Leases (GASB 87) and FPMT

FMAC

November 17, 2021

OFM
OFFICE OF FINANCIAL MANAGEMENT

Agenda

- Key Policies
  - Types of Leases
  - Lease Term
  - Lease Payments
  - Capitalization Threshold

- Tracking Leases in FPMT
  - Demo
  - Accounting Transactions

Why has there been a change?

GASB 87, Leases, changes how we account for right-to-use lease agreements (effective FY 2022).

- Eliminates the current operating and capital lease classifications

- All leases will be treated as financing transactions

Types of Leases

Lease-to-Own Agreements

Contract that transfers ownership of the underlying asset to the lessee by the end of the contract, and does not contain termination options

Record as a financed purchase of an asset by lessee and sale of an asset by lessor

Right-to-Use Lease Agreements

Contract that conveys the control of the right to use another entity's capital asset for a specific period of time

Lessees record lease liability and lease asset and lessors record lease receivable and deferred inflow of resources

Interactive Decision Trees are on Leases Resource website

- Lessee Decision Tree:
  https://ofm.wa.gov/sites/default/files/public/articulate/accounting/GASB_87DecisionTreeforLessees/story.html

- Lessor Decision Tree:
  https://ofm.wa.gov/sites/default/files/public/articulate/accounting/GASB_87DecisionTreeforLessors/story.html

Capitalization Policy

All right-to-use leases with total payments over the lease term of $500,000 or greater must be capitalized

What payments are included in the Lease Liability?

Fixed payments	Termination Penalties	Purchase Options	Variable payments	Residual Value Guarantees	Other payments
= Fixed payments + in-substance fixed payments – lease incentives	Include unless reasonably certain not to be exercised	Include only if reasonably certain to exercise	Only if they depend on an index or a rate (CPI)	Amounts reasonably certain of being paid	Any other payments that are reasonably certain of being paid

Variable payments that are performance or usage-based are excluded from the lease liability calculation

What payments are excluded from the Lease Liability?

Non-Lease Components*	Variable payments	Other payments
Such as payments for services	That depend on the usage or performance of the asset	Any other payments that were not included in the lease liability
Expense using appropriate subobject and sub-subobject	Expense using SO/SSO for variable lease payments: ED/D202 or EH/H202	Expense using SO/SSO for other lease payments: ED/D203 or EH/H203

*If a contract does not include prices for non-lease components, an estimate should be used to allocate the contract price to those components
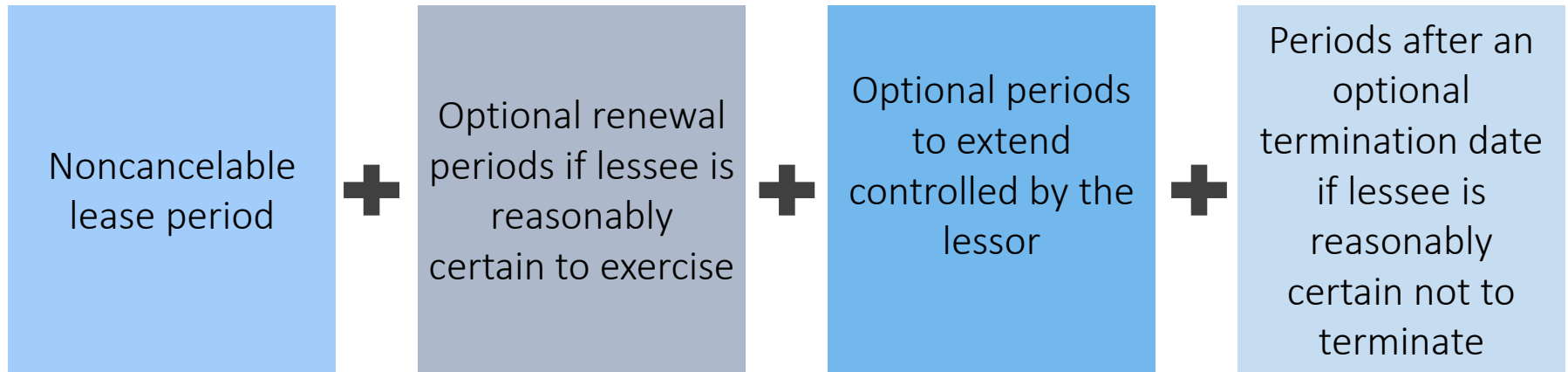
Capitalization Policy

All right-to-use leases with total payments over the lease term of $500,000 or greater must be capitalized

Lease Term

Noncancelable lease period	+	Optional renewal periods if lessee is reasonably certain to exercise	+	Optional periods to extend controlled by the lessor	+	Periods after an optional termination date if lessee is reasonably certain not to terminate

Exclude periods where *both* the lessee and lessor have an option to terminate without permission from the other party. However, **include** periods where *either* have the option.

Ignore fiscal funding/cancelation clauses unless reasonably certain it will be exercised

Short-term Leases

Definition: Leases with a maximum possible lease term of 12 months or less, including:

- Rolling month-to-month leases and leases that continue into a holdover period until a new lease contract is signed

- Most leases where both the lessee and lessor have the option to terminate without permission from the other party (such as with 30 or 60 days notice)

> Record lease payments as a current period expenditure/expense if your agency is the lessee or revenue if your agency is the lessor

Capitalization Policy

All right-to-use leases with total payments over the lease term of $500,000 or greater must be capitalized

Lease Payments	×	Total Lease Term	? ≥	$500,000
$10,000 monthly rent		5 years = 60 months		

Total Payments
$600,000
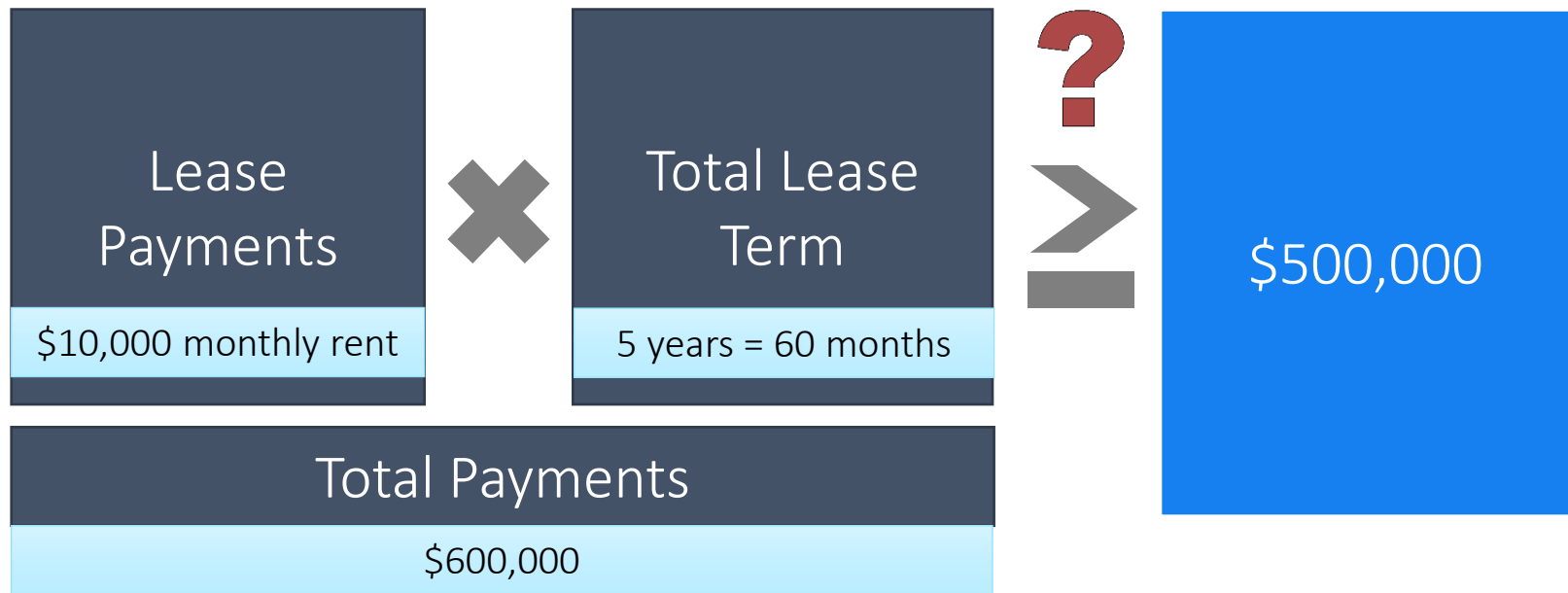
Leases that do not meet the capitalization threshold should be recognized as current period expenditure/expense by the lessee and/or revenue by the lessor.

