



LEASES FREQUENTLY ASKED QUESTIONS

Note: This document will be updated as new questions arise.

Scope	3
1. What specific assets are required to be entered into the Facilities Portfolio Management Tool (FPMT) for GASB accounting?	3
2. How do I calculate the “total lease payments” to determine if the lease meets the capitalization threshold?.....	3
3. How are leases with federal agencies treated?.....	3
4. Are no-cost, long-term leases/MOUs considered right-to-use lease agreements?.....	3
Lease Term	3
5. What is a short-term lease?	3
6. What lease term should be used when determining the total lease payments to decide if the lease contract meets the capitalization threshold?	4
7. How is the lease term impacted by termination options?.....	4
Payments	5
8. What payments need to be included when calculating the total lease payments to determine if the lease meets the capitalization threshold?.....	5
9. What if my lease contract has other types of payments not listed above?.....	5
10. What if my facility lease contract includes parking? Should include that cost as a payment in FPMT?	6
11. What should I consider when entering the payment dates in FPMT?	6
12. Are investments agencies make to the property, such as capital investments in leased parks, considered lease costs?.....	7
Accounting Transactions	7
13. What are my options for recording right-to-use lease agreement accounting transactions?.....	7
14. Are there any limitations on the transactions?.....	8
15. Can FPMT send accounting transactions for leases that are below the capitalization threshold?...	8
16. How does FPMT know what chart of accounts coding to use?.....	8
17. What day will FPMT send the lease payments to AFRS?.....	8
18. What fields need to be entered to send accounting transactions to AFRS for my lease contract if my agency is the lessee?	8
19. What fields need to be entered to send accounting transactions to AFRS for my lease contract if my agency is the lessor?.....	9
20. Are the existing facility lease contracts defaulted not to automatically transmit lease payments to AFRS?	9

21. What do we need to do to have FPMT start sending accounting transactions?	9
22. What happens if the master index I selected in FPMT is inactivated in AFRS?.....	10
23. What documentation is available to support the accounting transactions from FPMT?	10
FPMT Access and Roles	10
24. How do I get access to the Facilities Portfolio Management Tool (FPMT)?.....	10
25. What does it mean to be an FPMT agency administrator?.....	11
26. What is the difference between the FPMT facilities and accounting roles?.....	11
General.....	11
27. What training is available?	11
28. Who can I contact if I have more questions?	12

SCOPE

1. What specific assets are required to be entered into the Facilities Portfolio Management Tool (FPMT) for GASB accounting?

For GASB, the State Accounting and Administrative Manual (SAAM) Section [30.40.30](#) requires agencies to enter all right-to-use lease agreements that meet the state's capitalization policy (\$500,000 in total lease payments) in FPMT. This includes leases where the agency is the lessee or the lessor.

There is more information on what exactly qualifies as a right-to-use lease in SAAM [30.20.30](#) as well as the decision trees on the [Leases \(GASB 87\) Accounting site](#) under Resources. However, some of the key attributes are as follows:

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

All state-owned and leased facilities still need to be recorded and maintained in FPMT for the annual [Facilities Inventory](#) and biennial [Six-Year Facilities Plan](#).

2. How do I calculate the “total lease payments” to determine if the lease meets the capitalization threshold?

Total lease payments equals the [total lease payments](#) multiplied by [the total expected lease term](#).

3. How are leases with federal agencies treated?

Federal agencies are treated the same as private lessors/lessees. Only leases between state agencies are specifically excluded from the GASB 87 and right-to-use lease agreement requirements. Leases between a state agency and a federal agency need to be evaluated for whether they meet the definition of a right-to-use lease agreement and whether they meet the capitalization threshold.

4. Are no-cost, long-term leases/MOUs considered right-to-use lease agreements?

No, only lease contracts, including memos of understanding (MOUs), with *payments greater than zero dollars* should be evaluated for whether they meet the definition of a right-to-use lease agreement under GASB 87. There are decision trees to help make this determination in the Resources section of the [Lease Accounting Resource site](#).

No-cost facility leases still need to be captured in FPMT for the annual [Facilities Inventory](#) and biennial [Six-Year Facilities Plan](#).

LEASE TERM

5. What is a short-term lease?

A short-term lease is a lease with a maximum possible lease term of 12 months or less. Rolling month-to-month leases and leases that continue into a holdover period until a new lease contract is signed should be treated as short-term leases. These lease contracts should be recorded as an expenditure/expense based on the provisions of the lease contract.

