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The Department of Administration has made the decision that lease entry into SMART Asset Management (AM) is optional beginning January 1, 2013. If an agency chooses to continue entering leases, only operating leases should be tracked in SMART Asset Management. Capital leases will not be tracked in SMART.

Leases entered in AM will only be used for an agency's internal tracking. The Department of Administration will not use this information in the statewide financial reports. Therefore, no entries will be generated forward to GL for leases.

It should be noted that the Asset Management module does NOT send payment information to the Accounts Payable module. Your agency will still be responsible for generating lease payments.

Prior to entering a lease in SMART, your agency must validate the lease is an operating lease. To be an operating lease, none of the criteria below can be met.

- There is an ownership transfer at the end of the lease.
- The lease contains a Bargain Purchase Option (BPO).
- The lease term is 75 percent or more of the asset's life.
- The present value of the minimum lease payment is 90 percent or more of the Fair Market Value (FMV) of the asset.

The instructions below show how to:

- Enter an operating lease
- Update an operating lease
- Change the chartfields for an operating lease
- Retire an operating lease

## Entering an Operating Lease

*Step 1:* Navigate to *Asset Management > Asset Transactions > Leased Assets > Express Add*. Enter your Business Unit and click Add.

*Step 2:* Populate the fields on the **Definition** tab. If a field is not mentioned, do not populate that field.

**Definition** | Cost | Step Lease Payment | Payment Schedule

Unit: 17300 Asset ID: NEXT

Profile ID:  Trans Date: 03/31/2010

Description:  Acctg Date: 03/31/2010

CAP #:  Seq #:  Trans Code:

Asset Type:  Subtype:  Currency: USD

Serial ID:  Tag Number:  Rate Type: CRRNT

**Lease Information**

Lease ID:  Acceptance Date:

Description:  Receipt Date:

Vendor ID:  Lease End Date:

Vendor Contact:

Responsibility:

Comment:

**Lease Term**

Lease Term:  Periods Minimum Rental Payment (MRP): 0.00

Estimated Life:  Periods Minimum Lease Payments (MLP): 0.00

Interest Rate (%):  Present Value Lease Payments: 0.00

Borrowing Rate (%):  Capitalized Lease Amount: 0.00

Payment Schedule ID:  Interim Rent (Monthly): 0.00

Fair Market Value: 0.00  Capitalize Interim Rent

Guaranteed Residual Value: 0.00

BPO  Advance  Arrears

BRO  Capital  Operating

Transfer Ownership end lease

Step lease

Definition | Cost | Step Lease Payment | Payment Schedule

### **Fields:**

#### **First Section**

- **Profile ID:** Do NOT select a Profile ID for an operating lease.
- **Description:** Enter a description for the lease.
- **Asset Type:** For operating leases, select an appropriate Asset Type.
- **Serial ID:** Enter the Serial ID, if applicable.
- **Subtype:** Select an appropriate Subtype.
- **Tag Number:** Enter the Tag Number, if applicable.

- **Trans Date (Transaction Date):** This field drives the start date of the Payment Schedule. If the lease being entered began October 1, 2009, enter 10/01/2009 as the Transaction Date.
- **Acctg Date (Accounting Date):** The Accounting Date should be the current date.

#### Lease Information section

- **Vendor ID:** Select the vendor serving as the lessor from the lookup.
- **Lease End Date:** Enter the date the lease expires.

#### Lease Term

- **Lease Term:** Enter the number of periods (months) the lease is active. This should correspond with the Lease End Date. For example, a three-year lease will have 36 periods.
- **Estimated Life:** Enter 1,000.
  - Because one of the criteria under FASB 13 has to do with the lease term and estimated life, it's necessary to inflate this figure to prevent the system from calculating the lease as an operating lease. It is important to populate this field; otherwise, the value entered in the Lease Term field will default into the Estimated Life field, and the lease will be defined as a capital lease when it should be an operating lease.
- **Payment Schedule ID:** Select the appropriate value from the drop-down. Examples include Annual, Monthly, Quarterly, and Semi-annual payment schedules.
- **Fair Value:** Enter 100,000,000,000.
  - Because Fair Market Value (FMV) is one of the criteria under FASB 13 to determine whether a lease is capital or operating, this field must be inflated to prevent the system from calculating the lease as a capital lease.
- **Minimum Rental Payment (MRP):** Enter the periodic lease payment dependent on the Payment Schedule. If the Payment Schedule is Monthly, this would be the monthly payment; if the Payment Schedule is Quarterly, this would be the quarterly payment, etc.
- **Lease Payment Type:** Select the appropriate payment type for the lease.
  - **Advanced:** first payment due before the lease begins
  - **Arrears:** payment due at the end of the period
- **Lease Type:** Select Operating.

