

# Leases, Subscription-Based Information Technology Arrangements (SBITAs) & Public-Private, Public-Public Partnerships (PPPs)

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## What is DebtBook used for?

DebtBook is used to track right-to-use lease agreements and subscription-based IT arrangements in order to comply with GASB Statement numbers 87 and 96. DebtBook prepares amortization schedules and reports that will be used to record year-end accounting entries for leases and SBITAs and to record information in the Leases and SBITAs disclosure form.

## What assets should be entered into DebtBook ?

Agencies are required to track the following in DebtBook:

- All right-to-use lease agreements that meet the state's capitalization policy of \$500,000 in total lease payments. (GASB 87)
- Subscription-based IT arrangements (SBITAs) that meet the state's capitalization policy of \$1,000,000 in total subscription payments. (GASB 96)

There is more information on which contracts qualify as a right-to-use lease and SBITA in [SAAM 30.20](#) as well as decision trees on the [Leases \(GASB 87\) Accounting site](#) under Resources and within DebtBook itself. However, some of the key attributes are as follows:

- It is a capital asset (building, land, or equipment) or software
- The contract **is not** between state agencies
- The lease/subscription term is greater than 1 year

## How do I get access to the DebtBook?

See [DebtBook IT webpage](#).

## Do agencies need to record leases in the Facilities Portfolio Management Tool (FPMT) if the leased asset is recorded in DebtBook?

Agencies will continue to track all state-owned and leased facilities in FPMT as required by [OFM Facilities](#).

## Does DebtBook send accounting entries to AFRS?

No, DebtBook does not send transactions directly to AFRS, nor does it generate payments. Payments to vendors need to be made outside of the DebtBook system using the subobject/subsubobject best fit for the lease (i.e. ED/D010 for building leases). At year-end, DebtBook will provide adjusting entries to reclassify the subobject/subsubobject used when payments were made to the appropriate split between principal and interest.

## What entries should be made in AFRS for DebtBook?

See below question regarding agency annual actions.

## What annual actions are agencies expected to take?

At the close of the fiscal year, agencies should:

- Ensure lease and SBITA information in DebtBook is up to date. This includes:
  - Adding any new capitalizable leases/SBITAs.
  - Updating leases/SBITAs with any changes (amendments, extensions, early terminations).
  - Updating leases/SBITAs with fund split changes.
- Post transactions to AFRS using reports generated out of DebtBook (see “Crosswalks for AFRS entry” on [Leases, SBITAs, and PPPs](#) website). These transactions include, but are not limited to:
  - Record NEW leases/SBITAs.
  - Reclassify monthly payments between Principal/Interest.
  - Post amortization for the lease/SBITA asset.
  - Reclassify the short-term liability due within the new fiscal year.
  - Remove the lease/SBITA asset at the end of the agreement.
- Reconcile GL balances between AFRS and DebtBook (see “DebtBook to AFRS Reconciliation Instructions/Templates” on [Leases, SBITAs, and PPPs](#) website).
- Fill out Disclosure Forms utilizing information from DebtBook (see State Disclosure Forms training on our [training website](#) under Fiscal year-end training and resources).

*\*Note, these actions can be completed more frequently but agencies are expected to do at a minimum annually.*

## What interest rate should be used?

- The first choice is the stated Interest Rate in the contract. From our experience, it is rare for a contract to include this.
- If the stated interest rate is not available, enter the [State's Incremental Borrowing Rate](#) based on the contract start date, type of lease and term. This interest rate table can be found on [OFM's DebtBook site](#) or the [Leases, SBITAs, and PPPs Resource Site](#).
- If the lease term is amended, the rate should also be updated.

## What payment amounts should I use when Deferred Maintenance needs to be completed before the new payment amount takes effect?

If you know when the new payment rate will begin, reflect that in DebtBook by entering the old amount until the new effective payment date. Then, enter payments based on what you know they will be.

If you do not know when the new payment rate will begin, enter the old payment amount in DebtBook until the new payment amount effective date is known. Then, use the “modify” option in DebtBook to change the payment amount to the new amount.

## Why does the fund type matter (Governmental, Proprietary or Fiduciary)?

Governmental funds are accounted for using a modified accrual accounting method whereas Proprietary and Fiduciary funds are accounted for using a full accrual accounting method.

DebtBook creates journal entries in separate tabs for each fund type based on the fund(s) that was input for that Lease or SBITA.

## Will DebtBook be replaced when Workday is implemented?

No, DebtBook will remain an active application and still be required to be used for Leases & SBITAs after Workday go-live.