Complete Policy Training

Complete the "Leases Accounting & Administrative Policies" Training for more detailed information or if you ever need a refresher.

https://ofm.wa.gov/accounting/administrative-accounting-resources/leases-gasb-87

Facilities Portfolio Management Tool (FPMT)

Capitalized Leased Assets are Inventoriable

System Requirements (SAAM 30.40.30):

- Use the **Capital Asset Management System (CAMS),** or approved alternate in-house system for:
    1. Owned assets that meet the state's capitalization policy
    2. Lease-to-own agreements that meet the state's capitalization policy
- Use the **Facilities Portfolio Management Tool (FPMT)** for:
    1. All owned and leased facilities, regardless of whether they meet the capitalization policy, to comply with RCW 43.82.150.
    2. Right-to-use lease agreements that meet the state's capitalization policy

FPMT – Expanded Functionality

- Track owned and leased land, leases of other assets such as equipment and vehicles, and software subscriptions.

- Track receivable leases (state is lessor) for land and other assets, and for facilities leased to a non-state agency.

- Send lease accounting transactions to AFRS, including lease payments.

- Produce reports for reconciliation to AFRS, recording entries manually, and financial statement disclosures.

- Separate accounting and facilities roles.

https://ofm.wa.gov/it-systems/facility-system/facilities-portfolio-management-tool-fpmt

FPMT Transactions

AFRS Transactions File

FPMT Creates Transactions

- Based on lease contract amortization schedule and various triggers
- FPMT Report: Transactions.csv under AFRS Daily Reports

Translate to AFRS Entry

- Explodes the master index and assigns coding based on event type, fund type, and asset type
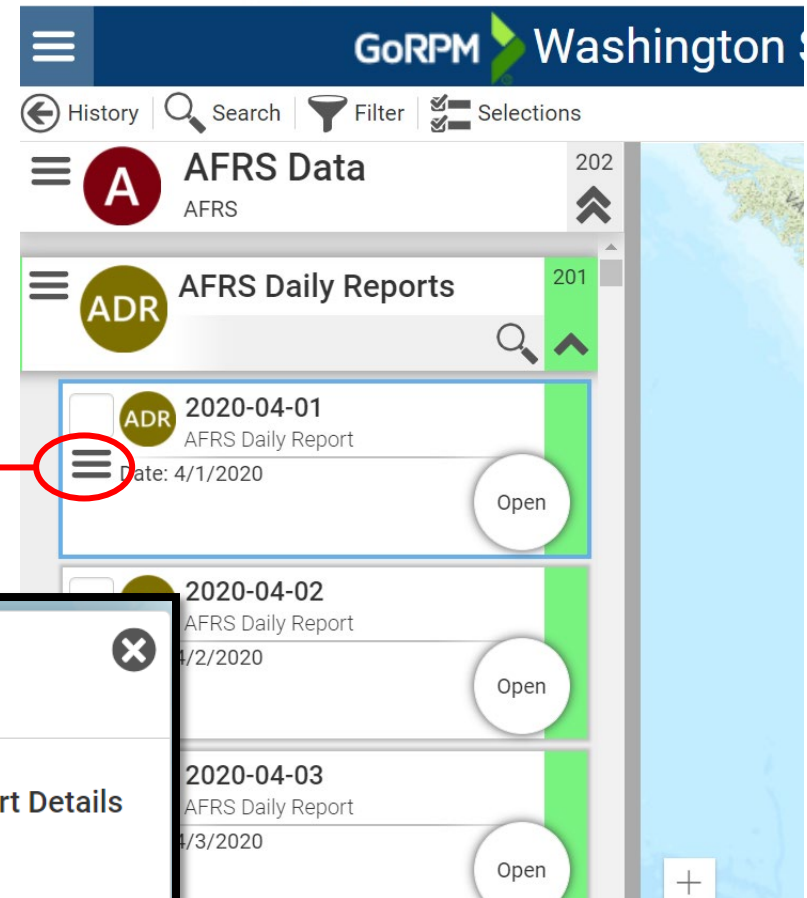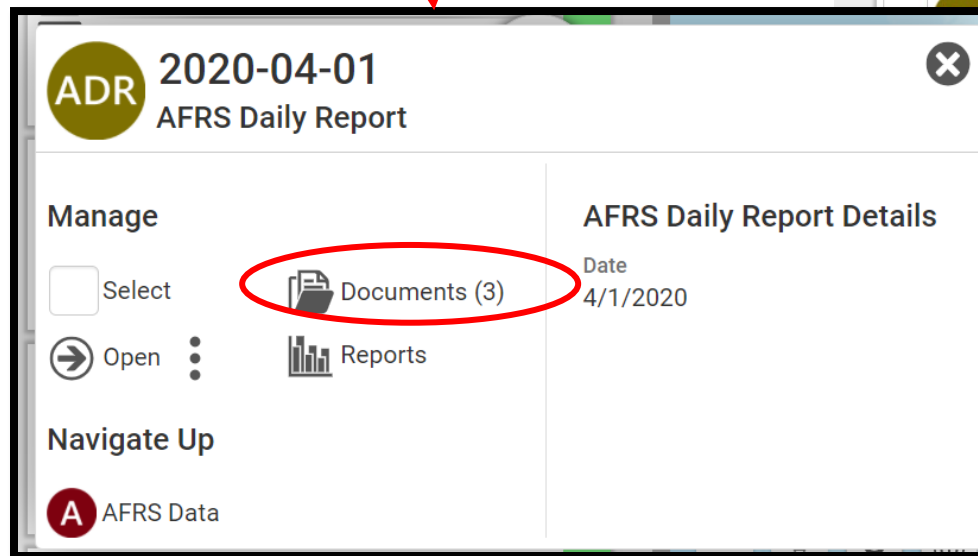- Job Aid on FPMT website: "Accounting Transactions"

Batch is created in AFRS

- Batch will be in Hold status and needs to be reviewed and released

AFRS Transactions

▶ Review Daily Transaction File under the AFRS Data Tile

▶ Click the Manage button

▶ Click on Documents

AFRS Transactions

▶ Choose the Transactions.csv file

▶ Click Download Selected

AFRS Transactions File

▶ Shows transactions that occurred for all agencies based on the amounts in the amortization schedule

	A	B	C	D	E	F	G	H	I	J	K
1	Event Type	Agreement ID	Amount	Agency	FPMT Unique Identifier	Master_Index	Asset_Type	VendorNum	Vendor_Num_Sfx	Month of Service	Invoice_Num
2	4	SRL 18-0107	94,130.32	300	A21325	LEAS1280	2	SWV0181206	00	2011	Nov-20
3	5	SRL 18-0107	2,977.18	300	A21325	LEAS1280	2	SWV0181206	00	2011	Nov-20
4											

	B	C	D	E	F	G	H	I	J
1	**Individual Lease Amortization Schedule**								
2									
3	Unique Identifier	A05556			Lease Term	5			
4	Lease Number	SRL 18-0107			Useful Life				
5	Asset Type	Facility			Interest Rate	0.89%			
6									
7	Payment No	Payment Date	Principal	Interest	Payment	Liability Balance	Amortization Expense	Cumulative Amortization	Asset Balance
8	0					$ 5,700,872.67			$ 5,700,872.67
9	1	5/1/2019	$ 97,107.50	$ -	$ 97,107.50	$ 5,603,765.17	$ 95,014.54	$ 95,014.54	$ 5,605,858.13
10	2	6/1/2019	$ 92,951.37	$ 4,156.13	$ 97,107.50	$ 5,510,813.80	$ 95,014.54	$ 190,029.09	$ 5,510,843.58
26	18	10/1/2020	$ 94,060.55	$ 3,046.95	$ 97,107.50	$ 4,014,181.26	$ 95,014.54	$ 1,710,261.80	$ 3,990,610.87
27	19	11/1/2020	$ 94,130.32	$ 2,977.18	$ 97,107.50	$ 3,920,050.94	$ 95,014.54	$ 1,805,276.35	$ 3,895,596.33
28	20	12/1/2020	$ 94,200.13	$ 2,907.37	$ 97,107.50	$ 3,825,850.81	$ 95,014.54	$ 1,900,290.89	$ 3,800,581.78
29	21	1/1/2021	$ 94,269.99	$ 2,837.51	$ 97,107.50	$ 3,731,580.82	$ 95,014.54	$ 1,995,305.43	$ 3,705,567.24

