



SFFAS 54 LEASE GUIDANCE:

RIGHT-TO-USE LEASES:

DEEMED “OPERATING LEASES” FOR BUDGETARY TREATMENT

WITH NO CANCELLATION CLAUSES

EFFECTIVE FISCAL YEAR 2024

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Proprietary Accounting Requirements & Agency Decision Points

SFFAS No. 54, *Leases*, as amended by SFFAS No. 58 and SFFAS No. 60, replaces proprietary lease accounting and disclosure standards for general purpose federal financial reports. SFFAS No. 54 is effective for reporting periods beginning after September 30, 2023. (Early implementation is not permitted.)

A lease is defined as “a contract or agreement whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for consideration.” (SFFAS 54, Par. 6.) SFFAS No. 54 requires that federal lessees recognize a lease liability and a right-to-use lease asset (also referred to as a lease asset), and that federal lessors recognize a lease receivable and unearned revenues at the commencement of the lease term, unless the lease meets the definitional criteria of a short-term lease, contract or agreement that transfers ownership, or an intra-governmental lease.

For proprietary accounting, entity management is responsible for exercising professional judgement and collaborating within its agency to reach certain determinations before establishing proprietary accounting treatment, including:

- 1) Lease Term, with consideration for Options, Renewals/Terminations, and Cancellation Clauses;
- 2) Calculation of Lease Asset/Liability; with consideration for Fixed vs. Variable Payments;
- 3) Interest Rates - Amortization of Discount on Lease Liability/Receivable; and
- 4) Modifications, Terminations, and any respective remeasurements.

Proprietary Lease Term

For proprietary accounting, calculating the lease term is pivotal because the classification between short-term leases and right-to-use leases depends on the lease duration. The lease term is determined to be the noncancelable lease period, plus certain periods subject to options to extend or terminate the lease. The noncancelable period is the shorter of the period agreed upon in the lease contract that: **(1)** precedes any option to extend the lease; or **(2)** precedes the first option to terminate the lease. In addition, the lessee’s lease term should include the noncancelable period, along with periods:

- Involving an option to extend the lease, if it is probable that the lessee or lessor will exercise that option (SFFAS 54, Par. 15a & 15c)
- Following an option to terminate the lease, if it is probable that the lessee or lessor will not exercise that option (SFFAS 54, Par. 15b & 15d)

Some specific provisions may also need to be applied when determining the lease term:

- Periods for which the lessee/lessor **(1)** have an option to terminate the lease without permission from the other entity, or **(2)** have to agree to extend, are considered to be cancelable periods and are thus excluded from the lease term (SFFAS 54, Par. 19a.)
- An availability of funds/cancellation clause allowing lessees to cancel a lease agreement if funds for the lease payments are not appropriated should only affect the lease term when it is probable that the clause will be exercised (SFFAS 54, Par. 19c.)
- If a lessee has the option to purchase the underlying asset during the lease term and the contract is not a contract that transfers ownership, the lease term should exclude the period, after the date at which the option is probable of being exercised (SFFAS 61, Par. 19d.)

Fixed Vs. Variable Payments

The Lessee's lease asset and the Lessor's lease liability should include the present value of payments expected to be made during the lease term. Generally, these should include:

- Fixed payments;
- Variable payments that depend on an index or a rate;
- Variable payments that are fixed in-substance; and
- Any lease incentives receivable from the lessor.

For a complete list of payment types to include in the present value of payments, please see SFFAS 54, Pars. 40 and 56.)

Variable payments based on future performance of the lessee or usage of the underlying asset should be recognized as lease expense/revenue during the reporting period to which those payments relate. These variable payments should NOT be included in the measurement of the lease receivable/lease liability. (See SFFAS 54, Pars. 41 and 54.) Reporting entity management should consult with appropriate procurement officials, and use professional judgment, to make determinations on what payments are fixed and what are variable.

Amortization of Discount on Lease Liability/Receivable - Interest Expense/Revenue

In subsequent reporting periods, the Lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. Any payments made should be allocated first to the accrued interest liability and then to the lease liability. (SFFAS 54, Par. 43) Likewise, the Lessor should calculate the amortization of the discount on the receivable and report that amount as interest revenue for the period (SFFAS 54, Par. 60.)

Lease Amortization & Lessor Unearned Revenue

During the lease term, the Lessee's lease asset should be amortized in a systematic and rational manner, over the shorter of: The lease term; or the useful life of the underlying asset. Meanwhile, the Lessor should amortize the unearned revenue to lease revenue in a systematic and rational manner over the term of the lease (SFFAS 54, Par. 65.)

Modifications/Terminations

In the event a right-to-use lease is terminated before the end of the contractual lease term (other than by a transfer of ownership/purchase of the underlying asset), a Lessee should account for the termination by reducing the carrying values of the lease liability and the lease asset and recognizing a gain/loss for the difference. Likewise, lessors should reduce the carrying value of the lease receivable and the related unearned revenue, and record a gain/loss for the difference.

Budgetary Accounting Requirements & Agency Decision Points

While proprietary accounting requirements for leases are transformed by SFFAS 54, *Leases*, budgetary accounting requirements will remain unchanged and continue to be guided by the lease scorekeeping rule developed by OMB, CBO, and the House and Senate Budget Committees originally in connection with the Budget Enforcement Act of 1990, and guidance regarding this rule provided in *OMB Circular No. A-11, Appendix B, Budgetary Treatment Of Lease-Purchases and Leases of Capital Assets*.

For budgetary accounting, entity management is responsible for exercising professional judgement and collaborating within its agency to reach certain determinations before establishing budgetary accounting treatment, including:

- 1) Operating vs. Capital Lease (as defined by Appendix B of OMB Circular No. A-11);
- 2) Budgetary Lease Term, with consideration for Cancellation Clauses; and
- 3) Budget Authority and Outlays.

Operating/Capital/Lease Purchase

Reporting entities should apply professional judgment, consistent with the guidance in Appendix B of OMB Circular No. A-11, on Operating Leases/Capital Leases criteria to discern the correct budgetary treatment of each lease contract. The differences in budgetary accounting treatment between Operating and Capital leases are extensive; see Appendix B of *OMB Circular No. A-11* for more details. In order for a lease to qualify for Operating lease treatment for budgetary accounting purposes, a lease must meet the following criteria established in the scorekeeping rule:

- Ownership of the asset remains with the lessor during the term of the lease and is not transferred to the Government at or shortly after the end of the lease term;
- The lease does not contain a bargain-price purchase option;
- The lease term does not exceed 75 percent of the estimated economic life of the asset;
- The present value of the minimum contractually required payments over the life of the lease does not exceed 90 percent of the fair market value of the asset at the beginning of the lease term;
- The asset is a general purpose asset rather than being for a special purpose of the Government and is not built to the unique specification of the Government as lessee; and
- There is a private sector market for the asset.”

Lease Term & Cancellation Clauses

When initiating lease contracts with a cancellation clause, entities are required to presume the lease will run for the full term of the contract when calculating the lease term as part of the analysis necessary to distinguish between an Operating/Capital Lease.

“Cancellation clauses. It will be presumed that the lease will run for the full term of the contract, and the minimum payments will be calculated on the basis of the lease and other contractually required payments that will be made over the full term of the lease (including options to renew).” (OMB Circular No. 11, Page 8 of Appendix B.)

Budget Authority and Outlays – Operating Lease

Budget Authority for Operating Leases should be recorded in an amount equal to the total contractually required payments under the full term of the lease, or (if there is a cancellation clause) the amount sufficient to cover first year lease and other contractually required payments plus cancellation costs up front. Meanwhile, outlays of Operating Leases are scored over the lease term in an amount equal to the annual lease and other contractually required payments.

“For operating leases, budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. **This will include the estimated total payments expected to arise under the full term of the contract** or, if the contract includes a cancellation clause, an amount sufficient to cover the lease and other contractually required payments for the first year plus an amount sufficient to cover the costs associated with cancellation of the contract. For each subsequent year, sufficient budget authority is required to be obligated to cover the annual lease payment for that year plus any additional cancellation costs. For operating leases funded by the General Services Administration's Federal Buildings Fund (which is self-insuring under existing authority), only the amount of budget authority needed to cover the annual lease payment is required to be obligated.”

Right-To-Use Leases Determined to be “Operating” for Budgetary Treatment- With No Cancellation Clauses

Listing of USSGL Accounts Used in This Scenario:

| Account Number | Account Title |
|---------------------------|--|
| <u>Budgetary</u> | |
| 406000 | Anticipated Collections From Non-Federal Sources |
| 411900 | Other Appropriations Realized |
| 426600 | Other Actual Business-Type Collections From Non-Federal Sources |
| 445000 | Unapportioned – Unexpired Authority |
| 449000 | Anticipated Resources - Unapportioned Authority |
| 451000 | Apportionments |
| 459000 | Apportionments – Anticipated Resources – Programs Subject to Apportionment |
| 461000 | Allotments – Realized Resources |
| 480100 | Undelivered Orders – Obligations, Unpaid |
| 490100 | Delivered Orders – Obligations, Unpaid |
| 490200 | Delivered Orders – Obligations, Paid |
| <u>Proprietary</u> | |
| 101000 | Fund Balance With Treasury |
| 134000 | Interest Receivable - Not Otherwise Classified |
| 175000 | Equipment |

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| | |
|---------------|---|
| 175900 | Accumulated Depreciation on Equipment |
| 193000 | Lessor Lease Receivable¹ |
| 193900 | Allowance for Loss on Lease Receivable* |
| 195000 | Lessee Right-To-Use Lease Asset* |
| 195900 | Accumulated Amortization on Lessee Lease Assets* |
| 214000 | Accrued Interest Payable - Not Otherwise Classified |
| 214010 | Unfunded Accrued Interest Payable* |
| 233000 | Unearned Lessor Revenue* |
| 293000 | Lessee Lease Liability* |
| 293010 | Unfunded Lessee Lease Liability* |
| 310100 | Unexpended Appropriations – Appropriations Received |
| 310700 | Unexpended Appropriations - Used - Accrued |
| 310710 | Unexpended Appropriations - Used - Disbursed |
| 331000 | Cumulative Results of Operations |
| 531000 | Interest Revenue - Other |
| 570000 | Expended Appropriations - Accrued |
| 570010 | Expended Appropriations - Disbursed |
| 593000 | Lessor Lease Revenue* |
| 593300 | Lessor Revenue - Amortization of Lease Receivable* |
| 633000 | Other Interest Expense |
| 671000 | Depreciation, Amortization, and Depletion |
| 671300 | Lessee Lease Amortization* |
| 693000 | Lessee Lease Expense* |

¹ See Treasury Financial Manual, Volume 1, USSGL Supplements, Section II for Account Definitions of new lease accounts.