*Step 3:* Click **Calculate**. (Do NOT click Verify.) This populates the **Payment Schedule** tab, as well as the following fields:

- **Minimum Lease Payments (MLP):** In general, the MLP is equal to the MRP \* (Lease Term/12 periods) \* number of payments per year (i.e. Payment Schedule). For example: \$100 MRP for 36 Life Months on a Quarterly Payment Schedule would be  $100 * (36/12) * 4 = 1200$ . This should equate to the Payment Total column on the Payment Schedule tab.
- **Present Value Lease Payments:** This value should be the same as what was calculated for the MLP.
- **Capitalized Lease Amount:** This field should be 0.00. Operating leases are not capitalized.

Step 4: Click the **Operating Chartfields** tab. Select **OPLSE** as the Category, then enter the chartfields used to fund the lease in the appropriate fields. At a minimum, Fund should be entered.

Unit: 17300    Asset ID: NEXT    Tag:    In Service

Category	Dept	Fund	Bud Unit	Program	Project	Svc Loc	Agy Use	ChartField 2
OPLSE								

Save    Notify    Refresh

[Definition](#) | [Step Lease Payment](#) | [Operating Chartfields](#) | [Payment Schedule](#)

Step 5: Review the **Payment Schedule** tab. The first payment should correspond with when the lease began. The Payment Total column should display the Minimum Rental Payment entered in the **Definition** tab. The payment frequency will depend on the **Payment Schedule ID** selected on the **Definition** tab. If a monthly Payment Schedule ID was selected, a payment will display for each new month. There should not be any values in the Interest Expense column. The **Payment Schedule** tab is for informational purposes only; it will not generate payments in the Accounts Payable module.

Unit: 17300    Asset ID: NEXT    Status: In Service

Lease Book: CAFR    CAFR Reporting Book    Currency: USD

Payment Date	Payment Total	Interest Expense	Obligation Reduction	Payment Type
1	0.00 USD	0.00	0.00	

Save    Notify    Refresh    Add

[Definition](#) | [Step Lease Payment](#) | [Operating Chartfields](#) | [Payment Schedule](#)

Step 6: Click **Save**. An Asset ID will be assigned.

## Updating an Operating Lease

Similar to how owned assets can be updated in Basic Add, leased assets can be updated on the Update Lease Information page (Asset Management > Asset Transactions > Leased Assets > Update Lease Information). Any of the following fields can be updated:

- Description
- Serial ID
- Tag Number
- Vendor

If updates are needed to financial fields or if a lease is renewed, it is recommended that you retire the existing lease and add a new one with the corrected/renewal information. (See the steps below for Retiring an Operating Lease). The financial fields include:

- Lease End Date
- Lease Term
- Payment Schedule ID
- Minimum Rental Payment

## Changing Chartfields for an Operating Lease

*Step 1:* Navigate to *Asset Management > Asset Transactions > Leased Assets > Transfer Operating Lease*. Enter your Business Unit and Asset ID and click Search.

*Step 2:* Populate the New Chartfields section with the appropriate chartfield(s).

**Operating Lease Chartfields**

Unit: 17300 Asset ID: 000000004095 test lease 2 Tag: 123456 In Service

Current Chartfields							
Trans Date	Department	Fund Code	Budget Unit	Program Code	Project	Service Location	Agency Use
01/01/2012		1000					

New Chartfields								
Department	Fund Code	Budget Unit	Program Code	Project	Service Location	Agency Use	ChartField 2	Category
1730101000	1700	0504	01031					OPLSE

*Step 3:* Click Save. The Operating Chartfields tab on the Update Lease Information tab will now display the new set of chartfields.

**Definition Step Lease Payment Operating Chartfields Payment Schedule**

Unit: 17300 Asset ID: 000000004095 test lease 2 Tag: 123456 In Service

Operating Lease									
Category	Dept	Fund	Bud Unit	Program	Project	Svc Loc	Agy Use	ChartField 2	
OPLSE		1000							
OPLSE	1730101000	1700	0504	01031					

## Retiring an Operating Lease

*Step 1:* Navigate to *Asset Management > Asset Transactions > Asset Disposal > Retire/Reinstate Non-Fin Asset*. Enter your Business Unit and Asset ID and click Search.

*Step 2:* Click Retire. You can select a different Retirement Type from the drop down if you wish. Sale defaults in.

Non-Financial Retire			
Unit:	17300	Asset ID:	000000004095 test lease 2
		Tag:	123456 In Service
Trans Date:	12/27/2012	Trans Code:	<input type="text"/>
Retirement			
<input type="button" value="Retire"/>	<input type="button" value="Reinstate"/>	Acq Code:	Leased
		*Ret Type:	Sale
		Date/Time:	12/27/2012 1:46:45PM
Lease Information			
Lease ID:		Inception Date:	12/27/2012
Vendor ID:	0000000012		STATE OF MARYLAND
Vendor Contact:			

*Step 3:* Click Save. The operating lease is now Disposed.