

REPORTING

Note X - Leases

A. Operating Leases [1]

The (city/county/district) leases the office building and other equipment under noncancelable operating leases. Total cost for such leases was \$_____ for the year ended December 31, 20__. The future minimum lease payments for these leases are as follows:

Year Ending December 31	Amount
20__	\$
20__	
20__	
20__	
20__	
20__ - 20__	
Total	\$

B. Capital Leases [2]

The (city/county/district) has entered into a lease agreement for financing _____ with a down payment of \$_____.

These lease agreements qualify as capital leases for accounting purposes, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset	Governmental Activities	Business-Type Activities
	\$	\$
Less Accumulated Depreciation	\$	\$
Total	\$	\$

The future minimum lease obligation and the net present value of these minimum lease payments as of December 31, 20__ were as follows:

Year Ending December 31	Governmental Activities	Business-Type Activities
20__	\$	\$
20__		
20__		
20__		
20__		
20__ - 20__		
Total Minimum Lease Payments	\$	\$
Less: Interest	\$	\$
Present Value of Minimum Lease Payments	\$	\$

INSTRUCTIONS TO PREPARER

[1] Lessee:

- (1) For operating leases having initial or remaining noncancelable lease terms in excess of one year, the total of minimum rentals to be received in the future under noncancelable subleases as of the date of the latest financial statements presented.
- (2) For all operating leases, rental expense/expenditure for each period for which a flows statement is presented, with separate amounts for minimum rentals, contingent rentals, and subrentals. Rental payments under leases with terms of a month or less that were not renewed need not be included.
- (3) A general description of the lessee's leasing arrangements including, but not limited to, the following:
 - The basis on which contingent rental payments are determined
 - The existence and terms of renewal or purchase options and escalation clauses
 - Restriction imposed by lease agreements, such as those concerning additional debt and further leasing.

Lessor:

- (1) A general description of the lessor's leasing arrangements.
- (2) The cost and carrying amount, if different, of property on lease or held for leasing by major classes of property, and the amount of accumulated depreciation in total as of the date of the latest financial statements presented.
- (3) Minimum future rentals on noncancelable leases as of the date of the latest financial statements presented, in the aggregate and for each of the five succeeding fiscal years.
- (4) Total contingent rentals included in the flows statement for each period presented.

The disclosure should be provided for next five years and five-year increments for subsequent year.

[2] Lessee:

- (1) The gross amount of assets recorded under capital leases as of the date of each set of financial statements presented by major classes according to nature or function. This information may be combined with the comparable information for owned assets.
- (2) The total of minimum sublease rentals to be received in the future under noncancelable subleases as of the date of the latest financial statements presented.
- (3) Total contingent rentals actually incurred for each period for which a flows statement is presented.

- (4) Assets recorded under capital leases and the accumulated amortization thereon. Unless the expense resulting from amortization of assets recorded under capital leases is included with depreciation expense and the fact that it is so included is disclosed, the amortization expense should be disclosed in the notes to the financial statements.

Lessor:

For sales-type and direct financing leases:

- (1) The components of the net investment in sales-type and direct financing leases as of the date of each set of financial statements presented:
 - (a) Future minimum lease payments to be received, with separate deductions for (i) amounts representing executor costs, including any gain thereon, included in the minimum lease payments and (ii) the accumulated allowance for uncollectible minimum lease payments receivable
 - (b) The unguaranteed residual values accruing to the benefit of the lessor
 - (c) For direct financing leases only, initial direct costs
 - (d) Related liability (see GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraphs 224b and 226b).
- (2) Future minimum lease payments to be received for each of the five succeeding fiscal years as of the date of the latest financial statements presented.
- (3) Total contingent rentals included in the flows statement for each period presented.

The disclosure should be provided for next five years and five-year increments for subsequent year.

For leveraged leasing see GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 270.

For leases between related parties see GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraph 239.

Additionally, the notes to financial statements of a seller-lessee should include a description of the terms of the sale-leaseback transaction, including future commitments, obligations, provisions, or circumstances that require or result in the seller-lessee's continuing involvement.

The notes to financial statements of a seller-lessee that has accounted for a sale-leaseback transaction by the deposit method or as a financing according to the provisions of GASB Statement 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, paragraphs 244-254 also should disclose the total minimum sublease rentals, if any, to be received in the future under noncancelable subleases in the aggregate and for each of the five succeeding fiscal years.