Key Assumptions Driving Proprietary Accounting Entries:

Lease Term

- A federal reporting entity (Lessee) signs a 5-year lease with a non-federal entity (Lessor) for the right to control/right to use equipment. (For illustration purposes, the scenario also shows posting logic for a federal Lessor working with a non-federal Lessee under a separate heading.)
- For illustration purposes, the lease begins at the start of the fiscal year.
- There are no cancellation clauses.
- No purchase option probable of being exercised exists.
- With no cancellation clauses or options to extend/terminate, management determines the lease term to be 5 years, and a Right-To-Use Lease per SFFAS 54.
- All monthly payments are made at the last business day of the month – This scenario assumes payments are made directly to vendor and that there is no lag time between disbursement, authorization, and receipt.

Lease Asset/Liability Calculation

- The contract amount is \$120,000 (\$2,000 monthly payments x 60 months.)
- Management calculates the Present Value of all expected fixed payments to be \$94,131. The Lessor charges the Lessee the Treasury Rate of 10.00%.
- The Lessor already has equipment on its Balance Sheet valued at \$300,000 with \$150,000 Accumulated Depreciation.

Fixed & Variable Payments

- Management determines the lease contains both fixed and variable payments. Fixed payments include a minimum annual payment required by the lease contract, and lease payments (including interest) are paid at the start of the year.
- In addition, there is a \$12 per hour charge for the use of the equipment, which management deems to be a Variable payment based on future usage of the underlying asset. This variable payment will not be included in the Lease Liability/Lease Receivable per SFFAS 54, Par. 41. (Also See Technical Release 20, Lease Implementation Guidance, Par. 48 for more information on Variable Payments.)
- Management determines that the Fixed minimum lease payment is "contractually required payments" per *OMB Circular A-11, Appendix B*.
- Management determines that the Variable costs related to the usage of the equipment are also "contractually required payments" per *OMB Circular A-11, Appendix B*, and estimates these to be \$1,500 for each year of the lease term.

Key Assumptions Driving Budgetary Accounting Entries:

Budgetary Authority

- The Lessee received a direct appropriation and is working from a multi-year appropriated TAFS from a general fund expenditure account. Agency management has concluded that appropriations language allows the budget authority to remain available for the lease and other contractually required payments over the full term of the lease.
- For illustration purposes, the lease begins at the start of the fiscal year.
- The Lessor charges the Lessee the Treasury Interest Rate from OMB Circular No. A-94, Appendix C, of 10.00%.
- Management determines that the Fixed costs for the lease of equipment are "contractually required payments" per *OMB Circular No. A-11, Appendix B*.
- The lease is **not** funded by the General Services Administration's Federal Buildings Fund.

Budgetary Lease Capital/Operating Determination

- Management determines the lease to be an “**Operating lease**” for budgetary purposes **WITHOUT a cancellation clause**. Therefore, upfront budget authority should include “the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. This will include **the estimated total payments expected to arise under the full term of the contract.**” Without a cancellation clause, the government is required to record the entire obligation upfront.

Budgetary Outlays

- As an Operating lease per budgetary treatment, leases will be scored over the lease term in an amount equal to the annual lease and other contractually required payments.

Cancellation Clauses

- The lease **does not** include a cancellation clause, so there are no additional costs associated with cancellation.
- The lease **does not** contain renewal/purchase options, and is not associated with government land.

Amortization Table

- **Contract Amount \$120,000**
- **5-Year Lease, 60 monthly payments of \$2,000 each**
- **Treasury Interest Rate of 10.0% for Proprietary and Budgetary Accounting.**
- **Present Value of Payments = \$94,131**
- **Lessee Right-To-Use- Asset & Lease Liability amount: \$94,131**
- **Budget Authority = \$94,131 Lease Principal Payments + \$25,869 Interest Expenses = \$120,000**
- **For illustration purposes, the lease begins at the start of the fiscal year.**
- **Monthly payments are considered to be disbursed on the last business day of each month.**

Disclaimer

The below guidance is intended to serve as a reference only based on a finite number of underlying assumptions. It is in no way intended to provide comprehensive posting logic for every leasing activity. Agencies should have a thorough understanding of authoritative standards SFFAS 54, SFFAS 60, and SFFAS 61 and apply other factors, including but not limited to certain prepayments, accruals, etc. As stated above, agency management must exercise professional judgement and collaborate within their agency to reach determinations of lease activities on a lease-by-lease basis, before establishing accounting treatment.

Entity management should document these decisions and incorporate them into management's existing OMB Circular No. A-123, "Management's Responsibility for Enterprise Risk Management and Internal Control," Appendix A, procedures.

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| Month | | | Budgetary Resources | | | Lease Liability | | | | Right-To-Use Lease Asset | | |
|----------------------|------|----------|---------------------|-----------------|----------------------------|-----------------------------------|------------------|-------------------|--------------------------------|-------------------------------|-------------------------------------|----------------------------|
| | | | Obligation Balance | Monthly Payment | Obligation Closing Balance | Lease Liability Beginning Balance | Interest Expense | Principle Payment | Ending Lease Liability Balance | Lease Asset Beginning Balance | Monthly Amortization (Straightline) | Ending Lease Asset Balance |
| a | Yr 1 | Month 1 | 120,000 | 2,000 | 118,000 | 94,130.74 | 784.42 | 1,215.58 | 92,915.16 | 94,130.74 | 1,568.85 | 92,561.89 |
| b | Yr 1 | Month 2 | 118,000 | 2,000 | 116,000 | 92,915.16 | 774.29 | 1,225.71 | 91,689.45 | 92,561.89 | 1,568.85 | 90,993.05 |
| c | Yr 1 | Month 3 | 116,000 | 2,000 | 114,000 | 91,689.45 | 764.08 | 1,235.92 | 90,453.53 | 90,993.05 | 1,568.85 | 89,424.20 |
| d | Yr 1 | Month 4 | 114,000 | 2,000 | 112,000 | 90,453.53 | 753.78 | 1,246.22 | 89,207.31 | 89,424.20 | 1,568.85 | 87,855.36 |
| e | Yr 1 | Month 5 | 112,000 | 2,000 | 110,000 | 89,207.31 | 743.39 | 1,256.61 | 87,950.71 | 87,855.36 | 1,568.85 | 86,286.51 |
| f | Yr 1 | Month 6 | 110,000 | 2,000 | 108,000 | 87,950.71 | 732.92 | 1,267.08 | 86,683.63 | 86,286.51 | 1,568.85 | 84,717.66 |
| g | Yr 1 | Month 7 | 108,000 | 2,000 | 106,000 | 86,683.63 | 722.36 | 1,277.64 | 85,405.99 | 84,717.66 | 1,568.85 | 83,148.82 |
| h | Yr 1 | Month 8 | 106,000 | 2,000 | 104,000 | 85,405.99 | 711.72 | 1,288.28 | 84,117.71 | 83,148.82 | 1,568.85 | 81,579.97 |
| i | Yr 1 | Month 9 | 104,000 | 2,000 | 102,000 | 84,117.71 | 700.98 | 1,299.02 | 82,818.69 | 81,579.97 | 1,568.85 | 80,011.13 |
| j | Yr 1 | Month 10 | 102,000 | 2,000 | 100,000 | 82,818.69 | 690.16 | 1,309.84 | 81,508.85 | 80,011.13 | 1,568.85 | 78,442.28 |
| k | Yr 1 | Month 11 | 100,000 | 2,000 | 98,000 | 81,508.85 | 679.24 | 1,320.76 | 80,188.09 | 78,442.28 | 1,568.85 | 76,873.44 |
| l | Yr 1 | Month 12 | 98,000 | 2,000 | 96,000 | 80,188.09 | 668.23 | 1,331.77 | 78,856.32 | 76,873.44 | 1,568.85 | 75,304.59 |
| Year 1 Totals | | | | \$24,000 | | | \$8,726 | \$15,274 | | | \$18,826 | |
| a | Yr 2 | Month 1 | 96,000 | 2,000 | 94,000 | 78,856.32 | 657.14 | 1,342.86 | 77,513.46 | 75,304.59 | 1,568.85 | 73,735.74 |
| b | Yr 2 | Month 2 | 94,000 | 2,000 | 92,000 | 77,513.46 | 645.95 | 1,354.05 | 76,159.40 | 73,735.74 | 1,568.85 | 72,166.90 |
| c | Yr 2 | Month 3 | 92,000 | 2,000 | 90,000 | 76,159.40 | 634.66 | 1,365.34 | 74,794.06 | 72,166.90 | 1,568.85 | 70,598.05 |
| d | Yr 2 | Month 4 | 90,000 | 2,000 | 88,000 | 74,794.06 | 623.28 | 1,376.72 | 73,417.35 | 70,598.05 | 1,568.85 | 69,029.21 |
| e | Yr 2 | Month 5 | 88,000 | 2,000 | 86,000 | 73,417.35 | 611.81 | 1,388.19 | 72,029.16 | 69,029.21 | 1,568.85 | 67,460.36 |
| f | Yr 2 | Month 6 | 86,000 | 2,000 | 84,000 | 72,029.16 | 600.24 | 1,399.76 | 70,629.40 | 67,460.36 | 1,568.85 | 65,891.52 |
| g | Yr 2 | Month 7 | 84,000 | 2,000 | 82,000 | 70,629.40 | 588.58 | 1,411.42 | 69,217.98 | 65,891.52 | 1,568.85 | 64,322.67 |
| h | Yr 2 | Month 8 | 82,000 | 2,000 | 80,000 | 69,217.98 | 576.82 | 1,423.18 | 67,794.80 | 64,322.67 | 1,568.85 | 62,753.83 |
| i | Yr 2 | Month 9 | 80,000 | 2,000 | 78,000 | 67,794.80 | 564.96 | 1,435.04 | 66,359.75 | 62,753.83 | 1,568.85 | 61,184.98 |
| j | Yr 2 | Month 10 | 78,000 | 2,000 | 76,000 | 66,359.75 | 553.00 | 1,447.00 | 64,912.75 | 61,184.98 | 1,568.85 | 59,616.13 |
| k | Yr 2 | Month 11 | 76,000 | 2,000 | 74,000 | 64,912.75 | 540.94 | 1,459.06 | 63,453.69 | 59,616.13 | 1,568.85 | 58,047.29 |
| l | Yr 2 | Month 12 | 74,000 | 2,000 | 72,000 | 63,453.69 | 528.78 | 1,471.22 | 61,982.47 | 58,047.29 | 1,568.85 | 56,478.44 |
| Year 2 Totals | | | | \$24,000 | | | \$7,126 | \$16,874 | | | \$18,826 | |