Short-term facility leases still need to be captured in FPMT for annual [Facilities Inventory](#) and biennial [Six-Year Facilities Plan](#). Just ensure that no accounting transactions are sent to AFRS for these contracts by selecting 'Yes' in the 'Manually Record Accounting Entries' field on the lease contract in FPMT.

6. What lease term should be used when determining the total lease payments to decide if the lease contract meets the capitalization threshold?

The lease term is the noncancelable lease period plus those periods the lessee and lessor are reasonably certain to remain in the lease. This includes periods the lessee or lessor is able to extend the lease and is reasonably certain to do so, and periods when the lessee or lessor is able to terminate the lease but is reasonably certain not to do so. Reasonably certain means that the lessee has a compelling economic reason to exercise the renewal or purchase option, or not to exercise a termination option.

For example, if your agency has a 5-year lease with the option to renew the lease for up to three 5-year terms, the lease term could be 5 years, but it may be 20 years depending on how reasonably certain it is that your agency will renew the lease based on market-based, contract-based, asset-based, and government specific factors, such as:

- Are you currently getting a good deal?
- Would the costs to relocate and sign a new lease be too high not to renew?
- Have there been significant leasehold improvements?
- How long does your agency typically stay in a facility?

While this analysis needs to be done to determine whether or not a lease should be capitalized, the lease contract should be recorded in FPMT based on the terms of the current signed contract. Even if the agency expects to renew the lease two or three times, the facility lease contract entered in FPMT would be for five years, and the renewal would be entered once that occurs.

7. How is the lease term impacted by termination options?

You will exclude from the lease term any periods covered by a termination clause if either:

1. Both parties have the option to terminate the contract without permission from the other, or
2. If you are reasonably certain that either you or the lessor will exercise the option.

The state's policy is to ignore fiscal funding clauses because we are reasonably certain that the legislature will provide funding.

Below are some examples of how this would be applied.

No.	Scenario	Lease Term
1	Both the lessee and the lessor have the option to terminate the lease contract at any time with 60 days written notice.	60 days, and is therefore a short-term lease
2	After 2 years, both the lessee and the lessor have the option to terminate the lease contract at any time with 60 days written notice.	2 years

No.	Scenario	Lease Term
3	On an equipment lease with a five-year lease term, the lessee has the option to terminate the lease if the vendor does not fulfill their obligations (such as providing adequate maintenance to the equipment as described in the contract).	5 years, unless you are reasonably certain the vendor will not fulfill their obligations.
4	On a facility lease with a ten-year lease term, the lessor has the option to terminate the contract	10 years. GASB Statement No. 87 specifically states provisions that allow for termination of a lease due to default on payments is not considered a termination option

PAYMENTS

8. What payments need to be included when calculating the total lease payments to determine if the lease meets the capitalization threshold?

When calculating the total lease payments, you should include all payments that would be included in the measurement of the lease liability:

- Fixed payments
- Variable payments that depend on an index rate (e.g., Consumer Price Index or market rate)
- Variable payments that are fixed in-substance (such as a minimum charge)
- Termination penalties unless reasonably certain not to be exercised
- Purchase options you expect to exercise
- Residual value guarantees you expect to pay
- Any other payments that you expect to pay with a fixed amount

Any base rent payments entered into FPMT should not be reduced by any in-kind payments or other services.

9. What if my lease contract has other types of payments not listed above?

Payments that are not included in the list above and therefore not included in the lease liability (lessees) or lease receivable (lessors) calculation will either be a non-lease component, variable payment, or other payment. The [Lease Payments Classification Chart](#) on the Leases Accounting Resource webpage provides a list of common payment types and how to classify each one.

These payments should not be recorded in FPMT nor should they be considered when determining the capitalization threshold.

- **Non-lease components** are payments for a service or another payment to the lessor that that is not related to securing the use of the lease asset such as maintenance services, janitorial services, insurance, and property tax. Non-lease components should be recorded as an expenditure/expense using the appropriate subobject/sub-subobject for the service provided.

- **Variable payments** are payments that depend on the usage or performance of the asset such as the number of copies made or the percentage of crop sales. Lessees should record variable payments as an expenditure/expense using subobject/sub-subobject ED/D202 Rentals and Leases - Land and Buildings - Variable Payments or EH/H202 Rentals and Leases – Furnishings and Equipment - Variable Payments, as applicable. Lessors should record variable payments as revenue using revenue major group and source 0437 – Leased Property Variable Income.
- **Other payments** not included in the lease liability that don't fall into either non-lease components or variable payments should be recorded as an expenditure/expense using subobject/sub-subobject ED/D203 Rentals and Leases - Land and Buildings – Other Payments or EH/H203 Rentals and Leases – Furnishings and Equipment - Other Payments, as applicable.

