

AM.020.075 – ADDING A LEASE

Purpose	To add a leased asset.
Description	<p>GASB Statement 87 defines a lease 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.</p> <p>GASB Statement 96 defines a subscription based IT arrangement (SBITA) as a contract that conveys control of the right to use another party’s IT software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.</p> <p>The traditional language of a Capital lease versus an Operating lease no longer applies. All leases including SBITAs except for those specifically excluded in the statements should be represented on the institution’s balance sheet.</p>
Security Role	BOR_RE_ADMIN
Dependencies/ Constraints	None
Additional Information	None

Procedure

Below are step by step instructions on how to add a lease.

Step	Action
1.	Click the NavBar icon.
2.	Click the Menu icon.
3.	Click the Asset Management link.
4.	Click the Asset Transactions link.
5.	Click the Leased Assets link.
6.	Click the Create New Lease link.
7.	Enter the Business Unit in the Business Unit field.
8.	Select the Add button. The system navigates to the Maintain Lease page and defaults to the General Information tab.
9.	Enter the Lease Name, Lease Type, Lessor and Region for the lease. The Lease Name should be a short description of the underlying asset, e.g., Ricoh Copier XCL100. The Lease Type is an informational field which indicates whether the lessor is a third party, a member of the USG, or a member of the State Reporting Entity.
10.	Navigate to the Lease Timetable section and enter the Basic Lease information which includes: <ul style="list-style-type: none"> • Commencement: when the lease term begins. • Termination: when the lease term ends • Lease Signed: when the lease was signed
11.	Navigate to the Lease Administration section and enter the Lease Administrator, Portfolio Manager and Lease ID information. The Lease ID is an internal reference number. <i>Note: Institutions may use the naming convention previously suggested by the System Office for the Lease ID, but are not required to do so.</i>
12.	Navigate to the Asset Information section and select one of the following options from the Action dropdown menu: <ul style="list-style-type: none"> • Add Equipment: to be used for anything other than Land. • Add Property: to be used for Land.
13.	Click the Go button. The system generates the Add Asset or Add Property pop-up window.

Step	Action
14.	<p>Select the appropriate Profile ID based on the characterization and term of the lease.</p> <p>Note: For leases that do not transfer ownership, the profile and category should begin with an “L.” Leases that transfer ownership with no further payments should be categorized with an “F” category. SBITAs should be categorized with an “S” category.</p>
15.	Verify the system populates the Asset Description, Asset Type and Asset Category.
16.	Enter the Estimated Life . This is equal to the useful life for an “F” category asset, equal to lease term for an “L” category asset, and equal to the “period of time” as stated in the contract for “S” SBITAs.
17.	Enter the Fair Value , if known.
18.	<p>Enter the required Property Information if the asset is land.</p> <p>Note: Choose Site as the Property Class on all Property. Choosing another value will require the Parent Property ID field to be completed.</p>
19.	Click the OK button. The system navigates back to the Maintain Lease page.
20.	Click the Financial Terms tab.
21.	<p>Navigate to the Financial Summary section and enter the Interest rate Percent. This should be the explicit or implicit rate of the contract.</p> <p>Note: If neither of these is known or obtainable, the state borrowing rate may be used.</p>
22.	Navigate to the Add Lease Payments dropdown and select the “ Add Base Rent ” option.
23.	Click the Go button. The system generates the Base Rent Details pop-up window.

Step	Action
24.	<p>In the Base Rent Details pop-up, select one of the following Payment Types:</p> <ul style="list-style-type: none"> • Advance or Arrears: complete the following additional information: <ul style="list-style-type: none"> ○ Start Date ○ End Date ○ Uncheck “Integration with Accounts Payable” checkbox ○ Amount ○ Schedule ○ Terms Calendar (choose ‘MO’ for monthly schedules) ○ Rent Escalation (if applicable)
25.	Click on the Preview Payment Schedule link.
26.	Verify the Payment Schedule looks correct.
27.	Click the OK button. The system navigates back to the Base Rent Details pop-up window.
28.	Confirm the PVLP calculated is correct.
29.	Select the General Information tab.
30.	Under the Asset List, click the Cost tab.
31.	Click on the Cost Distribution icon.
32.	Choose Percentage or Quantity and enter the Chartstring(s) for the lease. Users can create split distributions here.
33.	Click OK to go back to the General Information.
34.	Click the Classification tab.
35.	Click the Reviewed checkbox.
36.	Click the Save button to generate a lease number.
37.	Navigate to the header and select “ Activate Lease ” from the Action dropdown menu.
38.	Click the Go button to activate the lease. This will generate an Asset ID.
39.	Verify the status is “ Active ”.
40.	Run the Depreciation Calculation and Create Accounting Entries. For more information see, AM.030.020 – Closing Period Depreciation .