AFRS Transactions File

▶ The translation layer creates the journal entry based on the event type, the asset type, and the fund type(s) on the MI

Lease Accounting Transactions
Facilities Portfolio Management System (FPMT)

Make Payment for Principal

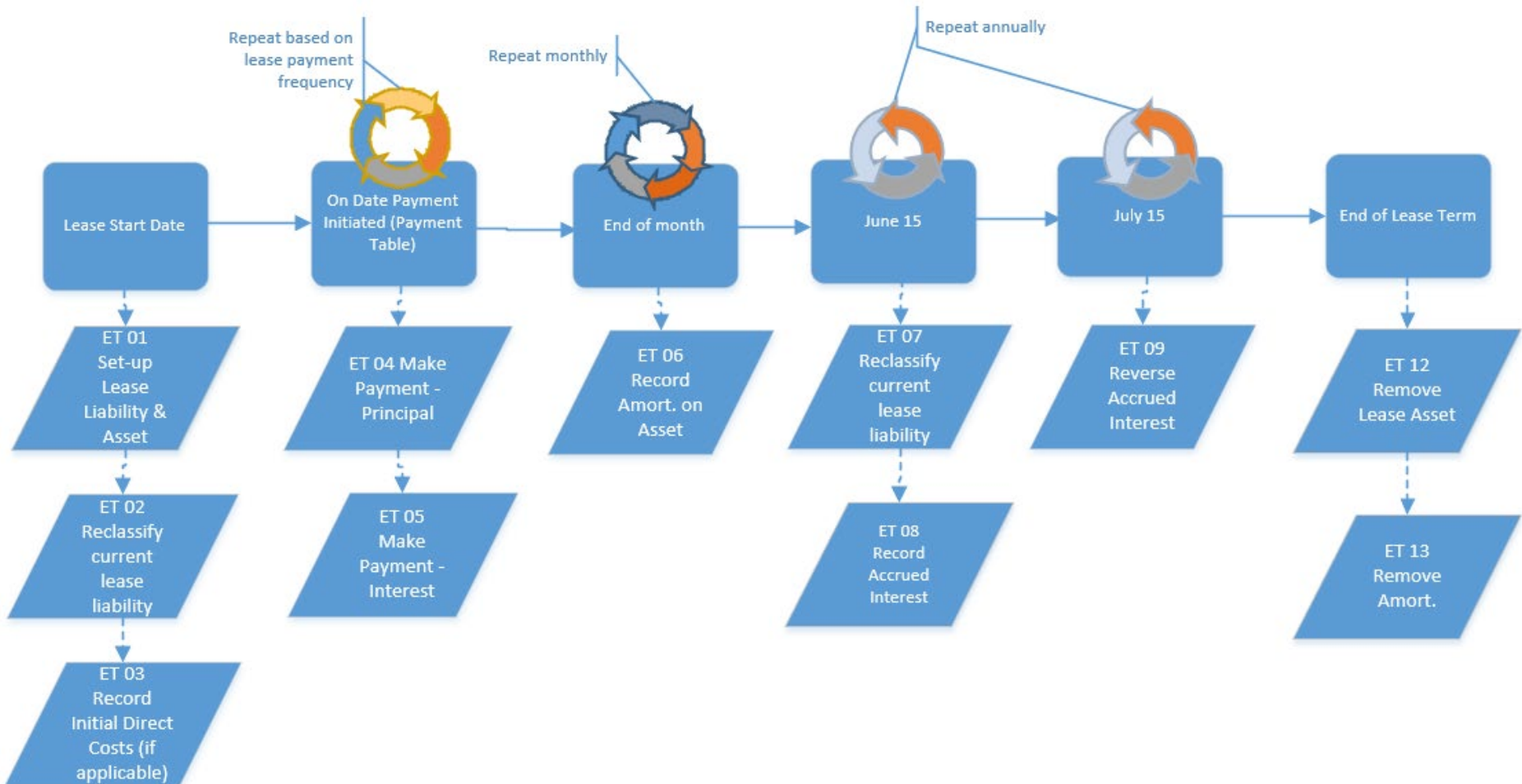| Event Type	4
Trigger	Day payment initiated
FPMT Fields	✓ Lease Number ✓ Transaction Amount ✓ Agency ✓ Unique Identifier ✓ Master Index ✓ Asset Type Code ✓ Vendor Number ✓ Vendor Number Suffix ✓ First Month of Rent (Used for Month of Service) ✓ Period of Rent (Invoice Number)
Calculation Method (Transaction Amount)	✓ Monthly Payment less Calculated Interest ✓ FPMT Amortization schedule - Column D

AFRS Transactions

Governmental Funds (less Debt Service Funds) (A, B, D, E)

Asset Type	Trans Code	Debit GL	Credit GL	Fund	SO/SSO	MG/MS	MOS
Land & Building	210	6505	5111	Operating	ED/D200		Y
Equipment, Vehicle, Other	210	6505	5111	Operating	EH/H200		Y
Software	210	6505	5111	Operating	EY/Y200		Y
All	483	517*V	1820	999			Y

AFRS Transactions

The final journal entries with the coding from the MI:

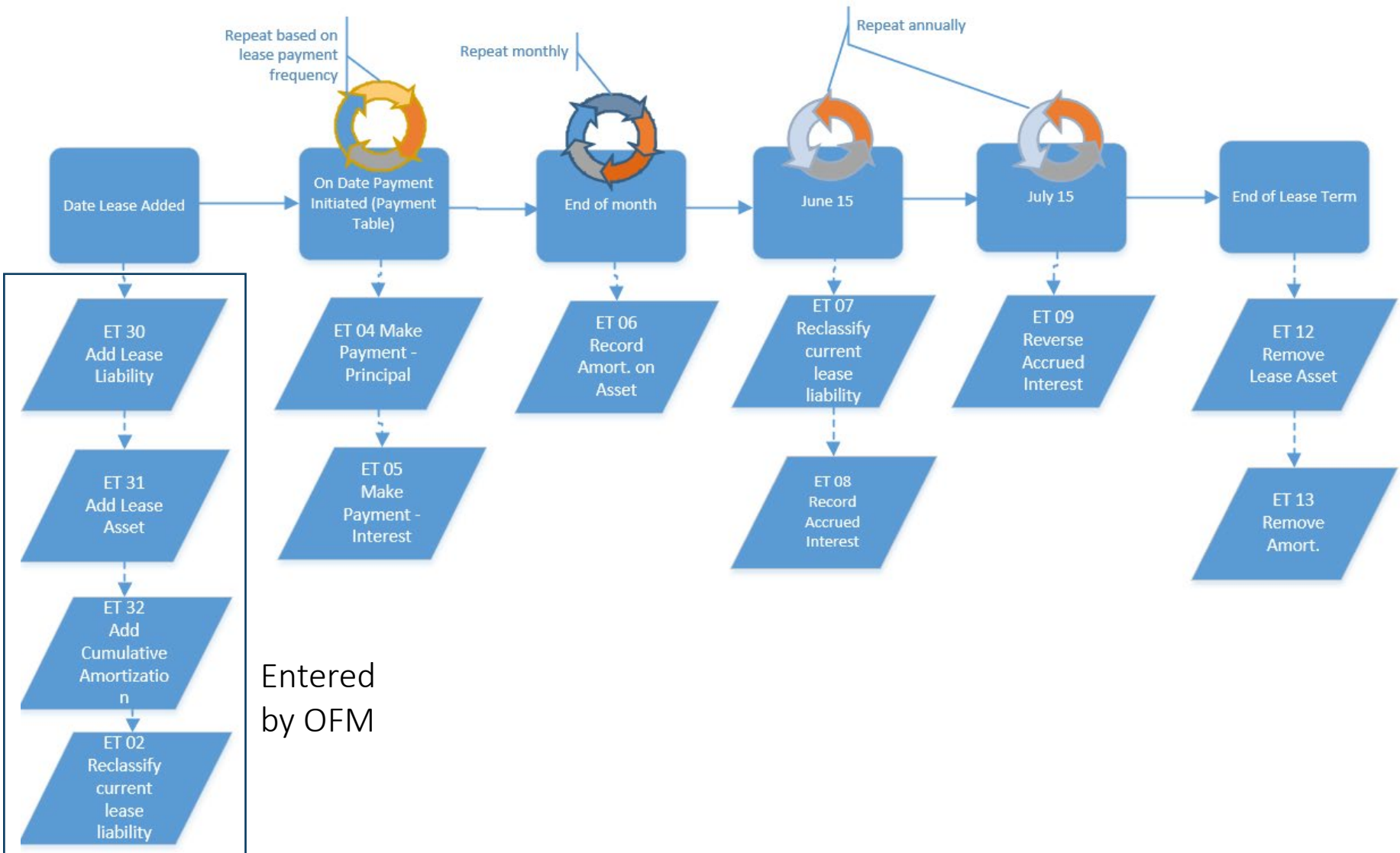| B-AGY	B-DATE	BT	B#	TC	REV	FUND	AI	PI	SO	SSOBJ	OI	V-GL	MOS	C-DOC#	INVOICE#	VENDOR	SX	MI	UI	AMT
3000	201117	QF	001	210		001	LA*	K2113	ED	D200	K219		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	564.79
3000	201117	QF	001	210		001	FA*	F9711	ED	D200	R4D1		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	32,663.22
3000	201117	QF	001	210		001	DA*	D1711	ED	D200	D2AX		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	60,902.32
																Payment for Prinicipal (Event Type 4)				94,130.32
3000	201117	QF	001	483		999		K2113			K219	5174	2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	564.79
3000	201117	QF	001	483		999		F9711			R4D1	5174	2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	32,663.22
3000	201117	QF	001	483		999		D1711			D2AX	5174	2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	60,902.32
																Reduce Liability Prinicipal Paid (Event Type 4)				94,130.32
3000	201117	QF	001	210		001	LA*	K2113	ED	D201	K219		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	17.86
3000	201117	QF	001	210		001	FA*	F9711	ED	D201	R4D1		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	1,033.08
3000	201117	QF	001	210		001	DA*	D1711	ED	D201	D2AX		2011	LS00000100	Nov-20	SWV0181206	0	LEAS2020	A05556	1,926.23
																Payment for Interest (Event Type 5)				2,977.18

