Long-Term Obligations
Capital Leases

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Capital Leases

• Overview
  – Criteria / Conditions
  – ACO Capital Lease Test
  – Asset Lease Module
  – ACO Requirements

Capital Leases

• FASB Criteria
  Statement of Financial Accounting Standards No. 13 (FAS 13)
  1. The lease transfers ownership of the property to the lessee at the end of the lease term.
  2. The lease contains a bargain purchase option.
Capital Leases

- FASB Criteria – FAS 13 Contd.
  3. The lease term is equal to 75% or more of the estimated economic life of the leased property.
  4. The present value of the minimum lease payments at the inception of the lease, excluding executory costs such as insurance, maintenance, and taxes, equals at least 90% of the fair value of the leased property.
Capital Lease Test

• ACO Lease Test
  » ACO Website
  » Click on Forms and Schedules
  » Click on Capital Lease Test
  » Input required information
Asset Lease Module
Capitalization Accounting Entry
Debit 192600  Vehicles-Leased
Credit 283103  Lease Obligation

Asset Lease Module
Lease Payment Accounting Entry
Debit 532600  Cap Lease-Purch Principal
Debit 533720  Cap Lease-Purch Interest
Credit 101100  Cash

Asset Lease Module
Lease Obligation Reduction Accounting Entry
Debit 283103  Lease Obligation
Credit 532600  Cap Lease-Purch Principal
**Reporting Capital Leases**

- Required
  - Capitalize
  - Complete AM 5 (Capital Asset Form)

**Reporting Capital Leases**

- Required (Contd.)
  - Submit AM 5 to the ACO Capital Assets with copies of the following:
    - Lease Agreement
    - Amortization Schedule
    - P. O.’s
    - Capital Lease Test
    - Invoice

**Capital Leases**

- ACO Contact Persons
  - Reggie Arhin 58134
  - Echel Ybanez 53556
  - Lisette Rose 53821
  - Hank Johnson 58569
  - Beverly Markwardt 53886