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|----------------------|------|----------|--------|------------------|--------|-----------|-----------------|-----------------|-----------|-----------|-----------------|-----------|
| - | Yr 3 | Month 1 | 72,000 | 2,000 | 70,000 | 61,982.47 | 516.52 | 1,483.48 | 60,498.99 | 56,478.44 | 1,568.85 | 54,909.60 |
| - | Yr 3 | Month 2 | 70,000 | 2,000 | 68,000 | 60,498.99 | 504.16 | 1,495.84 | 59,003.15 | 54,909.60 | 1,568.85 | 53,340.75 |
| - | Yr 3 | Month 3 | 68,000 | 2,000 | 66,000 | 59,003.15 | 491.69 | 1,508.31 | 57,494.84 | 53,340.75 | 1,568.85 | 51,771.91 |
| - | Yr 3 | Month 4 | 66,000 | 2,000 | 64,000 | 57,494.84 | 479.12 | 1,520.88 | 55,973.97 | 51,771.91 | 1,568.85 | 50,203.06 |
| - | Yr 3 | Month 5 | 64,000 | 2,000 | 62,000 | 55,973.97 | 466.45 | 1,533.55 | 54,440.42 | 50,203.06 | 1,568.85 | 48,634.21 |
| - | Yr 3 | Month 6 | 62,000 | 2,000 | 60,000 | 54,440.42 | 453.67 | 1,546.33 | 52,894.09 | 48,634.21 | 1,568.85 | 47,065.37 |
| - | Yr 3 | Month 7 | 60,000 | 2,000 | 58,000 | 52,894.09 | 440.78 | 1,559.22 | 51,334.87 | 47,065.37 | 1,568.85 | 45,496.52 |
| - | Yr 3 | Month 8 | 58,000 | 2,000 | 56,000 | 51,334.87 | 427.79 | 1,572.21 | 49,762.66 | 45,496.52 | 1,568.85 | 43,927.68 |
| - | Yr 3 | Month 9 | 56,000 | 2,000 | 54,000 | 49,762.66 | 414.69 | 1,585.31 | 48,177.35 | 43,927.68 | 1,568.85 | 42,358.83 |
| - | Yr 3 | Month 10 | 54,000 | 2,000 | 52,000 | 48,177.35 | 401.48 | 1,598.52 | 46,578.83 | 42,358.83 | 1,568.85 | 40,789.99 |
| - | Yr 3 | Month 11 | 52,000 | 2,000 | 50,000 | 46,578.83 | 388.16 | 1,611.84 | 44,966.98 | 40,789.99 | 1,568.85 | 39,221.14 |
| - | Yr 3 | Month 12 | 50,000 | 2,000 | 48,000 | 44,966.98 | 374.72 | 1,625.28 | 43,341.71 | 39,221.14 | 1,568.85 | 37,652.30 |
| Year 3 Totals | | | | \$24,000 | | | \$5,359 | \$18,641 | | | \$18,826 | |
| - | Yr 4 | Month 1 | 48,000 | 2,000 | 46,000 | 43,341.71 | 361.18 | 1,638.82 | 41,702.89 | 37,652.30 | 1,568.85 | 36,083.45 |
| - | Yr 4 | Month 2 | 46,000 | 2,000 | 44,000 | 41,702.89 | 347.52 | 1,652.48 | 40,050.41 | 36,083.45 | 1,568.85 | 34,514.60 |
| - | Yr 4 | Month 3 | 44,000 | 2,000 | 42,000 | 40,050.41 | 333.75 | 1,666.25 | 38,384.17 | 34,514.60 | 1,568.85 | 32,945.76 |
| - | Yr 4 | Month 4 | 42,000 | 2,000 | 40,000 | 38,384.17 | 319.87 | 1,680.13 | 36,704.04 | 32,945.76 | 1,568.85 | 31,376.91 |
| - | Yr 4 | Month 5 | 40,000 | 2,000 | 38,000 | 36,704.04 | 305.87 | 1,694.13 | 35,009.90 | 31,376.91 | 1,568.85 | 29,808.07 |
| - | Yr 4 | Month 6 | 38,000 | 2,000 | 36,000 | 35,009.90 | 291.75 | 1,708.25 | 33,301.65 | 29,808.07 | 1,568.85 | 28,239.22 |
| - | Yr 4 | Month 7 | 36,000 | 2,000 | 34,000 | 33,301.65 | 277.51 | 1,722.49 | 31,579.17 | 28,239.22 | 1,568.85 | 26,670.38 |
| - | Yr 4 | Month 8 | 34,000 | 2,000 | 32,000 | 31,579.17 | 263.16 | 1,736.84 | 29,842.33 | 26,670.38 | 1,568.85 | 25,101.53 |
| - | Yr 4 | Month 9 | 32,000 | 2,000 | 30,000 | 29,842.33 | 248.69 | 1,751.31 | 28,091.01 | 25,101.53 | 1,568.85 | 23,532.68 |
| - | Yr 4 | Month 10 | 30,000 | 2,000 | 28,000 | 28,091.01 | 234.09 | 1,765.91 | 26,325.10 | 23,532.68 | 1,568.85 | 21,963.84 |
| - | Yr 4 | Month 11 | 28,000 | 2,000 | 26,000 | 26,325.10 | 219.38 | 1,780.62 | 24,544.48 | 21,963.84 | 1,568.85 | 20,394.99 |
| - | Yr 4 | Month 12 | 26,000 | 2,000 | 24,000 | 24,544.48 | 204.54 | 1,795.46 | 22,749.02 | 20,394.99 | 1,568.85 | 18,826.15 |
| Year 4 Totals | | | | \$24,000 | | | \$3,407 | \$20,593 | | | \$18,826 | |
| - | Yr 5 | Month 1 | 24,000 | 2,000 | 22,000 | 22,749.02 | 189.58 | 1,810.42 | 20,938.59 | 18,826.15 | 1,568.85 | 17,257.30 |
| - | Yr 5 | Month 2 | 22,000 | 2,000 | 20,000 | 20,938.59 | 174.49 | 1,825.51 | 19,113.08 | 17,257.30 | 1,568.85 | 15,688.46 |
| - | Yr 5 | Month 3 | 20,000 | 2,000 | 18,000 | 19,113.08 | 159.28 | 1,840.72 | 17,272.36 | 15,688.46 | 1,568.85 | 14,119.61 |
| - | Yr 5 | Month 4 | 18,000 | 2,000 | 16,000 | 17,272.36 | 143.94 | 1,856.06 | 15,416.29 | 14,119.61 | 1,568.85 | 12,550.77 |
| - | Yr 5 | Month 5 | 16,000 | 2,000 | 14,000 | 15,416.29 | 128.47 | 1,871.53 | 13,544.76 | 12,550.77 | 1,568.85 | 10,981.92 |
| - | Yr 5 | Month 6 | 14,000 | 2,000 | 12,000 | 13,544.76 | 112.87 | 1,887.13 | 11,657.63 | 10,981.92 | 1,568.85 | 9,413.07 |
| - | Yr 5 | Month 7 | 12,000 | 2,000 | 10,000 | 11,657.63 | 97.15 | 1,902.85 | 9,754.78 | 9,413.07 | 1,568.85 | 7,844.23 |
| - | Yr 5 | Month 8 | 10,000 | 2,000 | 8,000 | 9,754.78 | 81.29 | 1,918.71 | 7,836.07 | 7,844.23 | 1,568.85 | 6,275.38 |
| - | Yr 5 | Month 9 | 8,000 | 2,000 | 6,000 | 7,836.07 | 65.30 | 1,934.70 | 5,901.37 | 6,275.38 | 1,568.85 | 4,706.54 |
| - | Yr 5 | Month 10 | 6,000 | 2,000 | 4,000 | 5,901.37 | 49.18 | 1,950.82 | 3,950.55 | 4,706.54 | 1,568.85 | 3,137.69 |
| - | Yr 5 | Month 11 | 4,000 | 2,000 | 2,000 | 3,950.55 | 32.92 | 1,967.08 | 1,983.47 | 3,137.69 | 1,568.85 | 1,568.85 |
| - | Yr 5 | Month 12 | 2,000 | 2,000 | 0 | 1,983.47 | 16.53 | 1,983.47 | 0.00 | 1,568.85 | 1,568.85 | 0.00 |
| Year 5 Totals | | | | \$24,000 | | | \$1,251 | \$22,749 | | | \$18,826 | |
| LEASE TOTAL | | | | \$120,000 | | | \$25,869 | \$94,131 | | | \$94,131 | |

FISCAL YEAR 1 - Right-To-Use Leases; “Operating” for Budgetary Treatment; With No Cancellation Clause