FPMT Lessee Transactions

https://ofm.wa.gov/sites/default/files/public/itsystems/FPMT/Lease%20Accounting%20Transactions.pdf
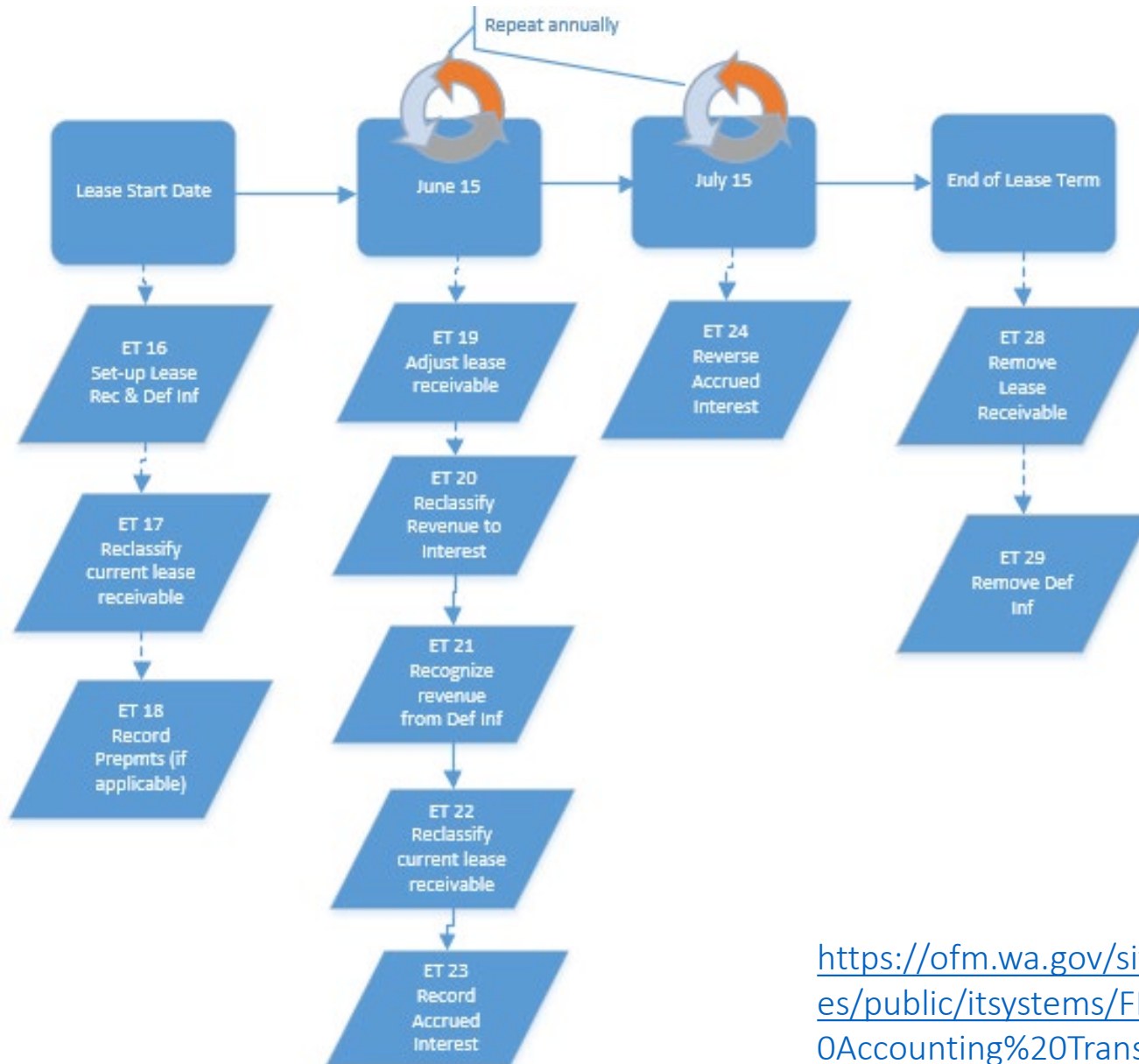
FPMT Lessee Transactions – Partial Lease Term Remaining

FPMT and Lease Accounting Transactions - Lessees

- Required in FPMT:
  1. Manually Record Accounting Entries set to 'No'
  2. Master Index
     - Must be active and have at least fund, AI, and PI
     - Should not have SO or SSO so that the translation can assign the appropriate values or leave blank, depending on the transaction
     - Fund splits are ok, but if the fund splits change, adjusting entries for the lease asset and lease liability may need to be recorded
  3. Statewide Vendor Number
  4. Day Payment Initiated selected – this is the day FPMT will send to AFRS

FPMT Lessor Transactions

https://ofm.wa.gov/sites/default/files/public/itsystems/FPMT/Lease%20Accounting%20Transactions.pdf

FPMT and Lease Accounting Transactions - Lessors

- Required in FPMT:

  1. Manually Record Accounting Entries set to 'No'

  2. Master Index

     - Must be active and have at least fund and PI

     - Fund splits are ok, but if the fund splits change, adjusting entries for the lease receivable and deferred inflow of resources may need to be recorded

FPMT Transaction Limitations

FPMT <u>won't</u> send transactions for:

- Interagency lease contracts/agreements

- Month-to-month leases (currently in holdover status in FPMT with end date 9/9/9999)

- Variable payments or payments for services

AFRS Entries – Other Details

- FPMT creates Transactions at 6:30 pm each night
  - Only for lease contracts with an active MI
- Batches will be recorded in AFRS with Hold Status ('H')
  - Batch type: QF
  - Batch number: 001
  - Batch date based on date created by FPMT
- Document number: LS000001

Alternative for Lease Accounting Transactions

- Use reports from FPMT to manually record accounting entries

- Worksheets on Lease Accounting Resources site with the illustrative entries and reports to use

  https://ofm.wa.gov/accounting/administrative-accounting-resources/leases-gasb-87

FPMT Demo

Facilities Portfolio Management Tool (FPMT) Demo

FPMT System Overview

FPMT Basics

Web-based Application

- Preferred Browsers: Chrome or Firefox

Two sign-in options:

- Single sign-on through Active Directory
- Outside State Network: username/password
  - Required to change your password every 90 days

FPMT Table Hierarchy

Hierarchy

- Tables above related to the tables below
- Data in the tables above are common to the data in the tables below

Sample Table Hierarchy - Facilities
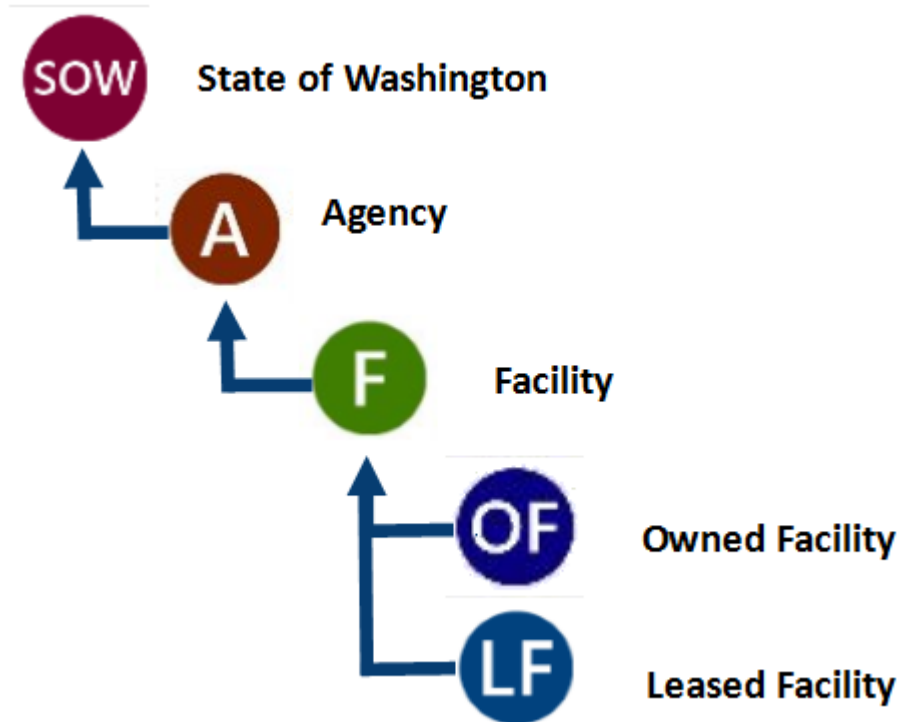
Sample Table Hierarchy – Leased Facilities

Log-In Screen

Home Screen

▶ Upon logging in, the "landing" page is the **Home** screen

▶ The **Home** screen has modules or "module tiles" such as

 ■ Data Explorer

 ■ Reference Documents

 ■ My User Account

▶ The modules are permissions driven
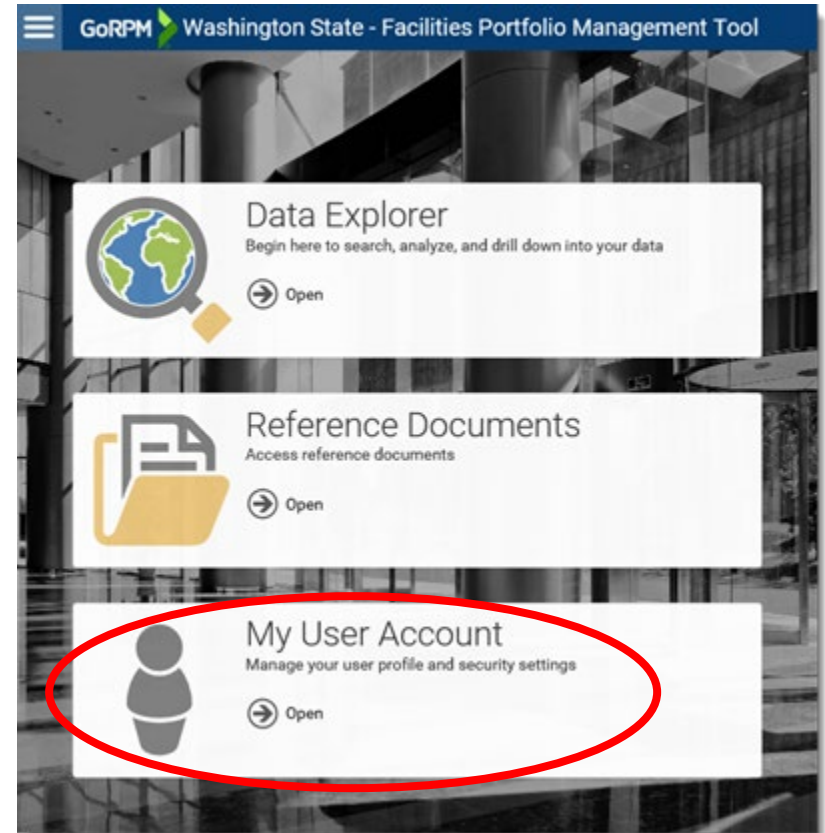
My User Account

From the Home screen, click the Open button on the My User Account module tile

Manage your user profile and security settings

- Change Password
- Change security questions
- Edit information
- Review your Roles/Permissions

My User Account
Manage your user profile and security settings
Open

GoRPM Washington State - Facilities Portfolio

Change my password
Change how I sign in
Change my security questions

Edit my information

First name
Laurie

Last name
Wood

Phone
(360) 819-9842

Title
OFM Facilities Inventory and GIS Data Administrator

Account created on
July 3, 2017 10:56 AM

Account last signed on
April 24, 2019 3:36 PM

Roles
Agency Import
OFM Facilities Administrators
Reference Documents Read/Write
User Manager

FPMT - Data Explorer

Data Explorer

▶ **Data Explorer** is the module to search, analyze, and drill down into your data
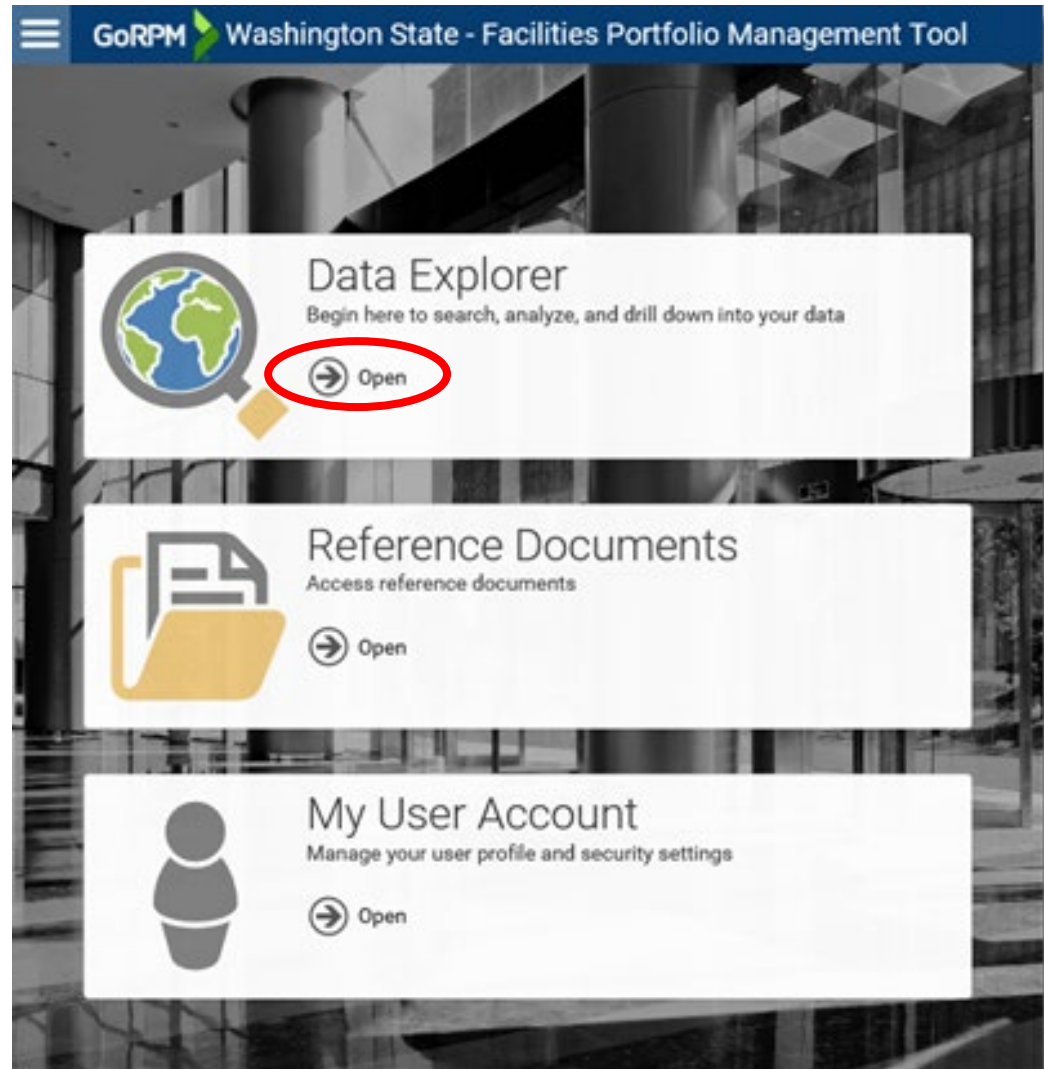
Data Explorer – Starting Point

