

State of Georgia
Note Disclosure – Capital Leases
Governmental, Proprietary and Fiduciary Instructions

Generally Accepted Accounting Principles (GAAP) requires that certain capital lease information be disclosed on the State's Comprehensive Annual Financial Report (CAFR). As part of this process, agencies are required to evaluate each lease agreement and complete the note disclosure form. Review the Leases Policy before completing the forms.

The total number of capital leases recorded in the Form_Capital Leases should equal the total number of capital leases recorded in the Form_Lease Agreement Data.

The instructions for each subtitle below correspond to the row numbers provided in the Form_ Capital Leases.

1) Fund name

Enter the fund name where the lease is recorded in the accounting records.

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

2) Fund type

Enter the fund type where the lease is 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) Asset ID number

Enter the asset id number recorded in the accounting records.

4) Asset class

Enter the asset class where the lease is recorded in the accounting records.

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

5) Future fiscal year minimum lease payments

Enter the amounts of the total capital lease obligations to be paid in the next five years (**lines 5 through 9**) and amounts in five year increments thereafter (**lines 10 through 12**). These payments include the total minimum rental payments based on the terms of the lease. The total amount **includes** executory costs but **excludes** contingent rental amounts.

- Executory costs, such as, insurance, maintenance and taxes.
- A contingent rental indicates that lease payments depend on a factor related to the future use of the leased property, such as machine hours of use or number of copies made. Accordingly, they are excluded from minimum lease payments in their entirety.
- If available, use the amortization schedule.

13) Total future minimum lease payments

The total amount of the future fiscal year minimum lease payments (lines 5 through 12).

14) Less amounts for executory costs

Enter the amount representing actual or estimated executory costs (e.g., insurance, maintenance, taxes, etc.) paid by the lessor, including any profit thereon, that is included in the total minimum lease payments presented in line 13.

- Enter as a negative amount.
- Amount should agree with the executory costs (line 12) in the Lease Agreement Data form.
- If available, use the amortization schedule.

15) Net minimum lease payments

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The total amount of the future fiscal year minimum lease payments (line 13) less the amounts for executory costs (line 14).

16) Less amounts for interest

Enter the amount necessary to adjust the net minimum lease payments (line 15) to the present value of the net minimum lease payments using the applicable interest rate (lessor's or lessee's) at the inception of the lease.

- Enter as a negative amount.
- If available, use the amortization schedule.

17) Present value of the net minimum lease payments

The amount of the net minimum lease payments (line 15) less the amount for interest (line 16).

- Amount should agree with the present value of the minimum lease payments (line 18) in the Lease Agreement Data form.

18) Contingent rental payments current fiscal year

Enter the total amount of **only** contingent rents paid in the current fiscal year, if applicable.

- A contingent rental indicates that lease payments depend on a factor related to the future use of the leased property, such as machine hours of use or number of copies made.

19) Future fiscal year minimum sublease rentals

A sublease is leasing out an asset that is leased from another party.

- Enter the amount received for sublease rentals, if applicable.

20) Capital asset cost

This is for capital assets acquired through a capital lease and the amount recorded is 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

- Enter the amount recorded for the capital asset during the initial year purchased.
- Amount should agree with line 17 and the present value of the minimum lease payments (line 18) in the Lease Agreement Data form.

21) Accumulate depreciation

This is for capital assets financed through a capital lease.

- Enter as a negative number.

22) Net capital assets

The capital asset cost (line 20) less accumulated depreciation (line 21).

23) Prepared by

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

24) Telephone

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