABZON

ZGLA Before Capitalization

GL Account	YTD Beg Bal	MTD Activity	YTD End Bal
1801010000 VEHICLES & TRANSPORTATION - (MA)	100.00		100.00
1801014000 OFFICE EQUIPMENT - (MA)	40,000.00		40,000.00
1801015000 PHOTOCOPY & FAX EQUIPMENT - (MA)	52,450.00		52,450.00
1801016000 DATA PROCESSING EQUIPMENT - (MA)	45,185.55		45,185.55
1801099000 LOW VALUE ASSETS - (MA)	8,577.19		8,577.19

Capitalization - ABZON

SCEIS

Enter Asset Transaction: Acquis. w/Autom. Offsetting Entry

🔲	👓 Line items	🔒 Change company code	🔲 Multiple assets	🔲

Company Code	SC01			State of South Carolina
⦿ Existing asset	150000014979		0	Copier Lease Asset
◯ New asset				

	Description		
	Asset Class		
	Cost Center		

Transaction data	Additional Details	📝 Note

Document Date	03/13/2018	
Posting Date	03/13/2018	
Asset Value Date	03/13/2018	
Amount posted	5000.00	USD
Quantity	1	EA
Text		

Click on Additional Details Tab

Capitalization - ABZON

SCEIS

Enter Asset Transaction: Acquis. w/Autom. Offsetting Entry

| 🎛 | 🔍 Line items | 🔐 Change company code | ▦ Multiple assets | ↩ | ➡ |

Company Code	SC01		State of South Carolina
◉ Existing asset	150000014979	0	Copier Lease Asset
○ New asset			
	Description		
	Asset Class		
	Cost Center		

| Transaction data | Additional Details | 📝 Note |

Special specif. for document

Posting period	
Document type	AL
Offsetting acct no.	5060999997

Enter Document Type, Offsetting GL
And Transaction Type

Special specif. for transaction

| Transaction Type | ZDO 🔍 |
| Trading partner | |

✅ Asset transaction posted with document no. SC01 1700118625

Capitalization – FB03

Display Document: Data Entry View

Display Currency   General Ledger View

Data Entry View

Document Number 1700118625	Company Code SC01	Fiscal Year 2018
Document Date 03/13/2018	Posting Date 03/13/2018	Period 9
Reference	Cross-Comp.No.	
Currency USD	Texts exist ☐	Ledger Group

CoCd	Item	PK	S	Account	Cmmt item	Ex/Rev A/c	Description	Amount	BusA	Fund	Partner Fund
SC01	1	70		1801015000	1801015000		150000014979 0000	5,000.00	C050	303500...	
SC01	2	50		5060999997	5060999997		Leased Asset Contra	5,000.00-	C050	303500...	

ZGLA After Capitalization

GL Account	YTD Beg Bal	MTD Activity	YTD End Bal
1801010000 VEHICLES & TRANSPORTATION - (MA)	100.00		100.00
1801014000 OFFICE EQUIPMENT - (MA)	40,000.00		40,000.00
1801015000 PHOTOCOPY & FAX EQUIPMENT - (MA)	52,450.00	5,000.00	57,450.00
1801016000 DATA PROCESSING EQUIPMENT - (MA)	45,185.55		45,185.55
1801099000 LOW VALUE ASSETS - (MA)	8,577.19		8,577.19

Multiple Assets

Lease Document

Presidio Technology: Copier Lease

Terms: 5 year lease

Interest Rate	5%
Principle	$42,450
First Payment	Feb 1, 2018
Payment	$801/Month

Lease Document

SCEIS

Presidio Technology: Copier Lease

2 ABC Copiers	$10,000 ea	$20,000
2 DEF Copiers	7,500 ea	15,000
		35,000
Sales Tax		2,450
		37,450
Installation	5,000	5,000
Total		$42,450

Calculation of Asset Values

	Price	Sales Tax	Installation	Asset Value
ABC Copier 1	10,000.00	700.00	1,428.57	12,128.57
ABC Copier 2	10,000.00	700.00	1,428.57	12,128.57
DEF Copier 1	7,500.00	525.00	1,071.43	9,096.43
DEF Copier 2	7,500.00	525.00	1,071.43	9,096.43
Sales Tax	2,450.00	(2,450.00)		-
Installation	5,000.00		(5,000.00)	-
	42,450.00	-	-	42,450.00