Lessee Accounting

| | | | |
|--|--------------|---------------|-----------|
| 1. The Lessee records the enactment of appropriations in Year 1 of the 5-year Operating lease. The lease does not include a cancellation clause. Per <i>OMB Circular No. A-11, Appendix B</i> , budget authority for leases considered “Operating leases” for budgetary treatment without a cancellation clause is required to be obligated up-front in the amount necessary to cover the Government’s legal obligations, consistent with the requirements of the Antideficiency Act. (Budget Authority = \$94,131 Lease Principal Payments; + \$25,869 Interest Expense = \$120,000; plus \$7,500 Estimated variable payments for of the equipment usage over the 5-year life of the lease = \$127,500.) | | | |
| Lessee - Enactment of appropriation for Year 1. | Debit | Credit | TC |
| <u>Budgetary Entry</u> 411900 Other Appropriations Realized 445000 Unapportioned - Unexpired Authority | 127,500 | 127,500 | A104 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 310100 (G) Unexpended Appropriations – Appropriations Received | 127,500 | 127,500 | |
| 2. The Lessee records budgetary authority apportioned by the Office of Management and Budget and available for allotment in Year 1. | | | |
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> 445000 Unapportioned - Unexpired Authority 451000 Apportionments | 127,500 | 127,500 | A116 |
| <u>Proprietary Entry</u> None | | | |
| 3. The Lessee records the allotment of authority in Year 1. | | | |
| Lessee | Debit | Credit | TC |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|---|---------|---------|------|
| <u>Budgetary Entry</u> 451000 Apportionments 461000 Allotments – Realized Resources <u>Proprietary Entry</u> None | 127,500 | 127,500 | A120 |
|---|---------|---------|------|

| | | | |
|--|--------------|---------------|-----------|
| 4. The lease contract is signed by both parties. The Lessee records current-year undelivered orders without an advance. (Budget authority is required to be obligated up front in the amount necessary to cover the Government's legal obligations.) | | | |
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> 461000 Allotments – Realized Resources 480100 Undelivered Orders – Obligations, Unpaid <u>Proprietary Entry</u> None | 127,500 | 127,500 | |

| | | | |
|---|--------------|---------------|-----------|
| 5. The Lessee takes control over the use of the equipment. A Lease Asset and Lease Liability are recorded per SFFAS 54, Par. 40 & Par. 49. The entire amount of the lease liability (principle) is covered from the Year 1 appropriation. | | | |
| Lessee – Recognition of Right-to-Use Lease Asset | Debit | Credit | TC |
| <u>Budgetary Entry</u> None <u>Proprietary Entry</u> 195000 Lessee Right-To-Use Lease Asset 293000 Lessee Lease Liability | 94,131 | 94,131 | |

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| | | | |
|---|--------------|---------------|-----------|
| 6a. The lessee records accrued interest for month 1, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Month 1. | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 633000 Other Interest Expense 214000 Accrued Interest Payable – Not Otherwise Classified | 784 | 784 | B418 |

| | | | |
|--|--------------|---------------|-----------|
| 7a. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| Budgetary Entry 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| Proprietary Entry 293000 Lessee Lease Liability 214000 Accrued Interest Payable - Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,216 784 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| Ending Lease Liability Balance (USSGL 293000) = \$92,915 | | | |

| | | | |
|---|--------------|---------------|-----------|
| 8a. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Month 1. | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$92,562 | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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6b. The lessee records accrued interest for month 2, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 2. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 774 | 774 | B418 |

7b. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,226 774 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$91,689</i> | | | |

8b. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 2. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$90,993</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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6c. The lessee records accrued interest for month 3, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 3. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 764 | 764 | B418 |

7c. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,236 764 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$90,454</i> | | | |

8c. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 3. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$89,424</i> | | | |

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6d. The lessee records accrued interest for month 4, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 4. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 754 | 754 | B418 |

7d. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,246 754 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$89,207</i> | | | |

8d. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 4. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$87,855</i> | | | |

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6e. The lessee records accrued interest for month 5, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 5. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 743 | 743 | B418 |

7e. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,257 743 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$87,951</i> | | | |

8e. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 5. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$86,287</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|---|--------------|---------------|-----------|
| 6f. The lessee records accrued interest for month 6, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Month 6. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 733 | 733 | B418 |
| 7f. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,267 733 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| Ending Lease Liability Balance (USSGL 293000) = \$86,684 | | | |
| 8f. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Month 6. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$84,718 | | | |

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6g. The lessee records accrued interest for month 7, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 7. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 722 | 722 | B418 |

7g. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,278 722 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$85,406</i> | | | |

8g. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 7. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$83,149</i> | | | |

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6h. The lessee records accrued interest for month 8, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 8. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 712 | 712 | B418 |

7h. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,288 712 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$84,118</i> | | | |

8h. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 8. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$81,580</i> | | | |

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| | | | |
|---|--------------|---------------|-----------|
| 6i. The lessee records accrued interest for month 9, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Month 9. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 701 | 701 | B418 |
| 7i. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,299 701 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| Ending Lease Liability Balance (USSGL 293000) = \$82,819 | | | |
| 8i. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Month 9. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$80,011 | | | |

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| | | | |
|---|--------------|---------------|-----------|
| 6j. The lessee records accrued interest for month 10, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Month 10. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 690 | 690 | B418 |
| 7j. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,310 690 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| Ending Lease Liability Balance (USSGL 293000) = \$81,509 | | | |
| 8j. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Month 10. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$78,442 | | | |

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6k. The lessee records accrued interest for month 11, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Month 11. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 679 | 679 | B418 |

7k. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,321 679 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$80,188</i> | | | |

8k. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Month 11. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$76,873</i> | | | |

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| | | | |
|--|--------------|---------------|-----------|
| 6l. The lessee records accrued interest for month 12, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Month 12. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 668 | 668 | B418 |

| | | | |
|---|--------------|---------------|-----------|
| 7l. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | B110 |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,332 668 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B234 |
| Ending Lease Liability Balance (USSGL 293000) = \$78,856 | | | |

| | | | |
|---|--------------|---------------|-----------|
| 8l. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Month 12. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$75,305 | | | |

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| | | | |
|---|--------------|---------------|-----------|
| 9. At the end of Year 1, the Lessee calculates 125 hours of equipment usage at \$12/ hour (\$1,500.) Variable payments should be recognized as an expense in the period incurred. (SFFAS 54, Par. 41.) Budget Authority was received in Year 1's appropriation and the invoice is due for payment at the beginning of Year 2. | | | |
| Lessee - Accrual of Variable Expenses Incurred in Year 1. | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490100 Delivered Orders – Obligations, Unpaid | 1,500 | 1,500 | |
| <u>Proprietary Entry</u> 693000 (N) Lessee Lease Expense 211000 (N) Accounts Payable | 1,500 | 1,500 | |
| 310700 Unexpended Appropriations - Used - Accrued 570000 Expended Appropriations - Used - Accrued | 1,500 | 1,500 | B134 |

| | | | |
|--|--------------|--------------------------|-----------|
| 10. The Lessee records the closing of lease and interest expenses to cumulative results of operations. | | | |
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 331000 Cumulative Results of Operations 693000 (N) Lessee Lease Expense 671300 Lessee Lease Amortization 633000 (N) Other Interest Expense | 29,052 | 1,500 18,826 8,726 | F336 |

| | | | |
|--|--------------|---------------|-----------|
| 11. The Lessee records the closing of expended appropriation to cumulative results of operations, along with the closing of fiscal-year activity to unexpended appropriations. | | | |
| Lessee | Debit | Credit | TC |

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| | | | |
|--|---------|---------|------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 570000 Expended Appropriations - Used - Accrued | 1,500 | | F336 |
| 570010 Expended Appropriations – Disbursed | 24,000 | | |
| 331000 Cumulative Results of Operations | | 25,500 | |
| 310000 Unexpended Appropriations – Cumulative | 25,500 | | F342 |
| 310700 Unexpended Appropriations - Used - Accrued | | 1,500 | |
| 310710 Unexpended Appropriations - Used – Disbursed | | 24,000 | |
| 310100 (G) Unexpended Appropriations – Appropriations Received | 127,500 | | F342 |
| 310000 Unexpended Appropriations - Cumulative | | 127,500 | |

| | | | |
|--|--------------|---------------|-----------|
| 12. The Lessee records the closing of paid delivered orders to total actual resources. | | | |
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> 490200 Delivered Orders – Obligations, Paid | 24,000 | | F314 |
| 420100 Total Actual Resources, Collected | | 24,000 | |
| <u>Proprietary Entry</u> None | | | |

| | | | |
|---|--------------|---------------|-----------|
| 13. The Lessee records the consolidation of actual net-funded resources. | | | |
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> 420100 Total Actual Resources, Collected | 127,500 | | |
| 411900 Other Appropriations Realized | | 127,500 | F302 |
| <u>Proprietary Entry</u> None | | | |

Lessor Accounting

| | | | |
|--|--------------|-----------------|-----------|
| 1. In Year 1, the Lessor records anticipated collections. (The amount of expected Year 1 monthly payments is \$24,000.) | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 449000 Anticipated Resources - Unapportioned Authority | 24,000 | 24,000 | A140 |
| <u>Proprietary Entry</u> None | | | |
| 2. The Lessor records the apportionment approval by OMB of anticipated authority. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 449000 Anticipated Resources - Unapportioned Authority 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment | 24,000 | 24,000 | A118 |
| <u>Proprietary Entry</u> None | | | |
| 3. The Lessee takes control over the use of the equipment; The lease term is 5 years. A Lease Receivable and Unearned Revenue are recorded per SFFAS 54. Also per SFFAS 54, Par. 56, the Lessor reduces the lease receivable by a provision for uncollectible amounts. | | | |
| Lessor – Recognition of Lease Receivable | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 193000 Lessor Lease Receivable 193900 Allowance for Loss on Lease Receivable 233000 Lessor Lease Unearned Revenue | 94,131 | 2,000 92,131 | |

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| 4a. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 1. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 1 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 784 | 784 | |

| 5a. In month 1, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of first Monthly Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 784 1,216 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$92,915</i> | | | |

| 6a. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 1 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4b. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 2. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 2 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 774 | 774 | |

| 5b. In month 2, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of second Monthly Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 774 1,226 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$91,689</i> | | | |

| 6b. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 2 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4c. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 3. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 3 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 764 | 764 | |

| 5c. In month 3, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|--|--------------|---------------|-----------|
| Lessor - Receipt of third Monthly Lease Payment | Debit | Credit | TC |
| Budgetary Entry 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| Proprietary Entry 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 764 1,236 | |
| Ending Lease Receivable Balance of USSGL 193000 = \$90,454 | | | |

| 6c. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 3 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4d. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 4. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 4 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 764 | 764 | |

| 5d. In month 4, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of fourth Monthly Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 764 1,236 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$89,207</i> | | | |

| 6d. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 4 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4e. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 5. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 5 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 743 | 743 | |

| 5e. In month 5, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of fifth Monthly Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 743 1,257 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$87,951</i> | | | |

| 6e. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 5 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4f. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 6. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 1, Month 6 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 733 | 733 | |

| 5f. In month 6, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of sixth Monthly Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 733 1,267 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$86,684</i> | | | |

| 6f. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 1, Month 6 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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(For simplicity, the recurring entries of Lessor Receipts for Months 7-12 are not illustrated, but amounts can be seen in the amortization table.)