10. What if my facility lease contract includes parking? Should include that cost as a payment in FPMT?

Yes, if your agency has a facility lease contract that also includes the right-to-use a certain number of designated spots or an entire parking lot or garage, then the cost of the parking should be recorded in FPMT. If the cost is separated out from the base rent in the lease contract, then it should be recorded using one of the following options:

- Report base rent and parking fees as two separate payments. Select “Base Rent” Payment Type for both payments, and include a note in the comment field stating, “Parking Payment” or “For parking”, or;
- Enter the sum of the base rent and parking fees as one payment with Payment Type “Base Rent”

11. What should I consider when entering the payment dates in FPMT?

One of the most important things to remember is that the payment series must cover the entire lease term. For example, if the lease start date is 2/1/2021 and the lease end date is 1/31/2025. The payment(s) must also cover that entire period. If there are multiple payments, then the payment start date of the first payment series must be 2/1/2021 and the payment end date on the last payment series must be 1/31/2025. If there are multiple series, the payment start date must be the day after the payment end date on the preceding payment series.

Below are some examples of how to enter various payment schedule scenarios.

No.	Scenario	Payment Series Number	Payment Type	Payment Amount	Payment Frequency	Index Rate
1	Rent is \$10,000 per month over the 5-year lease term	1 covering the full five-year lease term	Base Rent	\$10,000	Monthly	
2	Rent holiday for first two months, then \$10,000 over the remaining five-year lease term	1 - for first two months	Base Rent	\$0	Monthly	
		2 - for remainder of lease term	Base Rent	\$10,000	Monthly	

No.	Scenario	Payment Series Number	Payment Type	Payment Amount	Payment Frequency	Index Rate
3	For the first three years of the lease, the monthly payments are \$12,000. For remaining two years of the lease, the monthly payments are \$13,500.	1 - for first three years	Base Rent	\$12,000	Monthly	
		2 - for remaining two years	Base Rent	\$13,500	Monthly	
4	The monthly payments on a ten-year lease contract increase each year by 3%, and they start at \$11,000	1 covering the full ten-year lease term	Indexed Payment	\$11,000	Monthly	0.03
5	The annual payments on a 20-year lease contract increase based on the Consumer Price Index (CPI), and they start at \$60,000.	1 covering the full ten-year lease term	Indexed Payment	\$60,000	Yearly	Enter CPI at start of lease

12. Are investments agencies make to the property, such as capital investments in leased parks, considered lease costs?

No, capital investments in leased parks or other leased assets are considered a separate transaction from the lease. The accounting staff will need to be notified of any capital investments for determination of whether they need to be capitalized and recorded in the Capital Asset Management System or the agency's approved alternative capital asset system.

ACCOUNTING TRANSACTIONS

13. What are my options for recording right-to-use lease agreement accounting transactions?

There are two options:

- a. Have FPMT send the accounting transactions to AFRS. FPMT will generate transactions based on specific triggers using amounts from the lease contract's Amortization Schedule. These transactions will be sent nightly, and the batch will be placed in 'H' Hold status for you to review and release in AFRS. For more details on which transactions are sent, see the [Lease Accounting Transactions Job Aid](#).
- b. Use reports from FPMT to manually record the necessary accounting entries directly into AFRS or into your agency's own accounting system that feeds to AFRS. There are worksheets with the illustrative entries and FPMT reports to run for both [lessees](#) and [lessors](#) on the Leases Accounting Resource webpage.

You can view the [Lease Accounting Transactions e-Learning](#) to get more details on these options.

14. Are there any limitations on the transactions?

FPMT will not send transactions to AFRS for:

- Interagency lease contracts or agreements
- Month-to-month leases, which are currently in holdover status in FPMT with a lease term end date of 9/9/9999
- Variable payments or payments for non-lease components such as services
- Indexed payments
- Lease contracts paid from a local bank account

In FPMT, the “Manually Record Accounting Entries” field should be set to “Yes” on the lease contract for all leases that meet the above criteria.

15. Can FPMT send accounting transactions for leases that are below the capitalization threshold?

Yes, FPMT will send the same entries for any lease contract that has the [appropriate fields populated](#), regardless of the capitalization threshold. It will send transactions to AFRS to record the lease liability, lease asset, and send payments to the vendor.