Multiple Assets

Create Assets

Create Assets – AS01

Create Assets – General Tab

SCEIS

Create Asset: Master data

Asset values

Asset	INTERN-00001	0			
Class	15200		SCEIS_Copy & Fax Eqp	Company Code	SC01

| General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas |

General data

Description	Leased Copier	
Asset main no. text		
Acct determination	15200	SCEIS_Photocopy & Fax Equipment
Serial number	TBD	
Inventory number	TBD	
Quantity		EA each

☐ Manage historically

Inventory

Last inventory on		☑ Include asset in inventory list
Inventory note		

Create Assets – Time Dependent Tab

Create Assets – Leasing Tab

SCEIS

Create Asset: Master data

Asset   INTERN-00001   0   Leased Copier
Class   15200   SCEIS_Copy & Fax Eqp   Company Code

| General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas |

Leasing

Leasing company	7000243383			
Agreement number	99677102			
Agreement date	02/01/2018	Notice date	02/01/2018	
Lease start date	02/01/2018	Lease length	5 /	
Type	01			
Base value as new	42,450.00	USD		
Purchase price	1.00	USD		
Supplementary text				
No. lease payments	60			
Payment cycle	1	☐ Advance payments		
Lease payment	801.00	USD		
Annual interest rate	5.0			
Present Value	0.00	USD		

The asset 150000015090 0 is created.

Create Subnumber: Initial screen

Master data	Depreciation areas

Asset	150000015090
Company Code	SC01
Number of similar subnumbers	3

☐ Post-capitalizatn

Create Sub Assets – AS11
General Tab

SCEIS

Create Asset: Master data

Asset values

Asset	150000015090	1			
Class	15200		SCEIS_Copy & Fax Eqp	Company Code	SC01

General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas

General data

Description	Leased Copier	
Asset main no. text	Leased Copier
Acct determination	15200 SCEIS_Photocopy & Fax Equipment
Serial number	TBD
Inventory number	TBD
Quantity	1 EA each
	☐ Manage historically

Inventory

Last inventory on		☑ Include asset in inventory list
Inventory note		

Posting information

Capitalized on		Deactivation on	
First acquisition on		Plnd. retirement on	
Acquisition year	000	Ordered on	

Create Sub Assets – AS11 Time-Dependent Tab

Create Sub Assets – AS11
Leasing Tab
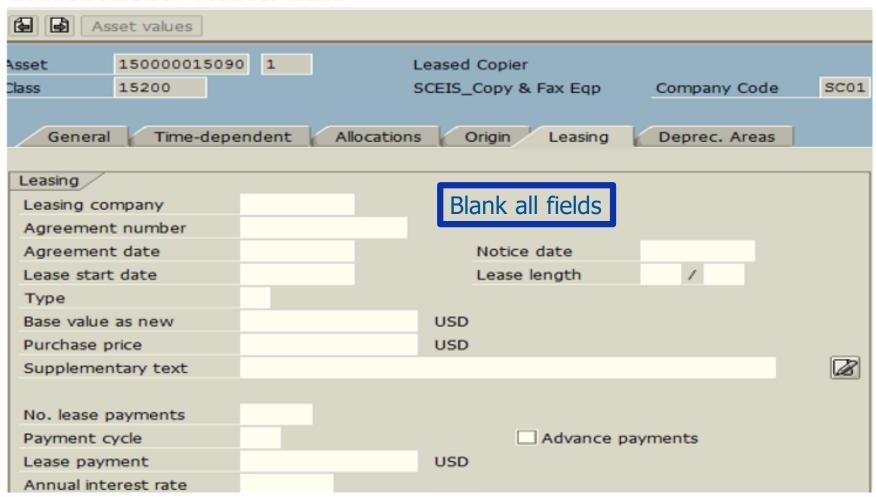
Create Asset: Master data