▶ Starting Point will always be the State of Washington

▶ Data list on the left

▶ Map on the right

▶ Data in the **Tile List** on the left that has geometry associated with it is displayed in the map on the right
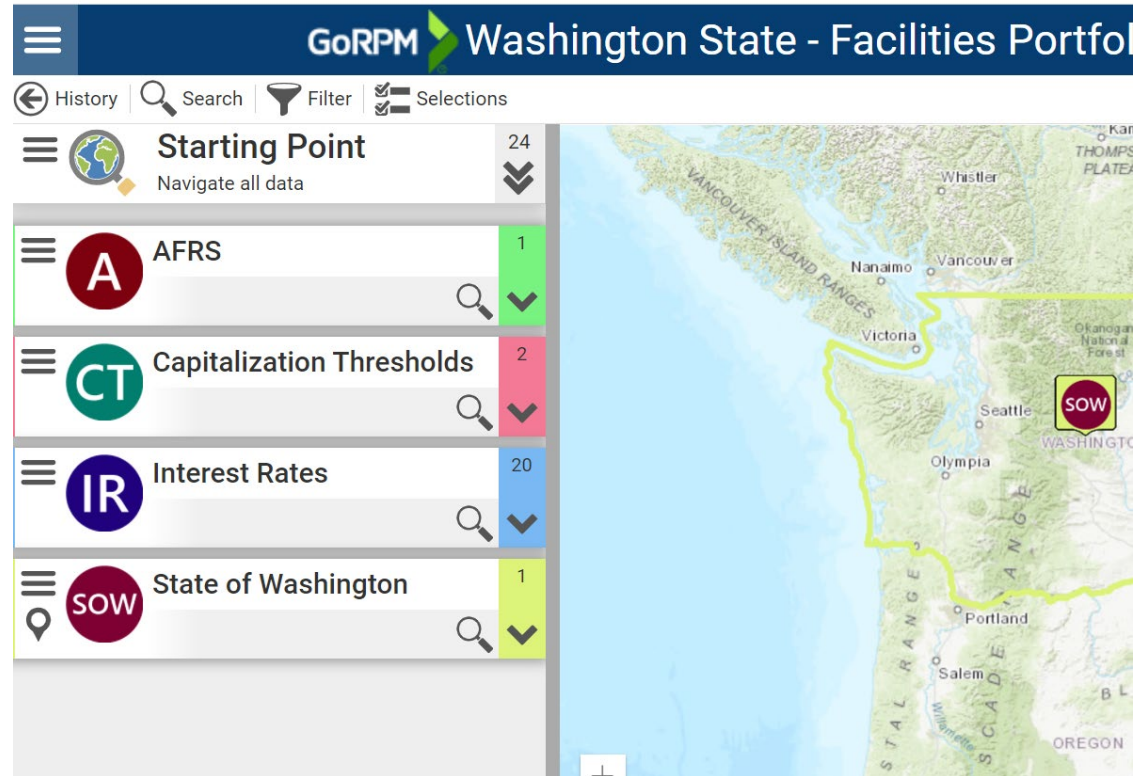
Data Explorer – Context Header

▸ Displays the context of where you are in GoRPM, such as:

- Starting Point
- A particular level in the table structure
- Search results
- Selection
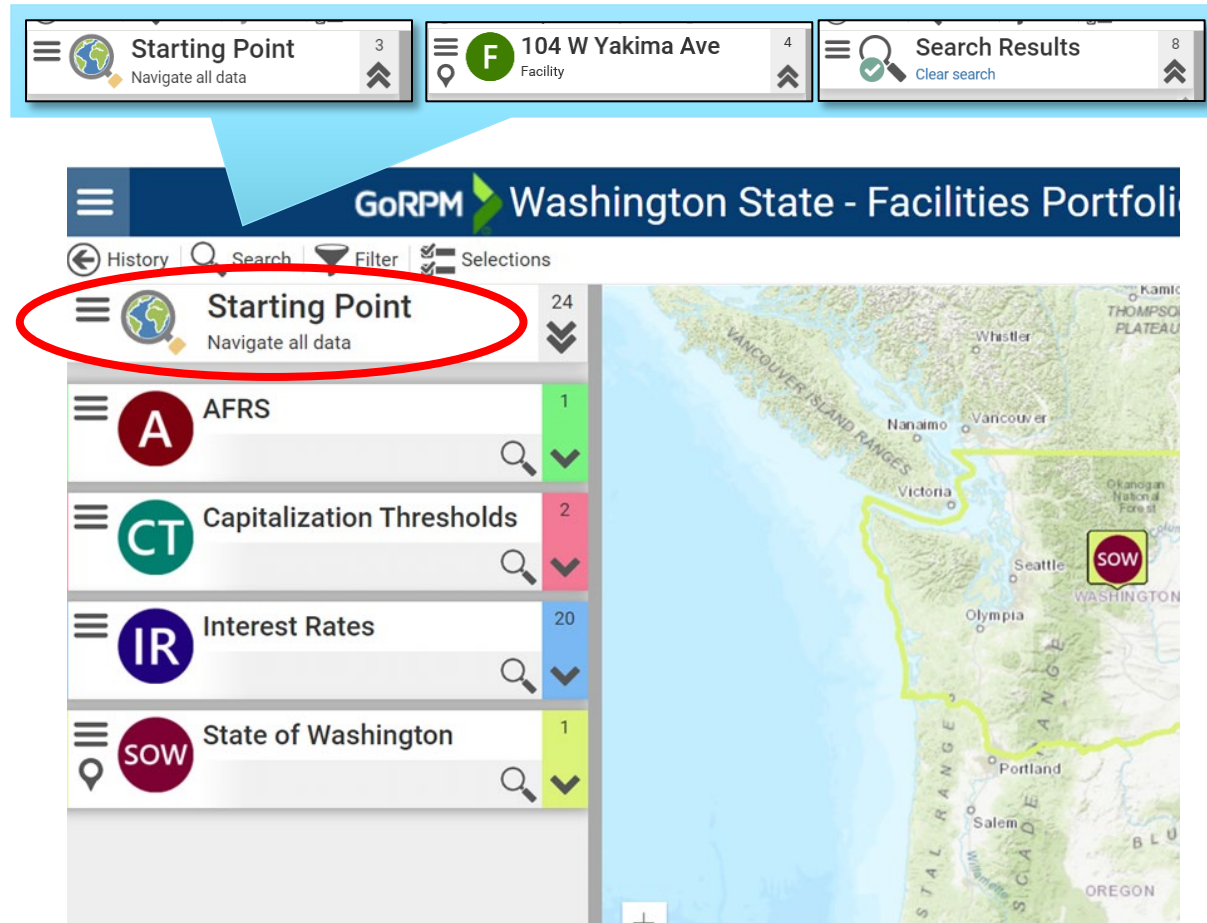
Data Explorer – Tile List

- A **Data Tile** represents a single record in a table

- The **Tile List** contains a set of **Data Tiles** grouped by specific table

- Examples may include agencies, facilities, etc.

