

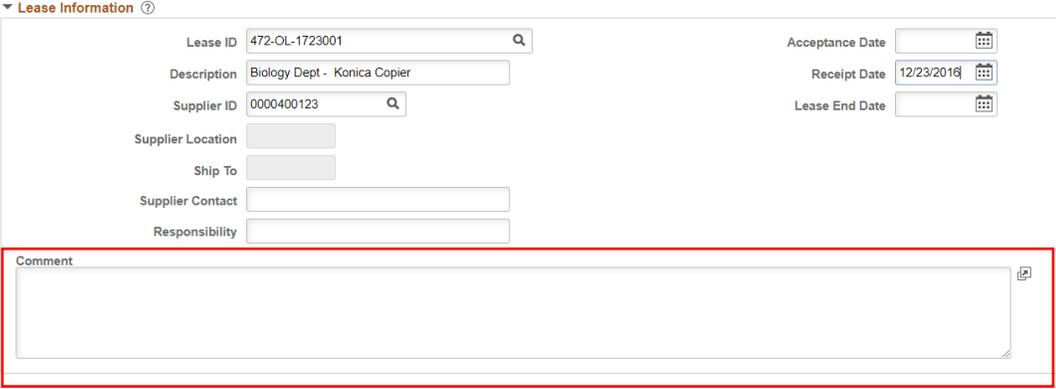
ADDING OPERATING LEASES

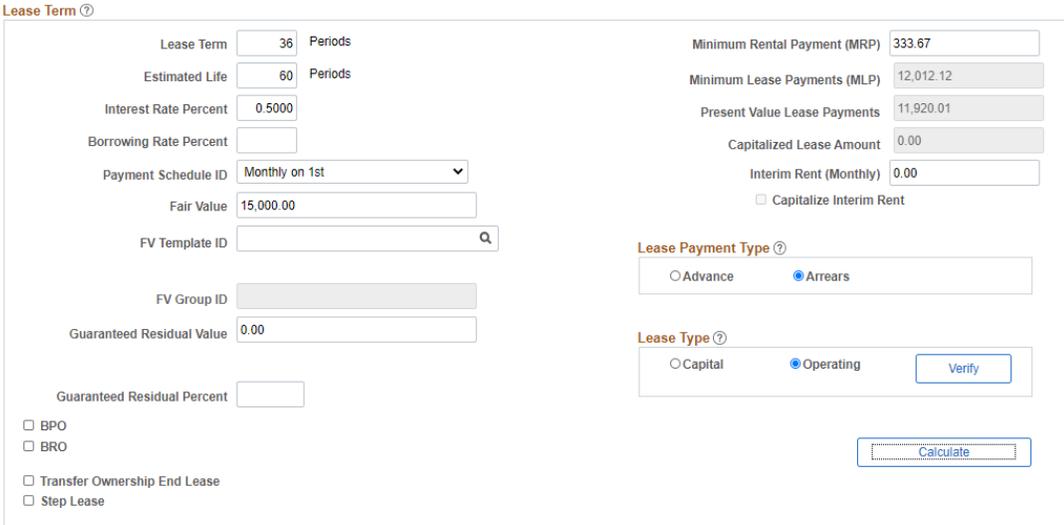
Under previous Government Accounting Standards Board (GASB) rules, capitalized leases and operating leases were recognized separately. However, GASB Statement 87, which will be effective for fiscal year 2022, eliminates Capital and Operating as classifications. Under GASB 87, leases will be classified as either Financed Purchases or “true” leases. Both of these classifications of leases will be capitalized and reported in an institution’s financial statements. To prepare for this transition, Operating leases need to be entered into PeopleSoft so that they may be capitalized effective 07/01/2021.

Note that the University System of Georgia is subject to Financial Accounting Standards Board (FASB) 13 guidelines for the remainder of fiscal year 2021, and non-capital leases should be added with their current Operating classification.