Asset   150000015090   1   Leased Copier
Class   15200   SCEIS_Copy & Fax Eqp   Company Code   SC01

| General | Time-dependent | Allocations | Origin | Leasing | Deprec. Areas |

Leasing

Leasing company

Agreement number

Agreement date   Notice date

Lease start date   Lease length   /

Type

Base value as new   USD

Purchase price   USD

Supplementary text

No. lease payments

Payment cycle   ☐ Advance payments

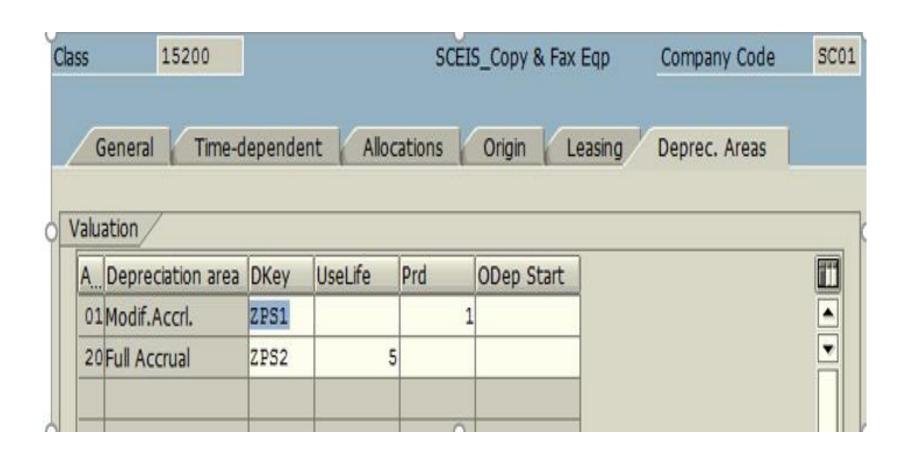Lease payment   USD

Annual interest rate

Blank all fields

Create Sub Assets – AS11 Depreciation Tab

Multiple Assets

Capitalization - ABZON

Capitalization of Multiple Assets
ABZON

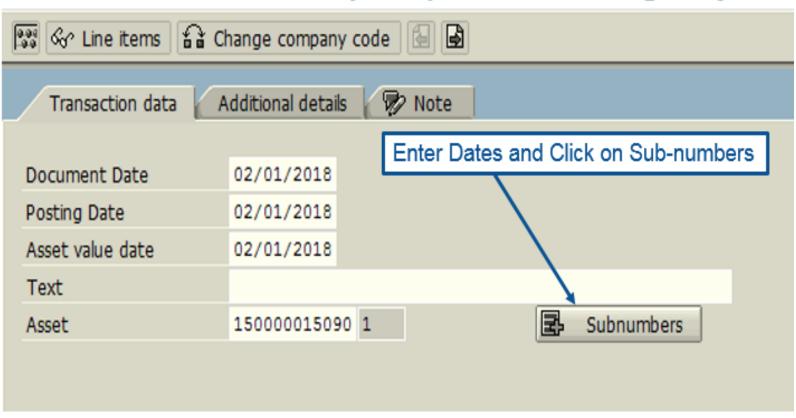*Enter Asset Transaction: Acquis. w/Autom. Offsetting*

Line items   Change company code   Multiple assets

Company Code	SC01	State of South Carolina
⦿ Existing asset	150000015090	1 Leased Copier
◯ New asset		
	Description	
	Asset Class	
	Cost Center	

Click Multiple Assets

Transaction data | Additional details | ✍ Note

Document Date	
Posting Date	02/01/2018
Asset value date	☑
Amount posted	USD
Quantity	

Enter Asset Transaction: Acquis. w/Autom. Offsetting Entry

	Line items

Change company code

| Transaction data | Additional details | Note |

Enter Dates and Click on Sub-numbers

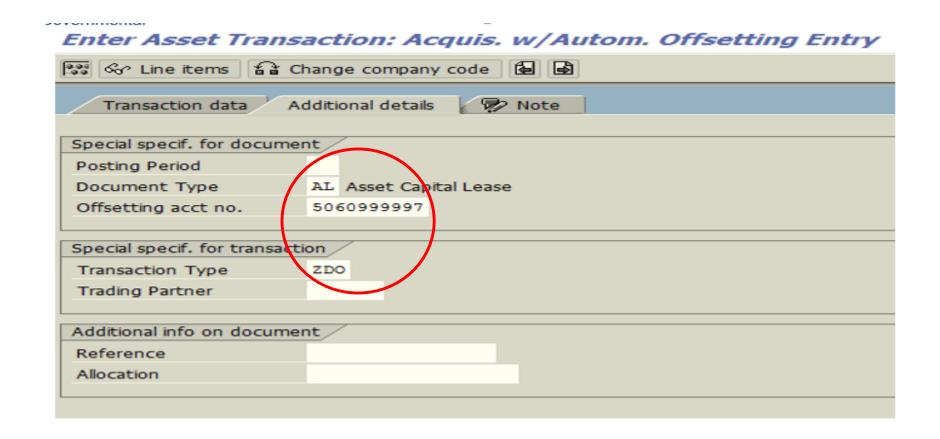|	
Document Date	02/01/2018
Posting Date	02/01/2018
Asset value date	02/01/2018
Text	
Asset	150000015090 1

