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**SFFAS 54 LEASE GUIDANCE:**

**SHORT-TERM LEASES**

**RENEWAL OPTIONS**

**LEASE CONCESSIONS**

**EFFECTIVE FISCAL YEAR 2024**

**PREPARED BY:**

**GENERAL LEDGER AND ADVISORY BRANCH**

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**U.S. DEPARTMENT OF THE TREASURY**

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| **Version Number** | **Date** | **Description of Change** | **Effective USSGL TFM** |
| 1.0 | 11/2022 | Original | TFM Bulletin No. 2024-01 |
| 1.1 | 08/2023 | Added Footnote 2 to offer flexibility for agencies to record short-term lease expenses/short-term lease revenues. | TFM Bulletin No. 2024-01 |

**Proprietary Accounting Requirements & Agency Decision Points**

SFFAS No. 54, *Leases*, as amended by SFFAS No. 60, *Omnibus Leases-Related Topics*, 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)

**Short-Term Leases**

Short-Term leases are non-intragovernmental leases with a lease term of 24 months or less. Short-term lease payments are recognized as expenses/revenues based on the payment provisions of the contract and the respective payables/receivables standards. Reporting entities do not record lease liabilities or lease assets for short-term leases. (SFFAS 54, Pars. 23-24)

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;

**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.)

**Lease Concessions**

On certain occasions, Lessors will offer rent discounts in order to persuade a potential Lessee to sign a lease contract. SFFAS 60 amends SFFAS 54 guidance, stating that these lease concessions are to be recognized by the lessee as reductions of lease rental expense when incurred. Likewise, lease concessions should be recognized by the lessor as reductions in rental income as incurred. (SFFAS 60, Par. 15 rescinds SFFAS 54, Pars. 32-33.) FASAB Technical Release 20, Par. 36, provides one example of how concessions should be recognized.

**Advances/Prepayments**

If the lease contract allows for prepayments or advance payments, a Lessee should recognize a prepaid asset if payments are made in advance of the reporting period to which they relate, as well as a payable for rent due and unpaid at the end of the reporting period to which they relate. Likewise, a Lessor should recognize a liability for advances and prepayments if payments are received in advance of the reporting period, or a receivable for rent due and to be received. (SFFAS 54, Pars. 23-24, *as amended by* SFFAS 60, Pars. 9-10)

**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**

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 related guidance in *OMB Circular No. A-11, Appendix B* does not classify leases into the same buckets as FASAB’s SFFAS No. 54. Rather than intragovernmental, short-term, or right-to-use classifications, the lease scorekeeping rule distinguishes leases as either “Operating”, “Capital”, or “Lease-Purchases.”

“An Operating Lease meets all the criteria listed below. If the criteria are not met, the lease will be considered to be a capital lease or a lease-purchase:

• 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.”

Operating leases allow agencies to budget their lease costs annually, while capital leases require the agency to budget the entire asset cost (net present value of all lease and other contractually required payments over the lease term) up-front, including any option/renewal terms.

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 leases deemed to be Short-Term for proprietary accounting. This may or may not include consultation with OMB, depending on the specific characteristics of the transaction.

**Budgetary Lease Term & Renewal Options**

One step in determining the proper budgetary treatment is calculating the term of the lease.  *OMB Circular No. A-11*, *Appendix B* states agencies should presume that all options will be exercised when calculating the lease term:

“If the lease agreement contains an option to renew that can be exercised without additional legislation, it will be presumed that the option will be exercised. If the lease agreement contains an option to purchase at less than fair market value (at the time the option is to be exercised), and the option can be exercised without additional legislation, it will be presumed that the option will be exercised.”

This calculation then factors into the six-part operating lease/capital lease test, excerpted above.

**Budget Authority and Outlays – Operating Lease**

Assuming all six parts of the operating lease test above are met, this would mean the lease should be considered an operating lease for budgetary purposes.  The lease scorekeeping rule prescribes the following budgetary treatment for budget authority and outlays:

“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.”

The amount necessary to cover the Government’s legal obligations in the example below is the first noncancelable period’s total amount of lease payments. The Government does not incur an obligation for the second year until it exercises the renewal option.

Some agencies may have special legislative authority to enter into long-term leases, and only funding for the first year must be available to obligate. Obligations are recorded each year as they become due. However, these agencies are still required to evaluate proposed lease transactions against the six-part operating lease test as well as follow other guidance included in Appendix B of OMB Circular No. A-11.