| | | | |
|---|--------------------------|---------------|-----------|
| 7. The Lessee calculates 125 hours of equipment usage at \$12/ hour in Year 1 = \$1,500 . Variable payments should be recognized as revenue in the period in which they are earned (SFFAS 54, Par. 57.) The invoice is due for payment at the beginning of Year 2. | | | |
| Lessor - Accrual of Lease Revenue for Variable Payments Earned in Year 1. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 131000 (N) Accounts Receivable 593000 (N) Lessor Lease Revenue | 1,500 | 1,500 | |
| 8. In Year 1, the Lessor records depreciation expense on equipment it owns (the underlying asset within the lease.) \$300,000 cost / 20-year useful life = \$15,000. | | | |
| Lessor – Recognition of Depreciation Expense on the underlying equipment. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671000 (N) Depreciation, Amortization, and Depletion 175900 Accumulated Depreciation on Equipment | 15,000 | 15,000 | E120 |
| 9. The Lessor records the closing of revenue to cumulative results of operations. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 593300 Amortization of Unearned Lessor Revenue 593000 (N) Lessor Lease Revenue 531000 Interest Revenue - Other 331000 Cumulative Results of Operations | 18,826 1,500 8,726 | 29,052 | F336 |

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| | | | |
|--|--------------|---------------|-----------|
| 10. The Lessor records the closing of depreciation expense to cumulative results of operations. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 331000 Cumulative Results of Operations 671000 Depreciation, Amortization, and Depletion | 15,000 | 15,000 | F336 |

| | | | |
|---|--------------|---------------|-----------|
| 11. The Lessor records the closing of unobligated balances in programs subject to apportionment to unapportioned authority. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 461000 Allotments – Realized Resources 445000 Unapportioned – Unexpired Authority | 24,000 | 24,000 | F308 |
| <u>Proprietary Entry</u> None | | | |

| | | | |
|---|--------------|---------------|-----------|
| 12. The Lessor records the consolidation of actual net-funded resources. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 420100 Total Actual Resources, Collected 426600 Other Actual Business-Type Collections From Non-Federal Sources | 24,000 | 24,000 | F302 |
| <u>Proprietary Entry</u> None | | | |

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Fiscal Year 1 Post-Closing Adjusted Trial Balance:

| FISCAL YEAR 1 POST-CLOSING | | LESSEE | | LESSOR | |
|----------------------------|---|----------------|----------------|----------------|----------------|
| Account | Description | Debit | Credit | Debit | Credit |
| <u>Budgetary</u> | | | | | |
| 420100 | Total Actual Resources, Collected | 103,500 | - | 24,000 | - |
| 426600 | Other Actual Business-Type Collections From Non-Federal Sources | - | - | - | - |
| 445000 | Unapportioned - Unexpired Authority | - | - | - | 24,000 |
| 480100 | Undelivered Orders – Obligations, Unpaid | - | 102,000 | - | - |
| 490100 | Delivered Orders, Obligations Unpaid | - | 1,500 | - | - |
| 490200 | Delivered Orders – Obligations, Paid | - | - | - | - |
| Total | | 103,500 | 103,500 | 24,000 | 24,000 |
| <u>Proprietary</u> | | | | | |
| 101000 (G) | Fund Balance With Treasury | 103,500 | - | 24,000 | - |
| 131000 (N) | Accounts Receivable | - | - | 1,500 | - |
| 175000 | Equipment | - | - | 300,000 | - |
| 175900 | Acc. Depreciation on Equipment | - | - | - | 165,000 |
| 193000 | Lessor Lease Receivable | - | - | 78,857 | - |
| 193900 | Allowance for Loss on Lease Receivable | - | - | - | 2,000 |
| 195000 | Lessee Right-To-Use Lease Asset | 94,131 | - | - | - |
| 195900 | Accumulated Amortization on Lessee Lease Assets | - | 18,826 | - | - |
| 211000 (N) | Accounts Payable | - | 1,500 | - | - |
| 233000 | Unearned Lessor Revenue | - | - | - | 73,305 |
| 293000 | Lessee Lease Liability | - | 78,857 | - | - |
| 310000 | Unexpended Appropriations - Cumulative | - | 102,000 | - | - |
| 331000 | Cumulative Results of Operations | 3,552 | - | - | 164,052 |
| Total | | 201,183 | 201,183 | 404,357 | 404,357 |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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Year 1 Financial Statements:

| STANDARDIZED BALANCE SHEET – YEAR 1 | | | |
|--|---|-----------------------|-----------------------|
| Line No. | YEAR 1 | LESSEE | LESSOR |
| | Assets (Note 2) | | |
| | Intra-governmental | | |
| 1 | Fund Balance with Treasury (Note 3) (101000) | 103,500 | 24,000 |
| 7 | Total intra-governmental assets | 103,500 | 24,000 |
| | Other than intra-governmental | | |
| 9 | Accounts receivable, net (Notes 6 and 7) (131000N) | - | 1,500 |
| 12 | General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E) | 75,305 | 135,000 |
| 17 | Other assets (Note 12) (193000E, 193900E) | - | 76,857 |
| 18 | Total other than intra-governmental | 75,305 | 213,357 |
| 19 | Total assets | <u>178,805</u> | <u>237,357</u> |
| | Liabilities (Note 13) | | |
| | Other than intra-governmental | | |
| 28 | Accounts payable (211000N) | 1,500 | - |
| 36 | Advances from others and deferred revenue (233000N) | - | 73,305 |
| 37 | Other liabilities (Notes 18, 19, and 20) (293000E) | 78,857 | - |
| 38 | Total other than intra-governmental | 80,357 | 73,305 |
| 39 | Total liabilities | 80,357 | 73,305 |
| | Net position | | |
| 41.2 | Unexpended appropriations - Funds from Dedicated Collections (Note 21) (310000E) | 102,000 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (331000E) | (3,552) | 164,052 |
| 43 | Total net position | 98,448 | 164,052 |
| 44 | Total liabilities and net position | <u>178,805</u> | <u>237,357</u> |

| STATEMENT OF NET COST – YEAR 1 | | | |
|---------------------------------------|--|---------------|-----------------|
| Line No. | YEAR 1 | LESSEE | LESSOR |
| | Gross Program Costs (Note 21): | | |
| 1 | Gross costs (633000E, 671000E, 671300E, 693000E) | 29,052 | 15,000 |
| 2 | Less: earned revenue (531000E, 593000E, 593300E) | - | 29,052 |
| 3 | Net program costs | 29,052 | (14,052) |
| 5 | Net program costs including Assumption Changes: | 29,052 | (14,052) |
| 8 | Net cost of operations | 29,052 | (14,052) |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| STATEMENT OF CHANGES IN NET POSITION – YEAR 1 | | | |
|--|--|----------------------|-----------------------|
| Line No. | YEAR 1 | LESSEE | LESSOR |
| | Unexpended Appropriations: | | |
| 4 | Appropriations received (310100E) | 127,500 | - |
| 7 | Appropriations used (310700E, 310710E) | 25,500 | - |
| 8 | Net Change in Unexpended Appropriations (calc.) | 25,500 | - |
| 9 | Total Unexpended Appropriations – Ending (calc.) | 102,000 | - |
| | Cumulative Results of Operations: | | |
| 10 | Beginning Balances (331000B) | - | 150,000 |
| 12 | Beginning balances, as adjusted | - | 150,000 |
| 14 | Appropriations used (570000E, 570010E) | 25,500 | - |
| 21 | Revenue From (Net Cost of) Operations (+/-) | (29,052) | 14,052 |
| 22 | Net Change in Cumulative Results of Operations | (29,052) | 14,052 |
| 23 | Cumulative Results of Operations – Ending | (3,552) | 164,052 |
| 24 | Net Position (calc.) | <u>98,448</u> | <u>164,052</u> |

Year 1 Reclassified Financial Statements:

| STANDARDIZED BALANCE SHEET – YEAR 1 | | | |
|--|---|-----------------------|-----------------------|
| Line No. | YEAR 1 | LESSEE | LESSOR |
| | Assets (Note 2) | | |
| | Intra-governmental | | |
| 1 | Fund Balance with Treasury (Note 3) (101000) | 103,500 | 24,000 |
| 7 | Total intra-governmental assets | 103,500 | 24,000 |
| | Other than intra-governmental | | |
| 9 | Accounts receivable, net (Notes 6 and 7) (131000N) | - | 1,500 |
| 12 | General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E) | 75,305 | 135,000 |
| 17 | Other assets (Note 12) (193000E, 193900E) | - | 76,857 |
| 18 | Total other than intra-governmental | 75,305 | 213,357 |
| 19 | Total assets | <u>178,805</u> | <u>237,357</u> |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|-----------|--|-----------------------|-----------------------|
| | Liabilities (Note 13) | | |
| | Other than intra-governmental | | |
| 28 | Accounts payable (211000N) | 1,500 | - |
| 36 | Advances from others and deferred revenue (233000N) | - | 73,305 |
| 37 | Other liabilities (Notes 18, 19, and 20) (293000E) | 78,857 | - |
| 38 | Total other than intra-governmental | 80,357 | 73,305 |
| 39 | Total liabilities | 80,357 | 73,305 |
| | Net position | | |
| 41.2 | Unexpended appropriations - Funds from Dedicated Collections (Note 21) (310000E) | 102,000 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (331000E) | (3,552) | 164,052 |
| 43 | Total net position | 98,448 | 164,052 |
| 44 | Total liabilities and net position | <u>178,805</u> | <u>237,357</u> |