Subnumbers

Capitalization of Multiple Assets
ABZON - Transaction Data Tab

Enter asset values

List of assets

Asset	SNo.	Amount posted	Crcy	Quantity	BUn	Asset description
150000015090	0	12128.57	USD	1.00	EA	Leased Copier
150000015090	1	12128.57	USD	1.00	EA	Leased Copier
150000015090	2	9096.43	USD	1.00	EA	Leased Copier
150000015090	3	9096.43	USD	1.00	EA	Leased Copier
			USD			
			USD			

Value of assets from Slide 31

Capitalization of Multiple Assets
ABZON - Addition Details Tab

Capitalization of Multiple Assets
FB03

SCEIS

Display Document: Data Entry View

Display Currency | General Ledger View

Data Entry View

Document Number	1700121187	Company Code	SC01	Fiscal Year	2018
Document Date	02/01/2018	Posting Date	02/01/2018	Period	8
Reference		Cross-Comp.No.		
Currency	USD	Texts exist		Ledger Group	

CoCd	Item	PK	S	Account	Cmmt Item	Ex/Rev A/c	Description	Σ	Amount	BusA	Fund
SC01	1	70		1801015000	1801015000		150000015090 0000		12,128.57	C050	303500...
SC01	3	70			1801015000		150000015090 0001		12,128.57	C050	303500...
SC01	5	70			1801015000		150000015090 0002		9,096.43	C050	303500...
SC01	7	70			1801015000		150000015090 0003		9,096.43	C050	303500...
				1801015... 🖴					▪ 42,450.00		
SC01	2	50		5060999997	5060999997		Leased Asset Contra		12,128.57-	C050	303500...
SC01	4	50			5060999997		Leased Asset Contra		12,128.57-	C050	303500...
SC01	6	50			5060999997		Leased Asset Contra		9,096.43-	C050	303500...
SC01	8	50			5060999997		Leased Asset Contra		9,096.43-	C050	303500...
				5060999... 🖴					▪ 42,450.00-		
🖴									▪▪ 0.00		

Create Shopping Cart and Purchase Order for IT Leases

Shopping Cart Creation

- Important Tips for the Shopping Cart Creator
  - Use **Contract Search** in SRM to enter Contract 4400015301.

  - Contract 4400015301 is mapped to NIGP Code **98426, IT Equipment Lease,** but will be un-mapped to allow the user to assign the correct GLs, accountment assignment.

  - In the **Account Assignment Tab**, select "By Value" for the Cost Distribution enter the Principle and Interest GLs and Executive Cost (if applicable) and determine the dollar value for each line of accounting.

Shopping Cart Creation

GLs used with governmental leases:

- 5041810000 Cap Lease Exe Costs-Equip

- 5041820000 Cap Lease Principal Pay-Equip

- 5041830000 Cap Lease Interest Pay-Equip

Shopping Cart Creation

Example of Shopping Cart

Purchase Order Creation

- Important Tips for the Buyer
  - Verify Contract 4400015301 for IT Equipment Leasing
  - Select **ZCAP Capital Lease PO Transaction Type** (Document Type)
  - Uncheck Goods Receipt/Confirmation of Performance of Services, if applicable
  - Review Account Assignment line items for correct Principle and Interest GL account numbers and correct if necessary
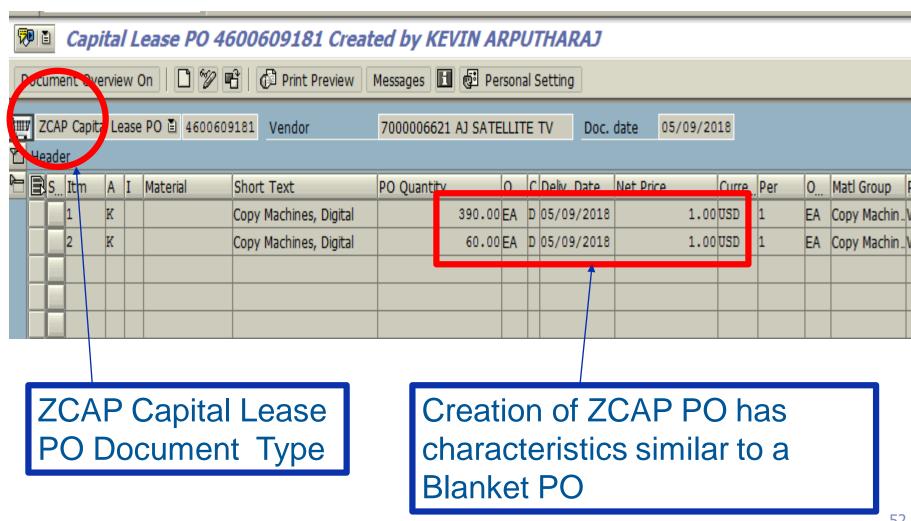
Lease Payments