Data Tile
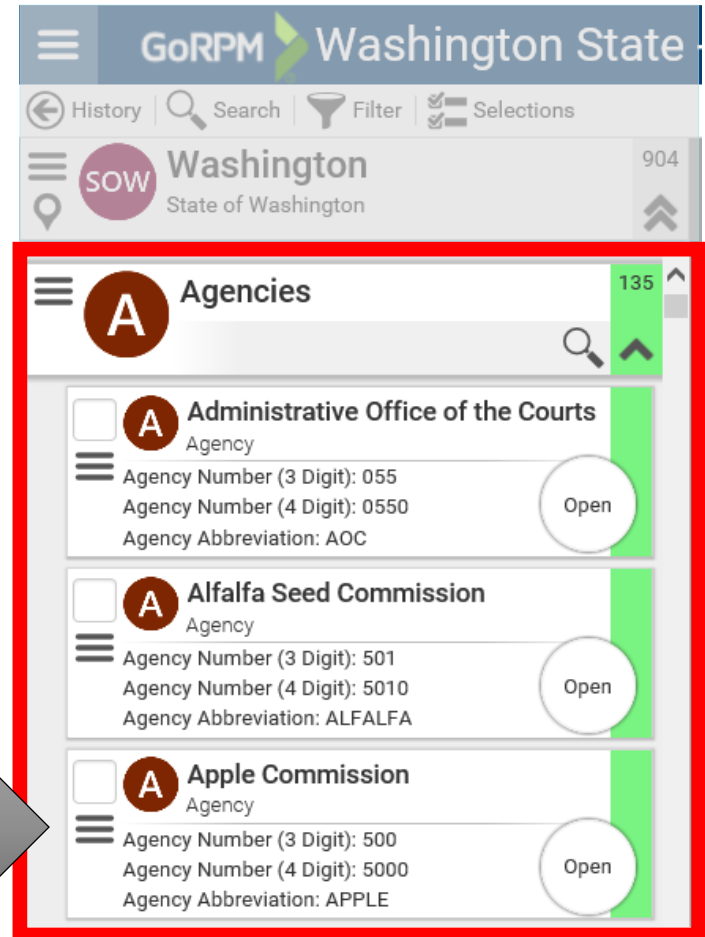
Adding Related Records

Related records are linked in FPMT
- New tables are added from the table record above

Data Explorer Toolbar – Search Button

- **Data Explorer** offers two types of searches:
  - Text
  - Geographic
- At this level you can search across all data related to the context you're viewing
- Type your search query in the Search bar to return entities that meet the specified criteria
- Use double quotation marks (e.g., "first floor") around a phrase to restrict a search to an exact phrase
- Leave off quotes to return all items
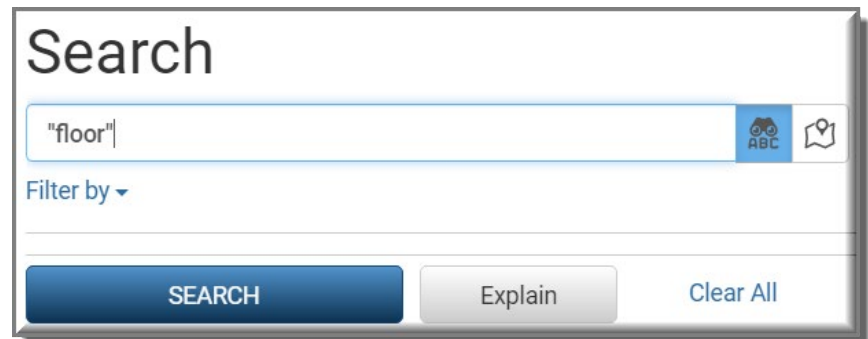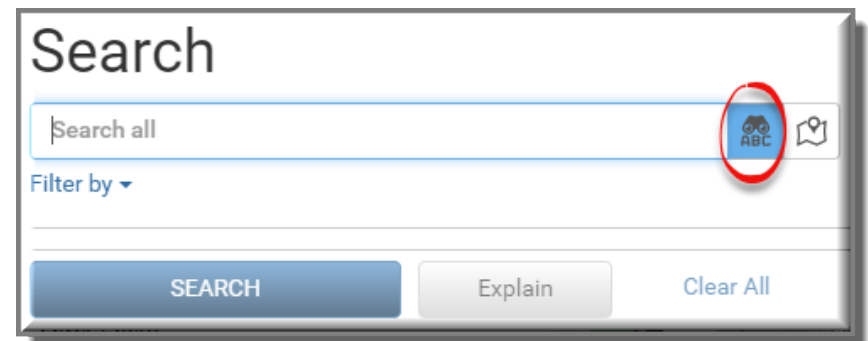
Data Explorer Toolbar – Search: Filter By

▶ You may filter the results of a search

▶ Click the **Filter by** hyperlink on the Search box
  - ■ Displays filter options
  - ■ Add a desired type to filter by

▶ You have the option to click the **Close** button (to the left of the entity, circled in red) to remove a **Filter by** from the search

▶ **Clear All** clears all data in the search bar *and* clears all filtered items
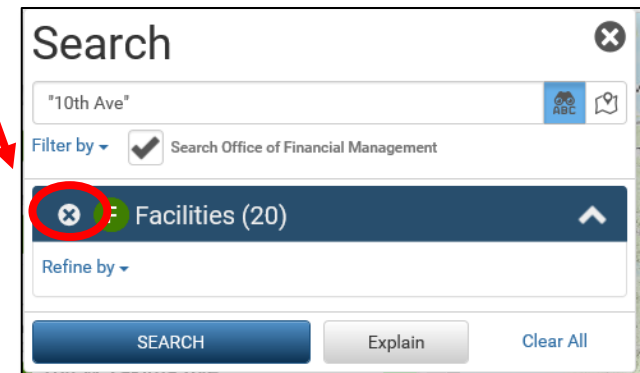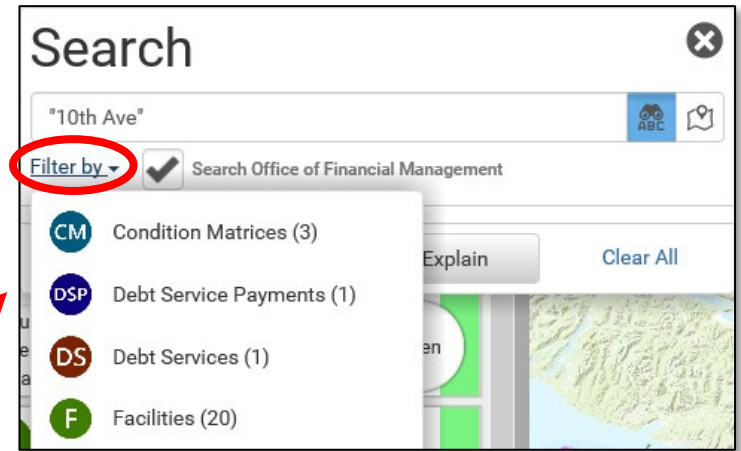
Data Explorer Toolbar – Search: Refine By

▶ After choosing item(s) to filter, use the **Refine by** hyperlink to further refine your search

▶ Refine by Attributes associated with the Entity

▶ For example, by name, date, or size, etc.
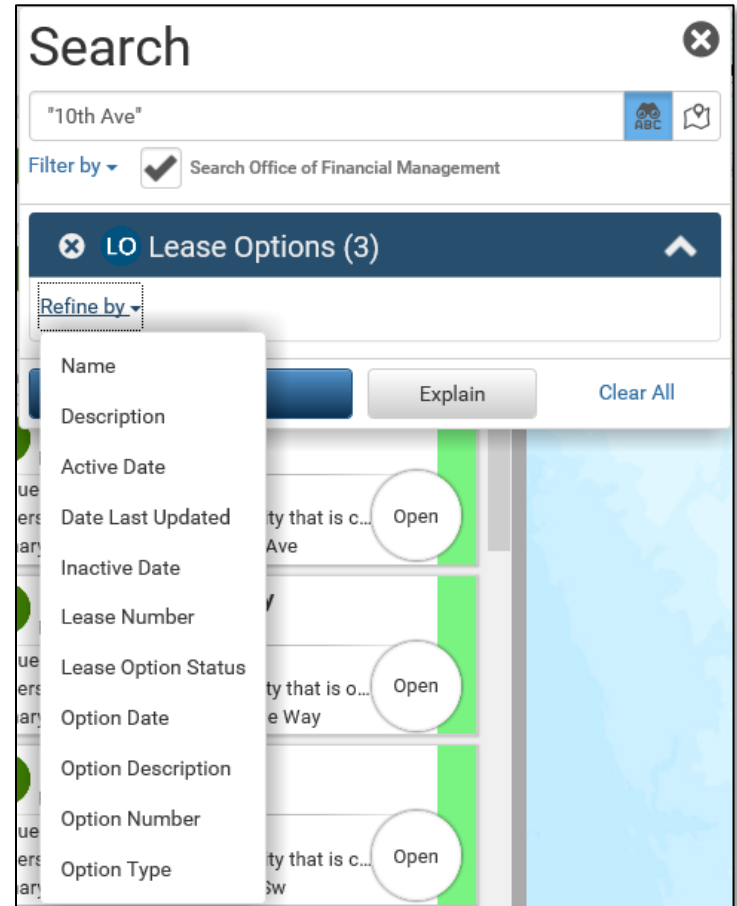
Data Explorer Toolbar – Search: Facility

