

State of Georgia
Lease Agreement Data
Governmental, Proprietary and Fiduciary Instructions

Generally Accepted Accounting Principles (GAAP) requires that certain lease agreement information be disclosed on the State's Comprehensive Annual Financial Report (CAFR). As part of this process, agencies are required to provide all lease agreement data. It is essential that agencies differentiate between capital and operating leases. Review the Leases Policy before completing the forms.

Complete the Form_Lease Agreement Data before completing the Form_Capital Leases and Form_Operating Leases.

The instructions for each subtitle below correspond to the row numbers provided in the Form_Lease Agreement Data.

1) Fund name

Enter the fund name recorded in the accounting records.

- Fund name, such as, A1, A4 and B1.

2) Fund type

Enter the fund type recorded in the accounting records.

- Fund types are governmental, proprietary and fiduciary.
 - If proprietary enter either **enterprise** or **internal service**.
 - An *enterprise fund* accounts for activities like a business-type.
 - An *internal service fund* accounts for activities like an enterprise fund but provides goods and services to other departments within the State.

3) Lessor name (vendor)

Enter the name of the vendor per the lease agreement.

4) Lease term

Enter the number of months per the lease agreement.

5) Lease inception date

Enter the date that the lease agreement or written agreement was signed by all parties.

- month/day/year.

6) First payment date

Enter the date of the first payment per the lease agreement.

- month/day/year.

7) Lease payment amount

Enter a lease payment amount by **month**, **quarter** or **annual** per the lease agreement.

8) Capital lease

Mark with an **X** all applicable items that meet the criteria for a capital lease per the lease agreement.

- The lease transfers ownership of the property to the lessee by the end of the lease term, (for capital lease purchases of land this criterion must be met).
- The lease contains a bargain option purchase option (a provision allowing the State, at its option, to purchase the leased property for a price which is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable). However, the difference between the option price and the expected fair value must be large enough to make exercise of the option reasonably assured.
- The lease term is equal to 75% or more of the estimated economic life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

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8) Capital Lease

- The present value of the beginning of the lease term of the minimum lease payments, excluding that portion of the payments representing executory costs such as, insurance, maintenance and taxes to be paid by the lessor, including any profit thereon, equals or exceeds 90% of the excess of the fair value of the lease property to the lessor at the inception of the lease over any related investment tax credit by the lessor and expected to be realized by him. However, if the beginning of the lease term falls with the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease. It is required that the lessee will use their own incremental borrowing rate as a discount rate when calculating the present value unless the lessee is aware of the lessor's implicit rate of return and the lessor's rate of return is less than the lessee's implicit rate.

9) Lease type

Enter **capital** if the lease meets one or more criteria for a capital lease, otherwise, enter **operating**.

- If *capital*, **continue**.
- If *operating*, **go to #24 and #25** to complete the operating lease data.

10) Ordinary annuity or annuity due

Enter **ordinary** if the payment is at the end of the period or **due** if the payment is at the beginning of the period per the lease agreement.

11) Interest rate used

Enter the **interest rate used** and enter the **source of the rate**, either the **State** or **Lessor**.

- It is required that the lessee will use their own incremental borrowing rate as a discount rate when calculating the present value unless the lessee is aware of the lessor's implicit rate of return and the lessor's rate of return is less than the lessee's incremental borrowing rate.

12) Executory costs

Enter the total amount of executory costs paid by lessor per the lease agreement.

- If no executory costs are stated, enter an estimate.
 - Executory costs, such as, insurance, maintenance and taxes.

13) Bargain purchase option amount

Enter the bargain purchase option amount per the lease agreement, if applicable.

- It is a provision in the lease agreement allowing the lessee (State) to purchase the property at a price sufficiently below the expected fair value at the date the option becomes exercisable.

14) Bargain purchase option exercise date

Enter the date the lessee (State) can exercise the bargain purchase option amount per the lease agreement, if applicable.

15) Fair value

Enter the fair value of the lease property per the lease agreement.

- Typically the fair value is the price for which the property could be sold in an arm's length transaction between unrelated parties.

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16) Residual value

Enter the **guaranteed** and **un-guaranteed** residual values (fair value) per the lease agreement.

- The residual value is the fair value of the leased property at the end of the lease term.
 - The amount of the guaranteed residual value is a) the certain or determinable amount at which the lessor has the right to require the lessee to purchase the asset, or b) the amount the lessee or third party guarantor guarantees the lessor will realize.
 - The un-guaranteed residual value of the leased property is exclusive of any portion guaranteed by the lessee or by a third party guarantor.

17) Renewal option

Enter **yes** or **no**.

- It is a provision in the lease agreement that allows the lessor or lessee to renew or extend the lease.
 - If yes, provide the terms of the renewal.

18) Present value of the minimum lease payments

Enter the present value of the minimum lease payments per the lease agreement.

- A capital lease should be recorded at an amount equal to the lower of the present value of the minimum lease payments, excluding that portion of the payments representing executory costs such as, insurance, maintenance and taxes to be paid by the lessor, including any profit thereon or the fair value of the leased property at the inception of the lease. If the executory costs cannot be determined from the provisions of the lease, an estimate should be made.
- The present value of the minimum lease payments includes:
 - Minimum lease payments over the lease term
 - Guaranteed residual value at end of term (guaranteed the lessor by the lessee or third party)
 - Any payment required of the lessee for failure to extend or renew the lease
 - Bargain purchase option

19) Estimated economic life of the lease asset

Enter the number of months of the expected useful life of the asset per the lease agreement.

- This is the remaining period expected to be usable by one or more users for the purpose in the lease, without limitation by the lease term.

20) Will asset be depreciated

Enter **yes** or **no**.

- If yes mark with an **X** either **economic life of asset** or **term of lease**.
 - If the lease transfers ownership of the property to the lessee by the end of the lease term or the lease contains a bargain purchase option mark **economic life** of the asset, otherwise mark **term of lease**.

21) Amortization schedule

Enter **yes** or **no**.

- This is a schedule that provides the amounts written-off for principal and interest of the leased property over the lease term.
 - If yes provide a copy of the amortization schedule.

22) Asset ID number

Enter the asset id number recorded in the accounting records.

23) Asset class

Enter the asset class recorded in the accounting records.

- Asset class, such as, equipment, machinery, vehicles, furniture, land and buildings.

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24) Prepared by

Enter the name of the person who is responsible for lease information.

25) Telephone

Enter the telephone number of the person who is responsible for lease information.