ME23N − View PO in ECC

Capital Lease PO 4600609181 Created by KEVIN ARPUTHARAJ

Document Overview On | 🗋 ✏️ 🖺 | 🖨 Print Preview | Messages 🔢 🖺 Personal Setting

ZCAP Capital Lease PO 🖺 4600609181 | Vendor | 7000006621 AJ SATELLITE TV | Doc. date | 05/09/2018

Header

S..	Itm	A	I	Material	Short Text	PO Quantity		O	C	Deliv. Date	Net Price		Curre..	Per	O..	Matl Group	P
	1	K			Copy Machines, Digital	390.00	EA	D		05/09/2018		1.00	USD	1	EA	Copy Machin..V
	2	K			Copy Machines, Digital	60.00	EA	D		05/09/2018		1.00	USD	1	EA	Copy Machin..V

ZCAP Capital Lease PO Document Type

Creation of ZCAP PO has characteristics similar to a Blanket PO

PO Type - ZCAP

PO Type ZCAP is being changed to extend its use beyond real property leases to also include lease transaction for personal property such as equipment. Below is an excerpt from the change proposal to the "State of South Carolina Policy for Use of Purchasing/Payment Document Type."

Lease Document Types	Lease PO Document Type Titles	Lease PO Uses and SC Procurement Code & Regulations Reference
ZCAP	Capital Lease PO	This PO type shall be used by an agency for leasing of non-state owned real property in accordance with Code § 1-11-55 and Regulation 19-447.1000. This PO type shall also be used by agencies for the leasing of personal property, such as equipment, when the lease qualifies as a capital lease under current GASB standards. Use of this document type allows ease of reporting on capital leases.

PO Type - ZCAP

- General characteristics of a Lease PO are proposed to be revised in the Policy as follows:

  - Known and fixed quantity, price, and item For capital leases, the principle and interest split for each payment is known.

  - Requires a fixed duration date (Start/End/Date).

  - Agencies have the option to require or not require a Goods Receipt (GR).

    - Agencies are responsible for enduring proper internal controls at their agency level if no GR is required. State agencies must have internal policies in place for maintaining those controls.

  - Provides reporting on PO dollar value purchased.
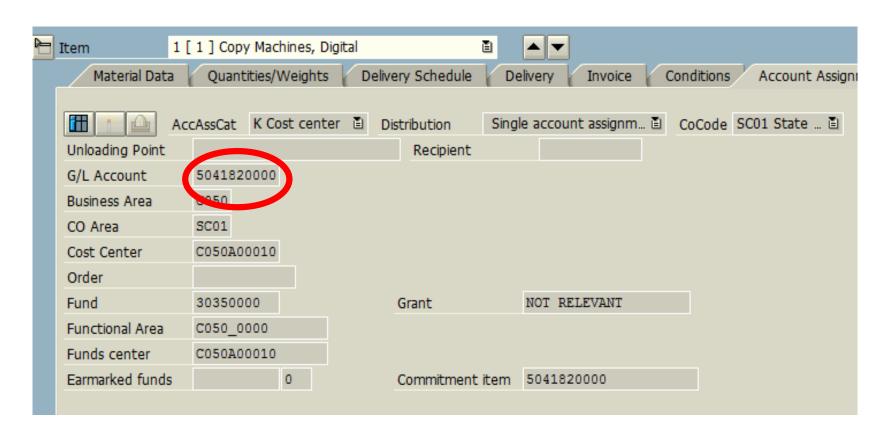
Reporting – Capital Lease Liabilities

- The creation of the preceding PO is similar to a Blanket in that the Quantity and Amount are the same when transacting the MIRO for payment.