RECLASSIFIED STATEMENT OF NET COST – YEAR 1

| Line No. | YEAR 1 | LESSEE | LESSOR |
|-----------|---|---------------|-----------------|
| 1 | Gross cost | | |
| 2 | Non-federal gross cost (633000E, 671000E, 671300E, 693000E) | 29,052 | 15,000 |
| 6 | Total non-federal gross cost (calc.) | 29,052 | 15,000 |
| 9 | Department total gross cost (calc.) | 29,052 | 15,000 |
| | | | |
| 10 | Earned revenue | | |
| 11 | Non-federal earned revenue (531000E, 593000E, 593300E) | - | 29,052 |
| 14 | Department total earned revenue (calc.) | - | 29,052 |
| 15 | Net cost of operations (calc.) | 29,052 | (14,052) |

RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION – YEAR 1

| Line No. | YEAR 1 | LESSEE | LESSOR |
|-------------|---|----------------------|-----------------------|
| 1 | Net position, beginning of period (310000B, 331000B) | - | 150,000 |
| 7 | Financing sources: | | |
| 7.1 | Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1 (310100E) | 127,500 | - |
| 7.2 | Appropriations used (RC 39) (310700E, 310710E) | 25,500 | - |
| 7.3 | Appropriations expended (RC 38)/1 (570000E, 570010E) | (25,500) | - |
| 7.30 | Total financing sources (calc.) | 127,500 | - |
| | | | |
| 8 | Revenue From (Net cost of) Operations (+/-) | (29,052) | 14,052 |
| 9 | Net position, end of period (calc.) | <u>98,448</u> | <u>164,052</u> |

FISCAL YEAR 2 - Right-To-Use Leases; “Operating” for Budgetary Treatment; With No Cancellation Clause

Lessee Accounting

1. Per *OMB Circular No. A-11, Appendix B*, Budget Authority for leases determined to be “Operating leases” for budgetary treatment without a cancellation clause is required to be obligated up-front in the amount necessary to cover the Government's legal obligations, consistent with the requirements of the Antideficiency Act. The Lessee already recorded the enactment of appropriations in Year 1 for the 5-year lease, treated as “Operating” for budgetary treatment. **(Budget Authority already received in Year 1 = \$94,131 Lease Principal Payments; + \$25,869 Interest Expense; + \$7,500 Estimated variable payments for of the equipment usage over the 5-year life of the lease = \$127,500.)**

In Year 2, the Lessee disburses payment to Lessor for the \$1,500 variable equipment usage expenses accrued in Year 1 and records the disbursement of appropriations for Year 2.

| Lessee - Disbursement of second Annual Lease Payment to Lessor | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> | | | |
| 490100 Delivered Orders – Obligations, Unpaid | 1,500 | | |
| 490200 Delivered Orders – Obligations, Paid | | 1,500 | |
| <u>Proprietary Entry</u> | | | |
| 211000 (N) Accounts Payable | 1,500 | | |
| 101000 (G) Fund Balance With Treasury | | 1,500 | |
| 310710 Unexpended Appropriations - Used - Disbursed | 1,500 | | B235 |
| 570000 Expended Appropriations - Used - Accrued | 1,500 | | |
| 310700 Unexpended Appropriations - Used - Accrued | | 1,500 | |
| 570010 Expended Appropriations - Disbursed | | 1,500 | |

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2a. The lessee records accrued interest for Year 2, Month 1, per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 1. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 657 | 657 | B418 |

3a. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|--|---------------------------|--------------------------------|--------------------------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 1,343 657 2,000 | 2,000 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$77,513</i> | | | |

4a. The Lessee records amortization of the right-to-use Lease Asset. (**\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.**) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 1. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$73,736</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|---|--------------|---------------|-----------|
| 2b. The lessee records accrued interest for month 2 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Year 2, Month 2. | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 646 | 646 | B418 |
| 3b. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| Budgetary Entry 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| Proprietary Entry 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,354 646 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| Ending Lease Liability Balance (USSGL 293000) = \$76,159 | | | |
| 4b. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Year 2, Month 2. | Debit | Credit | TC |
| Budgetary Entry - None | | | |
| Proprietary Entry 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$72,167 | | | |

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2c. The lessee records accrued interest for month 3 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 3. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 635 | 635 | B418 |

3c. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,365 635 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$74,794</i> | | | |

4c. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 3. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$70,598</i> | | | |

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2d. The lessee records accrued interest for month 4 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 4. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> | | | |
| <u>Proprietary Entry</u> | | | |
| 633000 Other Interest Expense | 623 | | |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | | 623 | B418 |

3d. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> | | | |
| 480100 Undelivered Orders – Obligations, Unpaid | 2,000 | | |
| 490200 Delivered Orders – Obligations, Paid | | 2,000 | |
| <u>Proprietary Entry</u> | | | |
| 293000 Lessee Lease Liability | 1,377 | | |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 623 | | |
| 101000 (G) Fund Balance With Treasury | | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed | 2,000 | | B235 |
| 570010 Expended Appropriations - Disbursed | | 2,000 | |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$73,417</i> | | | |

4d. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 4. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> | | | |
| 671300 Lessee Lease Amortization | 1,569 | | |
| 195900 Accumulated Amortization on Lessee Lease Assets | | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$69,029</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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2e. The lessee records accrued interest for month 5 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 5. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 612 | 612 | B418 |

3e. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,388 612 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$72,029</i> | | | |

4e. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 5. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$67,460</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|---|--------------|---------------|-----------|
| 2f. The lessee records accrued interest for month 6 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Year 2, Month 6. | Debit | Credit | TC |
| <u>Budgetary Entry</u> | | | |
| <u>Proprietary Entry</u> | | | |
| 633000 Other Interest Expense | 600 | | B418 |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | | 600 | |
| 3f. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> | | | |
| 480100 Undelivered Orders – Obligations, Unpaid | 2,000 | | |
| 490200 Delivered Orders – Obligations, Paid | | 2,000 | |
| <u>Proprietary Entry</u> | | | |
| 293000 Lessee Lease Liability | 1,400 | | |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 600 | | |
| 101000 (G) Fund Balance With Treasury | | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed | 2,000 | | B235 |
| 570010 Expended Appropriations - Disbursed | | 2,000 | |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$70,629</i> | | | |
| 4f. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Year 2, Month 6. | Debit | Credit | TC |
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> | | | |
| 671300 Lessee Lease Amortization | 1,569 | | |
| 195900 Accumulated Amortization on Lessee Lease Assets | | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$65,892</i> | | | |

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2g. The lessee records accrued interest for month 7 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 7. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 589 | 589 | B418 |

3g. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,411 589 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$69,218</i> | | | |

4g. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)** A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 7. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$64,323</i> | | | |

RTU LEASE GUIDANCE: BUDGETARY OPERATING, NO CANCELLATION
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| | | | |
|---|--------------|---------------|-----------|
| 2h. The lessee records accrued interest for month 8 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Year 2, Month 8. | Debit | Credit | TC |
| <u>Budgetary Entry</u> | | | |
| <u>Proprietary Entry</u> | | | |
| 633000 Other Interest Expense | 577 | | B418 |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | | 577 | |
| 3h. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> | | | |
| 480100 Undelivered Orders – Obligations, Unpaid | 2,000 | | |
| 490200 Delivered Orders – Obligations, Paid | | 2,000 | |
| <u>Proprietary Entry</u> | | | |
| 293000 Lessee Lease Liability | 1,423 | | |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 577 | | |
| 101000 (G) Fund Balance With Treasury | | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed | 2,000 | | B235 |
| 570010 Expended Appropriations - Disbursed | | 2,000 | |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$67,795</i> | | | |
| 4h. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Year 2, Month 8. | Debit | Credit | TC |
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> | | | |
| 671300 Lessee Lease Amortization | 1,569 | | |
| 195900 Accumulated Amortization on Lessee Lease Assets | | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$62,754</i> | | | |

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| | | | |
|---|--------------|---------------|-----------|
| 2i. The lessee records accrued interest for month 9 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Year 2, Month 9. | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 565 | 565 | B418 |
| 3i. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| Budgetary Entry 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| Proprietary Entry 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,435 565 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| Ending Lease Liability Balance (USSGL 293000) = \$66,360 | | | |
| 4i. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Year 2, Month 9. | Debit | Credit | TC |
| Budgetary Entry - None | | | |
| Proprietary Entry 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| Ending Lease Asset Balance (USSGL 195000 - 195900) = \$61,185 | | | |

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2j. The lessee records accrued interest for month 10 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 10. | Debit | Credit | TC |
|--|--------------|---------------|-----------|
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 553 | 553 | B418 |

3j. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,447 553 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$64,913</i> | | | |

4j. The Lessee records amortization of the right-to-use Lease Asset. (**\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.**)
A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 10. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$59,616</i> | | | |

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2k. The lessee records accrued interest for month 11 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43)

| Lessee - Accrual of Interest Expense for Year 2, Month 11. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> | | | |
| <u>Proprietary Entry</u> | | | |
| 633000 Other Interest Expense | 541 | | B418 |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | | 541 | |

3k. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year.

| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> | | | |
| 480100 Undelivered Orders – Obligations, Unpaid | 2,000 | | |
| 490200 Delivered Orders – Obligations, Paid | | 2,000 | |
| <u>Proprietary Entry</u> | | | |
| 293000 Lessee Lease Liability | 1,459 | | |
| 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 541 | | |
| 101000 (G) Fund Balance With Treasury | | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed | 2,000 | | B235 |
| 570010 Expended Appropriations - Disbursed | | 2,000 | |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$63,454</i> | | | |

4k. The Lessee records amortization of the right-to-use Lease Asset. **(\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.)**
 A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50)

| Lessee - Amortization of Lease Asset for Year 2, Month 11. | Debit | Credit | TC |
|---|--------------|---------------|-----------|
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> | | | |
| 671300 Lessee Lease Amortization | 1,569 | | |
| 195900 Accumulated Amortization on Lessee Lease Assets | | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$58,047</i> | | | |

