

TOPIC	GAAP REPORTING	SUB-SECTION 27.40.15
SECTION	OTHER SCHEDULES	ISSUANCE DATE June 25, 2009
SUB-SECTION	ACCOUNTING FOR LEASES	REVISED - 2019

LEASES

The Leases schedule is prepared to provide information used in classifying leases into either capital or operating leases and to provide information needed for CAFR disclosures. This form must be completed for each lease entered into during the reporting period.

To be a capital lease, one of the following four criteria must be met:

1. The lease transfers ownership of the property to the lessee at the end of the lease term.
2. The lease term is 75 percent or more of the estimated economic life of the leased property.
3. The lease contains a bargain purchase option.
4. The present value of the minimum lease payments (excluding executory costs and any related profit) equals or exceeds 90 percent of the fair market value of the leased property.

If the lease does not meet any of these criteria, it will be classified as an operating lease. If the lease meets these criteria, has a purchase price of less than \$100,000, and is not part of a master lease, it is considered an immaterial capital lease and will be reported as an operating lease.

The State Master Lease Purchase Program is available to state agencies through the DFA Office of Purchasing, Travel, and Fleet Management. Agencies may use this program to lease purchase such items as equipment, software, energy efficiency projects, etc.

A master lease is reported for GAAP as either capital lease or notes payable. A master lease for equipment is reported as proceeds from a capital lease. A master lease for software or energy projects is reported as proceeds from notes payable.

OPERATING OR IMMATERIAL CAPITAL LEASE

Operating or immaterial capital lease are recorded during the year as contractual expenses. GAAP adjustments are not necessary.

MATERIAL CAPITAL LEASE (NOT A MASTER LEASE)

At inception, the following GAAP adjustment should be made:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
10150000	Cash with Fiscal Agent	\$XXX	
45200000	Proceeds from Capital Lease		\$XXX

The following GAAP adjustment is made yearly to reclassify the principal payments:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
68200001	GAAP Principal Payments-Capital Lease	\$XXX	
68300001	GAAP Interest and other Fiscal Charges	\$XXX	
6XXXXXXX	GAAP Expenditure (original entry)		\$XXX

**STATE OF MISSISSIPPI
DEPARTMENT OF FINANCE AND ADMINISTRATION**

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MASTER LEASE (REPORTED AS A CAPITAL LEASE)

At inception, the following GAAP adjustment should be made:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
10150000	Cash with Fiscal Agent	\$XXX	
45200000	Proceeds from Capital Lease		\$XXX

In succeeding years, as remaining cash is spent, the following GAAP adjustment should be made:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
6XXXXXXX	Capital Outlay or Commodities	\$XXX	
10150000	Cash with Fiscal Agent		\$XXX

The following GAAP adjustment is made yearly to reclassify the principal payments:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
68200001	GAAP Principal Payments-Capital Lease	\$XXX	
68300001	GAAP Interest and other Fiscal Charges	\$XXX	
68500000	Transfer out – GAAP		\$XXX

MASTER LEASE (REPORTED AS NOTES PAYABLE)

At inception, the following GAAP adjustment should be made:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
10150000	Cash with Fiscal Agent	\$XXX	
45150000	Proceeds from Notes Payable		\$XXX

In succeeding years, as remaining cash is spent, the following GAAP adjustment should be made:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
6XXXXXXX	Capital Outlay or Commodities	\$XXX	
10150000	Cash with Fiscal Agent		\$XXX

The following GAAP adjustment is made yearly to reclassify the principal payments:

<u>Account</u>	<u>Account Name</u>	<u>DR</u>	<u>CR</u>
68200002	GAAP Principal Payments-Notes	\$XXX	
68300001	GAAP Interest and other Fiscal Charges	\$XXX	
68500000	Transfer out – GAAP		\$XXX

CHANGES IN LONG-TERM OBLIGATIONS SCHEDULE (FORM 27.40.20)

At inception, the gross amount of a material capital lease and master lease is included as an addition to capital lease obligations on the Changes in Long-term Obligations schedule. At the end of each reporting period, the total amount of principal payments is included on the Changes in Long-term Obligations schedule as a deletion to the capital lease obligations.

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ASSETS PURCHASED THROUGH MATERIAL CAPITAL LEASE OR MASTER LEASE

Capital assets purchased through a material capital lease or master lease should be loaded as Lease Purchase Asset using MAGIC transaction type X13. When a material capital lease is paid off, the lease code should be changed in MAGIC. The lease code of "AL" should be adjusted to indicate "AP". Instructions for loading the asset in MAGIC can be found on the MAGIC uPerform website.

Exhibit 27.40.15 contains reference numbers. The instructions for completing the schedule are as follows:

<u>REFERENCE</u>	<u>EXPLANATION</u>
1	The agency name.
2	The agency number.
3	The reporting date including month, day and year.
4	The person who prepared the schedule.
5	The description of the leased equipment.
6	The lease amount.
7	The date of the lease.
8	The number of years of the lease term.
9	The estimated useful economic life of the leased equipment.
10	The number of payments each year.
11	The total amount of each payment, including principal and interest.
12	The fund number where the lease payments are made.
13	Enter "Yes" and attach a copy of amortization schedule.
14	Enter "Yes" if transfer of ownership will occur at the end of the lease, or "No".
15	Enter "Yes" if the lease contains a bargain purchase option, or "No".
16	The individual page and total pages of the schedule.

Form 27.40.15

State of Mississippi

Leases

Rev. 5/19

Business Area Name: _____ (1)

Business Area # _____ (2)

For the Period Ended: _____ (3)

Prepared by: _____ (4)

*** COMPLETE FOR NEW LEASES ONLY ***

	Lease #1	Lease #2	Lease #3
Equipment Description	(5)		
Purchase Price	(6)		
Date Lease Begins	(7)		
Lease Term (In Years)	(8)		
Estimated Economic Life	(9)		
Number of Payments Per Year	(10)		
Amount of Each Payment	(11)		
Paying Fund Number	(12)		
Amortization Schedule (Must Be Attached)	(13)		
Transfer of Ownership (Yes or No)	(14)		
Bargain Purchase Option (Yes or No)	(15)		
	Lease #4	Lease #5	Lease #6
Equipment Description			
Purchase Price			
Date Lease Begins			
Lease Term (In Years)			
Estimated Economic Life			
Number of Payments Per Year			
Amount of Each Payment			
Paying Fund Number			
Amortization Schedule (Must Be Attached)			
Transfer of Ownership (Yes or No)			
Bargain Purchase Option (Yes or No)			