- This will be useful when paying lease payments because:

  - The PO will have at least two lines of Account Assignment, a principal line (GL 5041820000) and an interest line (GL 5041830000).

  - While the periodic payment remains the same, the amount proportioned to each line will change with almost every payment, based on the amortization schedule.

ME23N – View PO

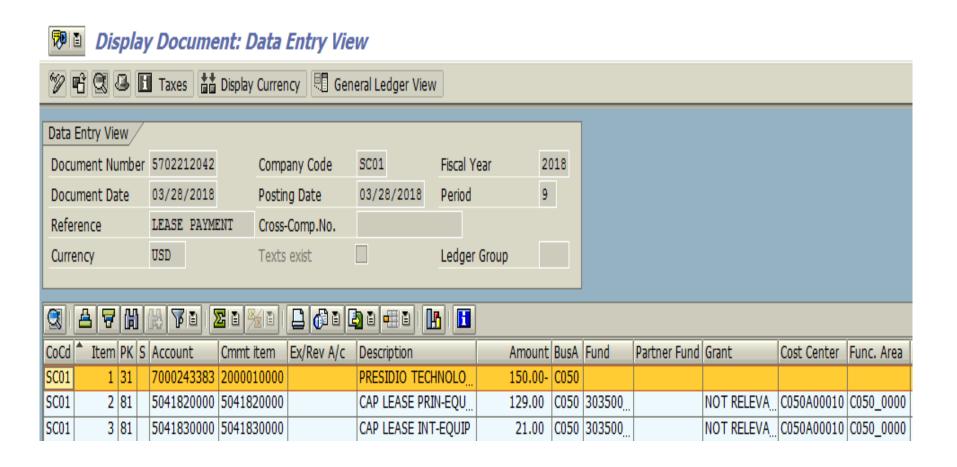Line 1 – Principal portion shown under the Account Assignment tab.

ME23N − View PO

Line 2 - Interest portion shown under the Account Assignment tab.

FV50 Lease Payment

Display Document: Data Entry View

Taxes | Display Currency | General Ledger View

Data Entry View

Document Number	5702212042	Company Code	SC01	Fiscal Year	2018
Document Date	03/28/2018	Posting Date	03/28/2018	Period	9
Reference	LEASE PAYMENT	Cross-Comp.No.			
Currency	USD	Texts exist	☐	Ledger Group	

CoCd	Item	PK	S	Account	Cmmt item	Ex/Rev A/c	Description	Amount	BusA	Fund	Partner Fund	Grant	Cost Center	Func. Area
SC01	1	31		7000243383	2000010000		PRESIDIO TECHNOLO…	150.00-	C050					
SC01	2	81		5041820000	5041820000		CAP LEASE PRIN-EQU…	129.00	C050	303500…		NOT RELEVA…	C050A00010	C050_0000
SC01	3	81		5041830000	5041830000		CAP LEASE INT-EQUIP	21.00	C050	303500…		NOT RELEVA…	C050A00010	C050_0000

Reporting

Reporting – Capital Lease Liabilities

- Report "Liabilities From Leasing Agreements"

   Transaction Code S_ALR_87010141

Menu Path: Accounting > Financial Accounting >

Fixed Assets > Information System > Reports on Asset Accounting > Asset Balances > Leased Assets > Liabilities From Leasing Agreements

Capital Lease Report
S_ALR_87010141

Liabilities from Leasing Agreements

Company code	SC01	to	
Asset number		to	
Subnumber		to	

Click on + Icon

Selections

Asset class	15000	to	
Business area	C050	to	

Settings

Sort Variant   0006   Co. code / leasing area

◉ List assets
○ ... or main numbers only
○ ... or group totals only

Further selections

Lessor		to
Agreement date		to
Termination date of agreement		to
Start of lease		to
Agreement number		to
Only amounts from/to		to

Capital Lease Report S_ALR_87010141

SCEIS

Liabilities from Leasing Agreements

Company code	SC01	to		➡
Asset number		to		➡
Subnumber		to		➡

Selections

Asset class		to		➡
Business area	C050	to		➡
Cost center		to		➡
Plant		to		➡
Location		to		➡
Asset super number		to		➡