16. How does FPMT know what chart of accounts coding to use?

Master Index is the only chart of accounts coding that will be entered into FPMT. The translation layer will assign the appropriate coding based on the type of transaction and the coding that is on the master index in AFRS.

Any Master Index entered into FPMT must contain account, appropriation index, and program index (organization Index and project can also be assigned but are not required). The subobject and sub-subobject must be blank. If it does not contain the appropriate fields, it will result in an error in AFRS. For additional information about AFRS master index, reference the [AFRS documentation](#) on the OFM website.

17. What day will FPMT send the lease payments to AFRS?

FPMT will generate the payments based on the day selected in the ‘Day Payment Initiated’ and ‘Payment Frequency’ fields on the Lease Payments table for each lease contract. For example, if the lease contract has a ‘monthly’ payment frequency and ‘5’ is selected in the ‘Day Payment Initiated’ field, then FPMT will send the payment to AFRS on the 5th of each month.

Most agencies will choose the same day for all of their lease contracts so that all of their lease payments are sent on the same date, and are all in one batch together.

18. What fields need to be entered to send accounting transactions to AFRS for my lease contract if my agency is the [lessee](#)?

In addition to all the tables required for the type of lease contract (e.g., Facility, Leased Facility, Facility Lease Contract, Lease Payments, Space), the following fields must be entered:

- On the Lease Contract:
 - ‘Lease Type’ must be ‘Leased’
 - ‘Manually Record Accounting Entries’ set to ‘No’

- 'Master Index'
- 'Vendor Number' and 'Vendor Suffix'
- On the Payment(s)
 - 'Day Payment Initiated'

Note: The payment series entered must cover the complete lease term.

19. What fields need to be entered to send accounting transactions to AFRS for my lease contract if my agency is the lessor?

In addition to all the tables required for the type of receivable lease contract (e.g., Land, Owned Land, Receivable Land, Receivable Lease Contract, Receivable Payments), the following fields must be entered on the Receivable Lease Contract:

- 'Lease Type' must be 'Leased'
- 'Lessor' must be 'Lessor – Other'
- 'Manually Record Accounting Entries' set to 'No'
- 'Master Index'

20. Are the existing facility lease contracts defaulted not to automatically transmit lease payments to AFRS?

Yes, all facility lease contracts that were active in FPMT as of October 1, 2021, have been defaulted not to automatically send lease transactions to AFRS.

21. What do we need to do to have FPMT start sending accounting transactions?

1. Make sure you have an active master index that meets the [requirements](#). Create one if necessary.
2. Review the data in FPMT.
 - a. Verify the data entered on the Lease Contract and Lease Payment tables match the signed lease contract
 - b. On the Amortization Schedule verify:
 - i. Payments are correct and cover the entire lease term
 - ii. Lease liability and lease asset reduce/amortize to \$0
3. In order for FPMT to begin sending transactions, a user with the accounting role (via the Lease Review Wizard) will need to make the following changes:
 - On the lease contract:
 - Change the 'Manually Record Accounting Entries' field to 'No'
 - Select the 'Master Index'
 - Select the 'Statewide Vendor Number' and 'Vendor Suffix'
 - On the lease payment:
 - Add the 'Day Payment Initiated' so that FPMT knows which day of each month the payment should actually be created in AFRS.

On the day that all these changes are made and saved, FPMT will begin to send the necessary accounting transactions to AFRS. More information is available in the [Lease Accounting Transactions](#) job aid and the reports job aids on the [FPMT product site](#). OFM will record the beginning balance


adjustment to record the value of the lease liability, lease asset, allowance for amortization on the lease asset, lease receivable, and/or deferred inflow of resources as of July 1, 2021.

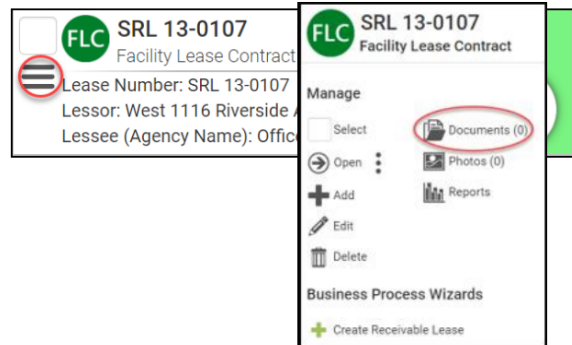
22. What happens if the master index I selected in FPMT is inactivated in AFRS?