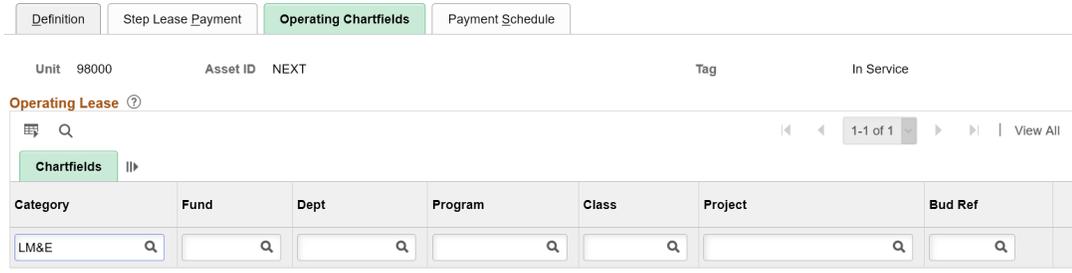
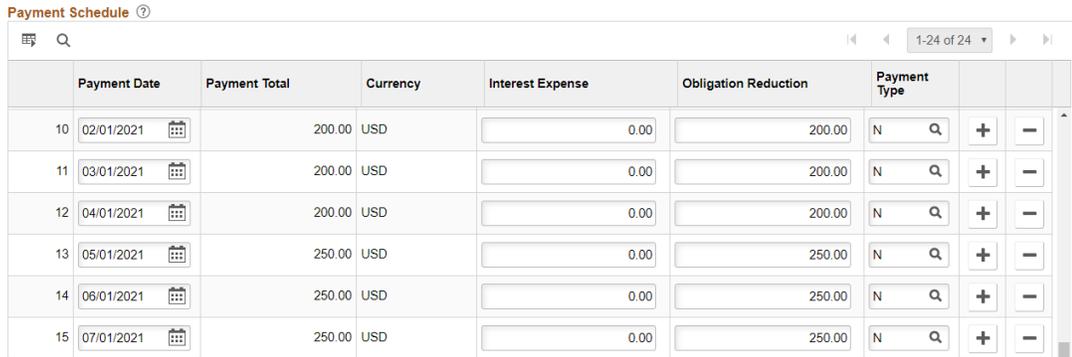
Below are step by step instructions on how to add operating leases:

Step	Action
1.	Navigate to the NavBar icon.
2.	Navigate to the Navigator icon.
3.	Select the Asset Management link.
4.	Select the Asset Transactions link.
5.	Select the Leased Assets link.
6.	Select the Express Add link. The system navigates to the Lease Express Add page.
7.	Enter or search for the Business Unit .
8.	Click the Add button. The system navigates to the Express Add page and defaults to the Definition tab.
9.	Enter or search for the Profile ID beginning with L, LBLDG, LMACH, etc. <i>Note: As long as the lease is categorized as an Operating Lease, it will not be capitalized, even though these profiles are the profiles historically used for Capital leases. Having these leases in the correct category will assist with the transition to GASB 87 standards.</i>
10.	Choose the Asset Type and enter the Description .
11.	Enter the Location, Serial ID and Tag Number .

Step	Action
12.	Update the Trans Date to the beginning lease date.
13.	Verify the Accounting Date is the current date.
14.	Select the expand triangle next to the Lease Information section.
15.	<p>Enter a unique Lease ID in the Lease ID field. Use the same naming convention in the spreadsheet completed for the system office last year.</p> <p>Lease Number should include:</p> <ul style="list-style-type: none"> • Three (3) Digit Entity Code • Current Lease Type (CL for Capital lease other than PPV, OL for Operating lease or other, PPV) • PeopleSoft Project or Other Identifier as determined by institution <p>Example: 472-PPV-191919</p>
16.	Enter a Description .
17.	Enter the Supplier ID if the supplier exists in PeopleSoft.
18.	If there is interim rent between the acceptance date and the start date of the lease, enter an Acceptance Date.
19.	<p>Enter comments in the Comments textbox, if needed.</p> 
20.	Navigate to the Lease Term section.

Step	Action
21.	<p>Enter the following information Lease Term, Estimated Life, Interest Rate Percent of Lessor (if known), Payment Schedule ID and Fair Value. Do not populate both the Interest Rate Percent field and the Borrowing Rate Percent field, as PeopleSoft will automatically use the lessor of the two. If the state borrowing rate is being used because the lessor rate is unknown and the implicit rate cannot be calculated, enter the borrowing rate in the Interest Rate Percent field. See the rate determination flowchart provided by the system office for additional guidance.</p> <p>Note: <i>If users do not see a Payment Schedule that fits the true payment schedule of the lease, submit a ticket to the ITS Helpdesk to add the missing payment schedule.</i></p> 
22.	<p>Select applicable options for the lease:</p> <ul style="list-style-type: none"> • Bargain Purchase Option (BPO) • Bargain Renewal Option (BRO) • Transfer Ownership End Lease