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| | | | |
|---|--------------|---------------|-----------|
| 21. The lessee records accrued interest for month 12 per the proprietary amortization schedule. The lessee should calculate the amortization of the discount on the lease liability and recognize that amount as interest expense for the period. (SFFAS 54, Par. 43) | | | |
| Lessee - Accrual of Interest Expense for Year 2, Month 12. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 633000 Other Interest Expense 214000 (N) Accrued Interest Payable – Not Otherwise Classified | 529 | 529 | B418 |
| 31. The Lessee makes the monthly lease payment to Lessor and records the disbursement of appropriations for the fiscal year. | | | |
| Lessee - Disbursement of Monthly Lease Payment (Budget Authority received up-front in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490200 Delivered Orders – Obligations, Paid | 2,000 | 2,000 | |
| <u>Proprietary Entry</u> 293000 Lessee Lease Liability 214000 (N) Accrued Interest Payable – Not Otherwise Classified 101000 (G) Fund Balance With Treasury | 1,471 529 | 2,000 | |
| 310710 Unexpended Appropriations - Used - Disbursed 570010 Expended Appropriations - Disbursed | 2,000 | 2,000 | B235 |
| <i>Ending Lease Liability Balance (USSGL 293000) = \$61,982</i> | | | |
| 41. The Lessee records amortization of the right-to-use Lease Asset. (\$94,131 / 5 Year Life of Lease / 12 months = \$1,569 Straight-line Amortization per month.) A lease asset should be amortized in a systematic and rational manner over the shorter of: The lease term; OR the useful life of the underlying asset. (SFFAS 54, Par. 50) | | | |
| Lessee - Amortization of Lease Asset for Year 2, Month 12. | Debit | Credit | TC |
| <u>Budgetary Entry</u> - None | | | |
| <u>Proprietary Entry</u> 671300 Lessee Lease Amortization 195900 Accumulated Amortization on Lessee Lease Assets | 1,569 | 1,569 | |
| <i>Ending Lease Asset Balance (USSGL 195000 - 195900) = \$56,478</i> | | | |

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| 5. The Lessee calculates 125 hours of equipment usage at \$12/ hour in Year 2; Variable payments should be recognized as an expense in the period incurred (SFFAS 54, Par. 41.) (\$1,500 of Budget Authority was already received in Year 1's appropriation.) The invoice is due for payment at the beginning of Year 3. | | | |
|--|--------------------|--------------------|------------------|
| Lessee - Accrual of Variable Expenses Incurred in Year 2 (Budget Authority received in Year 1.) | Debit | Credit | TC |
| <u>Budgetary Entry</u> 480100 Undelivered Orders – Obligations, Unpaid 490100 Delivered Orders – Obligations, Unpaid | 1,500 | 1,500 | |
| <u>Proprietary Entry</u> 693000 (N) Lessee Lease Expense 211000 (N) Accounts Payable 310700 Unexpended Appropriations - Used - Accrued 570000 Expended Appropriations - Used - Accrued | 1,500 1,500 | 1,500 1,500 | B306 B134 |

| 6. The Lessee records the closing of lease and interest expenses to cumulative results of operations. | | | |
|--|--------|--------------------------|------|
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 331000 Cumulative Results of Operations 693000 (N) Lessee Lease Expense 671300 Lessee Lease Amortization 633000 Other Interest Expense | 27,452 | 1,500 18,826 7,126 | F336 |

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| 7. The Lessee records the closing of expended appropriation to cumulative results of operations, along with the closing of fiscal-year activity to unexpended appropriations. | | | |
|---|--------|--------|------|
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 570010 Expended Appropriations – Disbursed 331000 Cumulative Results of Operations | 25,500 | 25,500 | F336 |
| 310000 Unexpended Appropriations – Cumulative 310710 Unexpended Appropriations - Used – Disbursed | 25,500 | 25,500 | F342 |

| 8. The Lessee records the closing of paid delivered orders to total actual resources. | | | |
|--|--------|--------|------|
| Lessee | Debit | Credit | TC |
| <u>Budgetary Entry</u> 490200 Delivered Orders – Obligations, Paid 420100 Total Actual Resources, Collected | 25,500 | 25,500 | F314 |
| <u>Proprietary Entry</u> None | | | |

Lessor Accounting

| | | | |
|---|-------------------------------------|---------------------------------|------------------------------|
| 1. In Year 2, the Lessor records anticipated collections. (The amount of expected Year 2 monthly payments is \$24,000, plus variable usage fees of \$1,500 = \$25,500.) | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 406000 Anticipated Collections From Non-Federal Sources 449000 Anticipated Resources - Unapportioned Authority <u>Proprietary Entry</u> None | 25,500 | 25,500 | A140 |
| 2. The Lessor records the apportionment approval by OMB of anticipated authority. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 449000 Anticipated Resources - Unapportioned Authority 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment <u>Proprietary Entry</u> None | 25,500 | 25,500 | A118 |
| 3. In Year 2, the Lessee pays variable lease payment to Lessor for the accrued usage of the equipment in Year 1, and the Lessor records the receipt of this payment from Lessee. | | | |
| Lessor - Receipt of Payment from Lessee for Variable Payments Earned in Year 1. | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments 451000 Apportionments 461000 Allotments – Realized Resources <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 131000 (N) Accounts Receivable | 1,500 1,500 1,500 | 1,500 1,500 1,500 | C109 A123 A120 |

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| 4a. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 1. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 2, Month 1 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 657 | 657 | |

| 5a. In month 1, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of Year 2, Month 1 Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 657 1,343 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$77,513</i> | | | |

| 6a. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 1 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4b. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 2. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 2, Month 2 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 646 | 646 | |

| 5b. In month 2, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of Year 2, Month 2 Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 646 1,354 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$76,159</i> | | | |

| 6b. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 2 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4c. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 3. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 2, Month 3 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 635 | 635 | |

| 5c. In month 3, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of Year 2, Month 3 Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 635 1,365 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$74,794</i> | | | |

| 6c. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 3 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4d. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 4. (SFFAS 54, Par. 60) | | | |
|--|-------|--------|----|
| Lessor - Accrual of Interest Revenue for Year 2, Month 4 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 623 | 623 | |

| 5d. In month 4, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|--|-------|--------------|------|
| Lessor - Receipt of Year 2, Month 4 Lease Payment | Debit | Credit | TC |
| Budgetary Entry 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| Proprietary Entry 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 623 1,377 | |
| Ending Lease Receivable Balance of USSGL 193000 = \$73,417 | | | |

| 6d. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|-------|--------|----|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 4 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4e. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 5. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 2, Month 5 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 612 | 612 | |

| 5e. In month 5, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|---|--------------|---------------|-----------|
| Lessor - Receipt of Year 2, Month 5 Lease Payment | Debit | Credit | TC |
| <u>Budgetary Entry</u> 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| <u>Proprietary Entry</u> 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 612 1,388 | |
| <i>Ending Lease Receivable Balance of USSGL 193000 = \$72,029</i> | | | |

| 6e. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 5 | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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| 4f. The Lessor recognizes interest revenue for the amortization of the discount on the lease receivable for month 6. (SFFAS 54, Par. 60) | | | |
|--|--------------|---------------|-----------|
| Lessor - Accrual of Interest Revenue for Year 2, Month 6 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 134000 Interest Receivable - Not Otherwise Classified 531000 Interest Revenue - Other | 600 | 600 | |

| 5f. In month 6, the Lessee pays monthly lease payment to Lessor, and the Lessor records the receipt of payment. The Lessor allots the funds. | | | |
|--|--------------|---------------|-----------|
| Lessor - Receipt of Year 2, Month 6 Lease Payment | Debit | Credit | TC |
| Budgetary Entry 426600 Other Actual Business-Type Collections From Non-Federal Sources 406000 Anticipated Collections From Non-Federal Sources | 2,000 | 2,000 | C109 |
| 459000 Apportionments - Anticipated Resources - Programs Subject to Apportionment 451000 Apportionments | 2,000 | 2,000 | A123 |
| 451000 Apportionments 461000 Allotments – Realized Resources | 2,000 | 2,000 | A120 |
| Proprietary Entry 101000 (G) Fund Balance With Treasury 134000 Interest Receivable - Not Otherwise Classified 193000 Lessor Lease Receivable | 2,000 | 600 1,400 | |
| Ending Lease Receivable Balance of USSGL 193000 = \$70,629 | | | |

| 6f. The Lessor recognizes revenue from the measurement of the lease receivable as earned revenue for the reporting period via straightline amortization. A Lessor should amortize the unearned revenue (recognizing it as earned revenue) in a systematic and rational manner of life of the lease. (SFFAS 60, Par. 26) | | | |
|---|--------------|---------------|-----------|
| Lessor - Recognition of Unearned Revenue for Year 2, Month 6 | Debit | Credit | TC |
| Budgetary Entry None | | | |
| Proprietary Entry 233000 Lessor Lease Unearned Revenue 593300 Amortization of Unearned Lessor Revenue | 1,569 | 1,569 | |

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(For brevity, the recurring entries of Lessor Receipts for Months 7-12 are not illustrated, but amounts can be seen in the amortization table.)

| | | | |
|---|--------------------------|---------------|-----------|
| 7. The Lessee calculates 125 hours of equipment usage at \$12/ hour in Year 2 (\$1,500.) Variable payments should be recognized as revenue in the period in which they are earned (SFFAS 54, Par. 57.) The invoice is due for payment at the beginning of Year 3. | | | |
| Lessor - Accrual of Lease Revenue for Variable Payments Earned in Year 2. | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 131000 (N) Accounts Receivable 593000 (N) Lessor Lease Revenue | 1,500 | 1,500 | |
| 8. In Year 2, the Lessor records depreciation expense on equipment it owns (the underlying asset within the lease.) \$300,000 cost / 20-year useful life = \$15,000. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 671000 (N) Depreciation, Amortization, and Depletion 175900 Accumulated Depreciation on Equipment | 15,000 | 15,000 | E120 |
| 9. The Lessor records the closing of revenue to cumulative results of operations. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 593300 Amortization of Unearned Lessor Revenue 593000 (N) Lessor Lease Revenue 531000 (N) Interest Revenue - Other 331000 Cumulative Results of Operations | 18,826 1,500 7,126 | 27,452 | F336 |