Settings

Report date	06/30/2023	
Sort Variant	0006	Co. code / leasing area

Advance date through date needed, Normally at least 5 years into future

◉ List assets
○ ... or main numbers only
○ ... or group totals only

Execute

Reporting – Capital Lease Liabilities

```
        Report date: 06/30/2023   Liabilities from Leasing Agreements
         Created on: 01/26/2018

CompanyCode          Lessor
SC01                 7000243383
```

Asset		SNo. Asset description							Leas.comp.	Leas.agreem.
		Ls.st.date	Lease payment	Cycle	Yr.	Per	Number			
		Remaining costs		Total costs		Previous years	Crcy			
	Year	Annual costs	Crcy							
150000014956 0		test copier lease							7000243383	123456789
		01/26/2018	2,183.54	12	5	5				
		0.00	10,917.70			0.00	USD			
	2018	2,183.54	USD							
	2019	2,183.54	USD							
	2020	2,183.54	USD							
	2021	2,183.54	USD							
	2022	2,183.54	USD							

```
* Total


                          0.00    10,917.70        0.00  USD
                 10,917.70  USD
```

SCEIS

Liabilities from Leasing Agreements

Report date: 06/30/2023   Liabilities from Leasing Agreements
Created on: 05/09/2018

CompanyCode   Lessor
SC01   7000243383

Asset	SNo.	Asset description							eas.agree
		Ls.st.date	Lease pay						
		Remaining costs							
	Year	Annual costs Crcy							

Report Sorts by Lessor, Asset, Fiscal Year;
Download to Excel To Sort and Sum Liabilities by Year;
Click on Local File Icon

150000014975 0		test copier lease					7000243383 1234	
		02/23/2017	2,183.54	12	5	5		
		0.00	10,917.70		2,183.54	USD		
	2018	2,183.54 USD						
	2019	2,183.54 USD						
	2020	2,183.54 USD						
	2021	2,183.54 USD						

Reporting – Capital Lease Liabilities

Reporting – Capital Lease Liabilities

Reporting – Capital Lease Liabilities

Initial Excel spreadsheet will contain much information unnecessary for Capital Lease Reporting. Manipulate Excel file to obtain the information needed.

Reporting – Capital Lease Liabilities

Future Lease Payments			
Year			Amount
2018			22,713.27
2019			22,713.27
2020			22,713.27
2021			22,713.27
2022			16,524.73
Total			$ 107,377.81

GASB 87

GASB 87

- Effective for reporting periods beginning after December 15, 2019, FY2021 for the State.

- GASB 87 assumes all leases are capital leases except for "short term" leases.

- A short term lease is defined as a lease that, at the commencement of the lease, has a maximum possible lease term of 12 months. Any clause that might extend the lease past the 12 month period, requires the lease to be treated as a capital lease.

- The definition of capital leases applies to all real property leases.

- Real property leases between entities of the same government are excluded from this requirement.

- Leases of equipment that would not meet the criteria of an asset must the treated as a capital lease.

GASB 87

- Lessee accounting: recognize a lease liability and a lease asset at the commencement of the lease term.

- Payments should reduce the liability for the principle portion and record an outflow of resources (expenses) for the interest portion.

- Asset should be depreciated over the shorter of the lease term or the useful life of the asset.

GASB 87

- If lease contains multiple assets, lessees should:

    - Allocate total contract price to separate components, using professional judgement to determine their best estimate of the price of each component.

    - If determining a best estimate is not practical, multiple components in a single contract can be accounted for as a single lease unit.

The <u>intent of the lessee</u> at the commencement of the lease will determine how a leased asset will be classified.

- If it is the lessee's intent to retain the asset after the lease period has expired, the asset will be classified in the asset class normally used for like asset acquisitions.

- If it is the lessee's intent not to retain the asset after the lease period has expired, the asset will be classified in a new asset class created for like assets but the title of the class will begin with "Cap-Lease Intangible."

GASB 87

- Example: Copier lease

Lessee intent is to retain, use asset class:

   15200, Photocopy & Fax Equipment

Lessee intent is not to retain, use asset class:

   15209, Cap Lease Intangible Copy & Fax Equipment

GASB 87

- New Asset Classes: The current proposal is to create a new "Cap Lease Intangible" asset class to correspond to each of our existing asset classes. The new classes will end in "9" as in the previous example.

- New GLs: The current proposal is to create a new GLs for each new "Cap Lease Intangible" asset class. All of these new GLs (Assets, Asset Contras, Accumulated Depreciation, Fund Balance and Expenditure) can be distinguished from the GLs of existing asset classes by the "9" in the last character.