Step	Action																												
23.	<p>Determine if the lease is a step lease and follow one of the options below:</p> <ul style="list-style-type: none"> Option 1: Is Not a Step Lease. Enter Minimum Rental Payment (MRP). Option 2: Is a Step Lease. For leases where the payment amount changes, select the Step Lease checkbox and fill out the Step Lease Payment tab indicating the term, frequency, and amount for each varying payment amount. This information needs to be sequential in the order that the payments are effective. For example, the lease shown below has 12 monthly payments of \$200.00, followed by 6 monthly payments of \$250.00, and then 6 monthly payments of \$300.00. <p>Step Lease ⓘ</p> <table border="1"> <thead> <tr> <th>Line Number</th> <th>Lease Term</th> <th>Payment Frequency</th> <th>Payment Amount</th> <th>Currency</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>1</td> <td>12</td> <td>Monthly</td> <td>200.00</td> <td>USD</td> <td>+</td> <td>-</td> </tr> <tr> <td>2</td> <td>6</td> <td>Monthly</td> <td>250.00</td> <td>USD</td> <td>+</td> <td>-</td> </tr> <tr> <td>3</td> <td>6</td> <td>Monthly</td> <td>300.00</td> <td>USD</td> <td>+</td> <td>-</td> </tr> </tbody> </table>	Line Number	Lease Term	Payment Frequency	Payment Amount	Currency			1	12	Monthly	200.00	USD	+	-	2	6	Monthly	250.00	USD	+	-	3	6	Monthly	300.00	USD	+	-
Line Number	Lease Term	Payment Frequency	Payment Amount	Currency																									
1	12	Monthly	200.00	USD	+	-																							
2	6	Monthly	250.00	USD	+	-																							
3	6	Monthly	300.00	USD	+	-																							
24.	Under Lease Payment Type , select Advance or Arrears depending on the payment type.																												
25.	Under Lease Type select Operating.																												
26.	<p>Users may click the Verify button to confirm the lease meets the appropriate lease type requirements per FASB 13. However, when users click the Verify button the system changes the Lease Type to what it feels is the appropriate lease type should be.</p> <p>Note: <i>If users encounter a lease that the system evaluates differently than it is recorded, simply override the selection and set the lease type to mirror how the lease is currently recorded in Asset Management.</i></p>																												
27.	Click the Calculate button.																												

Step	Action																																																															
28.	<p>Select the Operating ChartFields tab.</p> 																																																															
29.	<p>Enter or search for the asset category in the Category field. The asset category should be an L category such as LMACH, LVEHC, etc.</p>																																																															
30.	<p>Enter the ChartFields for the asset.</p>																																																															
31.	<p>Verify the Payment Schedule tab displays the payment schedule as shown below. If it does not, navigate back to the Definition tab and click the Calculate button.</p> <p>Note: <i>Operating Leases do not show the Interest portion of each payment.</i></p>  <table border="1"> <thead> <tr> <th></th> <th>Payment Date</th> <th>Payment Total</th> <th>Currency</th> <th>Interest Expense</th> <th>Obligation Reduction</th> <th>Payment Type</th> <th></th> <th></th> </tr> </thead> <tbody> <tr> <td>10</td> <td>02/01/2021</td> <td>200.00</td> <td>USD</td> <td>0.00</td> <td>200.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> <tr> <td>11</td> <td>03/01/2021</td> <td>200.00</td> <td>USD</td> <td>0.00</td> <td>200.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> <tr> <td>12</td> <td>04/01/2021</td> <td>200.00</td> <td>USD</td> <td>0.00</td> <td>200.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> <tr> <td>13</td> <td>05/01/2021</td> <td>250.00</td> <td>USD</td> <td>0.00</td> <td>250.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> <tr> <td>14</td> <td>06/01/2021</td> <td>250.00</td> <td>USD</td> <td>0.00</td> <td>250.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> <tr> <td>15</td> <td>07/01/2021</td> <td>250.00</td> <td>USD</td> <td>0.00</td> <td>250.00</td> <td>N</td> <td>+</td> <td>-</td> </tr> </tbody> </table>		Payment Date	Payment Total	Currency	Interest Expense	Obligation Reduction	Payment Type			10	02/01/2021	200.00	USD	0.00	200.00	N	+	-	11	03/01/2021	200.00	USD	0.00	200.00	N	+	-	12	04/01/2021	200.00	USD	0.00	200.00	N	+	-	13	05/01/2021	250.00	USD	0.00	250.00	N	+	-	14	06/01/2021	250.00	USD	0.00	250.00	N	+	-	15	07/01/2021	250.00	USD	0.00	250.00	N	+	-
	Payment Date	Payment Total	Currency	Interest Expense	Obligation Reduction	Payment Type																																																										
10	02/01/2021	200.00	USD	0.00	200.00	N	+	-																																																								
11	03/01/2021	200.00	USD	0.00	200.00	N	+	-																																																								
12	04/01/2021	200.00	USD	0.00	200.00	N	+	-																																																								
13	05/01/2021	250.00	USD	0.00	250.00	N	+	-																																																								
14	06/01/2021	250.00	USD	0.00	250.00	N	+	-																																																								
15	07/01/2021	250.00	USD	0.00	250.00	N	+	-																																																								
32.	<p>Navigate back to the Definition tab and click Save. Verify the system assigned an Asset ID.</p>																																																															