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| | | | |
|--|--------------|---------------|-----------|
| 10. The Lessor records the closing of depreciation expense to cumulative results of operations in Year 2. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> None | | | |
| <u>Proprietary Entry</u> 331000 Cumulative Results of Operations 671000 Depreciation, Amortization, and Depletion | 15,000 | 15,000 | F336 |

| | | | |
|---|--------------|---------------|-----------|
| 11. The Lessor records the closing of unobligated balances in programs subject to apportionment to unapportioned authority. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 461000 Allotments – Realized Resources 445000 Unapportioned – Unexpired Authority | 25,500 | 25,500 | F308 |
| <u>Proprietary Entry</u> None | | | |

| | | | |
|---|--------------|---------------|-----------|
| 12. The Lessor records the consolidation of actual net-funded resources. | | | |
| Lessor | Debit | Credit | TC |
| <u>Budgetary Entry</u> 420100 Total Actual Resources, Collected 426600 Other Actual Business-Type Collections From Non-Federal Sources | 25,500 | 25,500 | F302 |
| <u>Proprietary Entry</u> None | | | |

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Fiscal Year 2 Post-Closing Adjusted Trial Balance:

| FISCAL YEAR 2 POST-CLOSING | | LESSEE | | LESSOR | |
|----------------------------|---|----------------|----------------|----------------|----------------|
| Account | Description | Debit | Credit | Debit | Credit |
| <u>Budgetary</u> | | | | | |
| 406000 | Anticipated Collections From Non-Federal Sources | - | - | - | - |
| 420100 | Total Actual Resources, Collected | 78,000 | - | 49,500 | - |
| 445000 | Unapportioned - Unexpired Authority | - | - | - | 49,500 |
| 459000 | Apportionments - Anticipated Resources - Programs Subject to Apportion. | - | - | - | - |
| 480100 | Undelivered Orders – Obligations, Unpaid | - | 76,500 | - | - |
| 490100 | Delivered Orders, Obligations Unpaid | - | 1,500 | - | - |
| 490200 | Delivered Orders – Obligations, Paid | - | - | - | - |
| Total | | 78,000 | 78,000 | 49,500 | 49,500 |
| <u>Proprietary</u> | | | | | |
| 101000 (G) | Fund Balance With Treasury | 78,000 | - | 49,500 | - |
| 131000 | Accounts Receivable | - | - | 1,500 | - |
| 175000 | Equipment | - | - | 300,000 | - |
| 175900 | Acc. Depreciation on Equipment | - | - | - | 180,000 |
| 193000 | Lessor Lease Receivable | - | - | 61,983 | - |
| 193900 | Allowance for Loss on Lease Receivable | - | - | - | 2,000 |
| 195000 | Lessee Right-To-Use Lease Asset | 94,131 | - | - | - |
| 195900 | Accumulated Amortization on Lessee Lease Assets | - | 37,652 | - | - |
| 211000 | Accounts Payable | - | 1,500 | - | - |
| 233000 | Unearned Lessor Revenue | - | - | - | 54,479 |
| 293000 | Lessee Lease Liability | - | 61,983 | - | - |
| 310000 | Unexpended Appropriations - Cumulative | - | 76,500 | - | - |
| 331000 | Cumulative Results of Operations | 5,504 | - | - | 176,504 |
| Total | | 177,635 | 177,635 | 412,983 | 412,983 |

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Year 2 Financial Statements:

| STANDARDIZED BALANCE SHEET – YEAR 2 | | | |
|--|---|-----------------------|-----------------------|
| Line No. | YEAR 2 | LESSEE | LESSOR |
| | Assets (Note 2) | | |
| | Intra-governmental | | |
| 1 | Fund Balance with Treasury (Note 3) (101000) | 78,000 | 49,500 |
| 7 | Total intra-governmental assets | 78,000 | 49,500 |
| | Other than intra-governmental | | |
| 9 | Accounts receivable, net (Notes 6 and 7) (131000N) | - | 1,500 |
| 12 | General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E) | 56,479 | 120,000 |
| 17 | Other assets (Note 12) (193000E, 193900E) | - | 59,983 |
| 18 | Total other than intra-governmental | 56,479 | 181,483 |
| 19 | Total assets | <u>134,479</u> | <u>230,983</u> |
| | Liabilities (Note 13) | | |
| | Other than intra-governmental | | |
| 28 | Accounts payable (211000N) | 1,500 | - |
| 36 | Advances from others and deferred revenue (233000N) | - | 54,479 |
| 37 | Other liabilities (Notes 18, 19, and 20) (293000E) | 61,983 | - |
| 38 | Total other than intra-governmental | 63,483 | 54,479 |
| 39 | Total liabilities | 63,483 | 54,479 |
| | Net position | | |
| 41.2 | Unexpended appropriations - Funds from other than Dedicated Collections (Note 21) (310000E) | 76,500 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (331000E) | (5,504) | 176,504 |
| 43 | Total net position | 70,996 | 176,504 |
| 44 | Total liabilities and net position | <u>134,479</u> | <u>230,983</u> |

| STATEMENT OF NET COST – YEAR 2 | | | |
|---------------------------------------|--|---------------|-----------------|
| Line No. | YEAR 2 | LESSEE | LESSOR |
| | Gross Program Costs (Note 21): | | |
| 1 | Gross costs (633000E, 671000E, 671300E, 693000E) | 27,452 | 15,000 |
| 2 | Less: earned revenue (531000E, 593000E, 593300E) | - | 27,452 |
| 3 | Net program costs | 27,452 | (12,452) |
| 5 | Net program costs including Assumption Changes: | 27,452 | (12,452) |
| 8 | Net cost of operations | 27,452 | (12,452) |

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| STATEMENT OF CHANGES IN NET POSITION – YEAR 2 | | | |
|--|--|----------------------|-----------------------|
| Line No. | YEAR 2 | LESSEE | LESSOR |
| | Unexpended Appropriations: | | |
| 1 | Beginning Balance (310000B) | 102,000 | - |
| 3 | Beginning balance, as adjusted | 102,000 | - |
| 4 | Appropriations received (310100E) | - | - |
| 7 | Appropriations used (310700E, 310710E) | 25,500 | - |
| 8 | Net Change in Unexpended Appropriations (calc.) | 25,500 | - |
| 9 | Total Unexpended Appropriations – Ending (calc.) | 76,500 | - |
| | | | |
| | Cumulative Results of Operations: | | |
| 10 | Beginning Balances (331000B) | (3,552) | 164,052 |
| 12 | Beginning balances, as adjusted | (3,552) | 164,052 |
| 14 | Appropriations used (570000E, 570010E) | 25,500 | - |
| | | | |
| 21 | Revenue From (Net Cost of) Operations (+/-) | (27,452) | 12,452 |
| | | | |
| 22 | Net Change in Cumulative Results of Operations | (27,452) | 12,452 |
| 23 | Cumulative Results of Operations – Ending | (5,504) | 176,504 |
| | | | |
| 24 | Net Position (calc.) | <u>70,996</u> | <u>176,504</u> |

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Year 2 Reclassified Financial Statements:

| STANDARDIZED BALANCE SHEET – YEAR 2 | | | |
|--|---|-----------------------|-----------------------|
| Line No. | YEAR 2 | LESSEE | LESSOR |
| | Assets (Note 2) | | |
| | Intra-governmental | | |
| 1 | Fund Balance with Treasury (Note 3) (101000) | 78,000 | 49,500 |
| 7 | Total intra-governmental assets | 78,000 | 49,500 |
| | Other than intra-governmental | | |
| 9 | Accounts receivable, net (Notes 6 and 7) (131000N) | - | 1,500 |
| 12 | General and right-to-use property, plant, and equipment, net (Note 10) (175000E, 175900E, 195000E, 195900E) | 56,479 | 120,000 |
| 17 | Other assets (Note 12) (193000E, 193900E) | - | 59,983 |
| 18 | Total other than intra-governmental | 56,479 | 181,483 |
| 19 | Total assets | <u>134,479</u> | <u>230,983</u> |
| | Liabilities (Note 13) | | |
| | Other than intra-governmental | | |
| 28 | Accounts payable (211000N) | 1,500 | - |
| 36 | Advances from others and deferred revenue (233000N) | - | 54,479 |
| 37 | Other liabilities (Notes 18, 19, and 20) (293000E) | 61,983 | - |
| 38 | Total other than intra-governmental | 63,483 | 54,479 |
| 39 | Total liabilities | 63,483 | 54,479 |
| | Net position | | |
| 41.2 | Unexpended appropriations - Funds from other than Dedicated Collections (Note 21) (310000E) | 76,500 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (331000E) | (5,504) | 176,504 |
| 43 | Total net position | 70,996 | 176,504 |
| 44 | Total liabilities and net position | <u>134,479</u> | <u>230,983</u> |

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| RECLASSIFIED STATEMENT OF NET COST – YEAR 2 | | | |
|--|---|---------------|-----------------|
| Line No. | YEAR 2 | LESSEE | LESSOR |
| 1 | Gross cost | | |
| 2 | Non-federal gross cost (633000E, 671000E, 671300E, 693000E) | 27,452 | 15,000 |
| 6 | Total non-federal gross cost (calc.) | 27,452 | 15,000 |
| 9 | Department total gross cost (calc.) | 27,452 | 15,000 |
| 10 | Earned revenue | | |
| 11 | Non-federal earned revenue (531000E, 593000E, 593300E) | - | 27,452 |
| 14 | Department total earned revenue (calc.) | - | 27,452 |
| 15 | Net cost of operations (calc.) | 27,452 | (12,452) |

| RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION – YEAR 1 | | | |
|--|---|----------------------|-----------------------|
| Line No. | YEAR 1 | LESSEE | LESSOR |
| 1 | Net position, beginning of period (310000B, 331000B) | 98,448 | 164,052 |
| 7 | Financing sources: | | |
| 7.1 | Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1 (310100E) | - | - |
| 7.2 | Appropriations used (RC 39) (310700E, 310710E) | 25,500 | - |
| 7.3 | Appropriations expended (RC 38)/1 (570000E, 570010E) | (25,500) | - |
| 7.30 | Total financing sources (calc.) | 98,448 | - |
| 8 | Revenue From (Net cost of) Operations (+/-) | (27,452) | 12,452 |
| 9 | Net position, end of period (calc.) | <u>70,996</u> | <u>176,504</u> |