You will need to select a different master index on the Lease Contract in FPMT or change the master index back to active in AFRS. FPMT will verify that the master index on the transaction is still an active index on the file received from AFRS the previous night. If 'Manually Record Accounting Entries' is 'No' and the master index no longer exists in AFRS, the transactions will generate, but will be placed on the Transaction Errors Report. OFM will contact those agencies with transactions on the error report.

23. What documentation is available to support the accounting transactions from FPMT?

The lease contract should be the primary documentation to support any transaction. A copy of the lease contract must be attached to the Lease Contract table in FPMT. You can access it as well as upload a copy by navigating and selecting the Documents button on the lease contract.

7. Select the  menu button on the new lease contract tile.
8. Select Documents
→ The document manager will open in a new window.



Complete instructions on how to upload the copy of the lease contract can be found on pages 16-17 of the [Create Leased Facility Job Aid](#).

In addition, the Amortization Schedule Report from FPMT is another good document to reference. [Here](#) is a link to the Job Aid on how to run this report

FPMT ACCESS AND ROLES

24. How do I get access to the Facilities Portfolio Management Tool (FPMT)?

FPMT access is restricted to Washington state employees. All users must request an account through the system following the instructions in the [Request New User Account](#) job aid. The default user role is read only. FPMT agency administrators must approve elevated permissions.

If a new user requires edit rights, the agency administrator must submit a [user access form](#) to the OFM Help Desk at HeretoHelp@ofm.wa.gov. In addition to approving edit rights, the agency administrator will indicate which role the user should have: Facilities, Accounting, or both. Training is required for all new users requesting edit rights.

FPMT agency administrators should also submit a user access form for existing FPMT users who need additional permissions, such as a Facilities user who also needs the Accounting role.

25. What does it mean to be an FPMT agency administrator?

An FPMT agency administrator is a designated point of contact who approves edit rights for FPMT users. This designation does not align with a system role and does not automatically grant you permissions to FPMT. Agency administrators do not need to be FPMT users themselves. At an agency's discretion, an administrator may be designated to approve edit rights for the facilities role, the accounting role, or both. An agency may have up to two administrators.

Agency administrators approve edit rights by submitting a [user access form](#) to the OFM Help Desk at HereToHelp@ofm.wa.gov. New users who need edit rights must do the following: (1) receive training, (2) [initiate a new account](#) through the system, and (3) have their agency administrator submit a user access form on their behalf. The agency administrator will also need to submit a user access form for an existing user who needs an additional role (e.g., a facilities user who also needs the accounting role).

Agency administrators who are also new system users, or existing facilities users who need the accounting role, will need to submit a user access form for themselves.

26. What is the difference between the FPMT facilities and accounting roles?

There are now two roles in FPMT – facilities and accounting. The permissions for the facilities role have changed. Role permissions determine which types of data a user can create and edit in the system. While facilities users can still see all data, they now have a more limited role in terms of what data they can create and edit. For example, facilities users can no longer renew leases in the system. Moving forward, the facilities role is mainly responsible for data related to a facility's physical space.

The accounting role is responsible for:

- Entering and maintaining the bulk of the financial data (i.e., lease contract data, lease payments, options and amendments)
- Renewing leases/receivable leases
- Determining whether FPMT should send transactions to AFRS
- Creating and editing land and other asset records in the system

Because of differing role permissions, all agencies will need to have at least one user with the accounting role, regardless of whether the agency has any leases that are in scope for GASB. Additionally, some business processes, such as creating a new leased facility, are now two-step processes because the accounting role is required for entering the financial data.

Moving forward, it will be important for agency facilities and accounting staff to coordinate with one another. At an agency's discretion, a user may be granted both the facilities and accounting roles. Refer to the [user access form](#) for an overview of which tables and wizards each role can access.

GENERAL

27. What training is available?

The following training is available online:

- [Lease Accounting Policy Training](#) - required if a user will be responsible for lease accounting in the system and will determine whether FPMT will send transactions to AFRS
- [FPMT Accounting Role eLearning Training](#) - required for all FPMT users with the accounting role
- [Lease Accounting Transactions e-Learning](#) - goes through the options for recording accounting transactions for right-to-use lease agreements.
- [FPMT Facilities Role eLearning Training](#) - required for all new FPMT users with the facilities role

28. Who can I contact if I have more questions?

Contact either your agency's OFM [Statewide Accounting Consultant](#) or [Facilities Analyst](#).