▶ Click **Search** icon

▶ Click **Filter by** Facility

▶ Click **Refine by** Primary Address

▶ Choose **Contains**

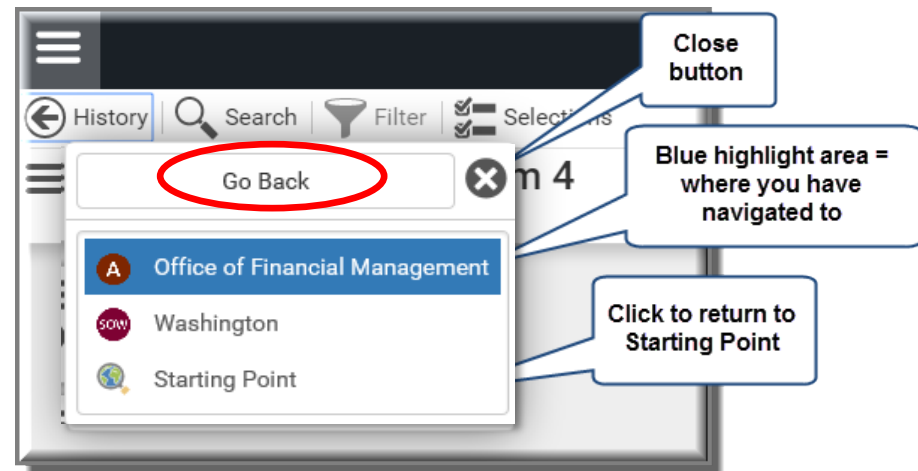▶ Type partial address in the text field

▶ Click the **Search** button
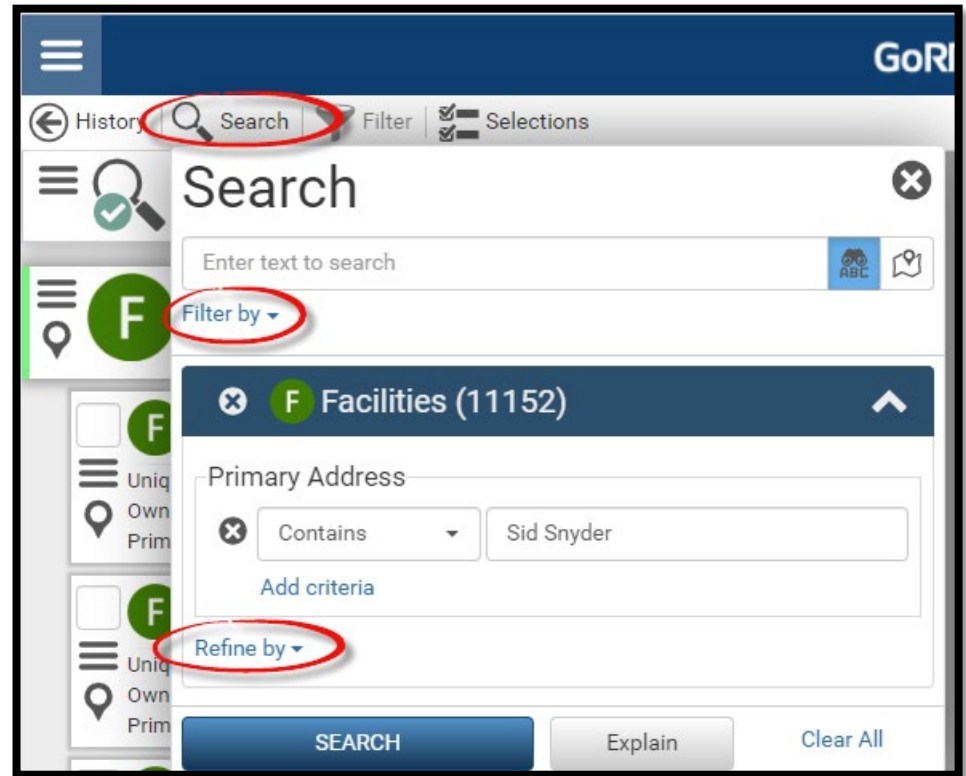
Data Explorer Toolbar– Search: Lease Contract

▶ Click **Search** icon

▶ Type lease number in the text field with quotation marks around it

▶ Click the **Search** button
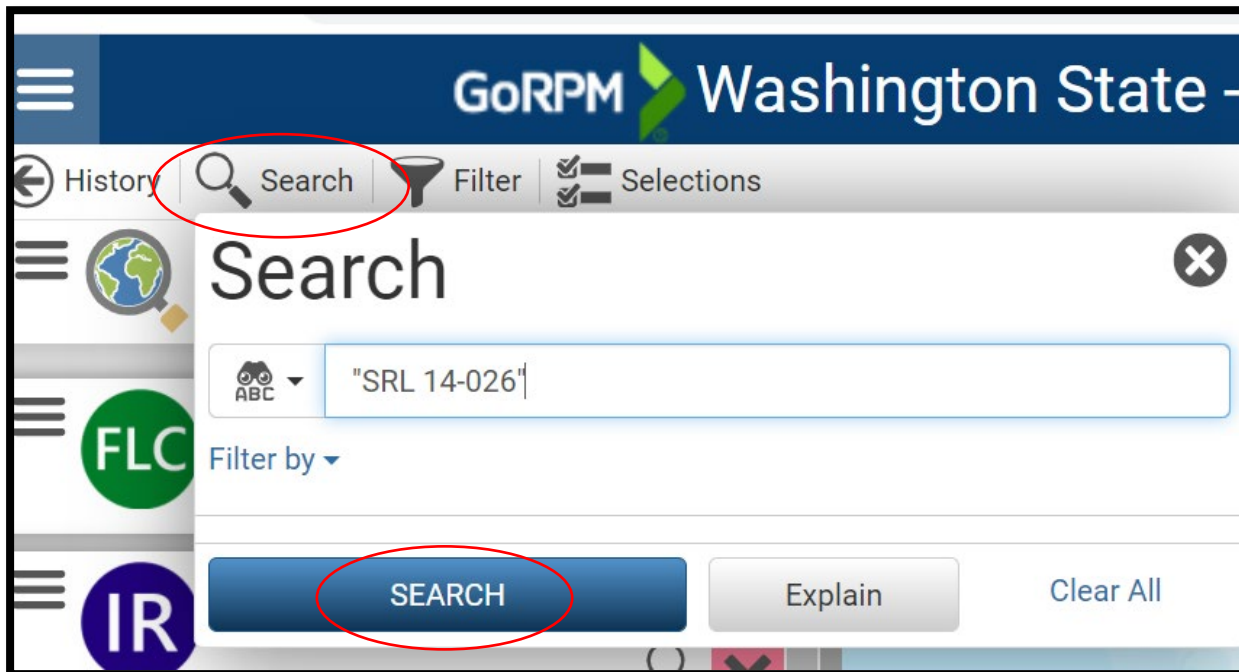
Data Explorer Toolbar – History Button

▶ The **History** button opens a list showing where you have navigated within **Data Explorer**

▶ You have the option to select something from the list to navigate to that point

▶ The **Go Back** button allows you to navigate back one item, to the previous location

FOR MORE INFORMATION:

https://ofm.wa.gov/accounting/administrative-accounting-resources/leases-gasb-87

https://ofm.wa.gov/it-systems/facility-system/facilities-portfolio-management-tool-fpmt

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