**Budget Authority and Outlays – Capital Lease**

At other times, short-term leases could be considered ‘Capital leases’ for budgetary purposes when one of the criteria above is not met. In these cases, the lease scorekeeping rule prescribes the following budgetary treatment:

“The up-front budget authority required for capital leases (called the asset cost) is the present value of the minimum lease and other contractually required payments excluding payments for identifiable annual operating expenses that would be paid by the Government as owner, such as utilities, minor maintenance, and insurance. Property taxes will not be considered to be an operating expense and will be included in the calculation of the up-front budget authority. Other contractually required payments include any and all costs related to the asset being leased in addition to the rent fee applied under the lease.”

If management determines the lease to be a “Capital lease” for budgetary treatment, it should calculate the asset cost (present value of the minimum lease and other contractually required payments.) As part of this calculation, the agency would be required to assume the renewal option is exercised. The agency would then obligate the asset cost (present value of the full 24 months of payments) upfront upon signing the lease.

**Key Assumptions Driving Proprietary Accounting Entries:**

**Lease Term & Classification**

* A federal reporting entity (Lessee) signs a 12-month lease with a non-federal Lessor for use of equipment, in which the monthly lease payments are $100,000. In the corresponding example titled “Lessor Entries”, a federal reporting entity acts as a Lessor conducting business with a non-federal lessee. (i.e., transactions are not taking place between both entities within the examples.)
* In addition to the initial 12-month period, the lease contract specifies that the Lessee has an option to extend the lease by another 12 months. Management believes it is probable, based on all relevant factors, that it will exercise that option. Therefore, the lessee’s lease term is 24 months, which includes the noncancelable period of the initial 12 months, plus the following 12-month renewal period (See SFFAS 54, Pars. 14-15a.) Thus, management determines the lease term to be 24 months, meeting the definition of a Short-Term Lease per SFFAS 54.
* The Lessor already has equipment on its Balance Sheet with a cost basis of $1,000,000 prior to the start of the lease contract and $850,000 Accumulated Depreciation. The equipment has a 20-year useful life and depreciation expense is $50,000 annually.
* The lease contract within this scenario does not allow for prepayments or advance payments.

**Lease Concessions**

* As part of a lease concession, the Lessor will give $20,000 in reduced rent as the Lessee meets all occupation contingencies in the contract. The Lessee qualifies for reduced rent in each of the first three months of the lease term.
* The $20,000 reduced rent is awarded after the Lessee meets the contract contingencies only in months 1-3. Thus, the Lessee recognizes the reduction in rental expense **as incurred** in each of the first 3 months by recording $20,000 less in rental expense in months 1-3.
* In months 4-12, the Lessee recognizes the full $100,000 monthly rent payment. (See Also FASAB Technical Release 20, *Lease Implementation Guidance*, Par. 36.) The lease concessions are recognized as incurred and not spread out across the entire lease term.

**Key Assumptions Driving Budgetary Accounting Entries:**

**Budgetary Authority**

* The Lessee received a direct appropriation and is working from an annual 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.

**Budgetary Lease Capital/Operating Determination**

* Appendix B states that agencies should presume that all options will be exercised when calculating the lease term, if it can be exercised without additional legislation. Therefore, the lease term for purposes of distinguishing between capital and operating leases is 24 months: the initial 12-month period plus the 12-month renewal option.
* Management concludes that the lease satisfies the six-part test to be considered an “**Operating lease**” for budgetary purposes.
* As an ‘Operating’ lease for budgetary treatment, budget authority is obligated up front in the amount necessary to cover the Government's legal obligations, which in this case includes the estimated total payments expected to arise under the full term as there is no cancellation clause.
* The amount necessary to cover the Government’s legal obligations is only the first 12 months of lease payments; the agency does not incur an obligation for the second year until it exercises the renewal option.
* Because the lease concession is not fixed as part of the initial contract, the agency’s obligation should include the full amount of the first three months’ lease payments.

**Budgetary Outlays**

* Since the lease is an “Operating lease” for budgetary purposes, Outlays will be scored over the lease term, equal to the annual lease and other “contractually required payments.” Agency management has determined all outlays are in fact contractually required payments.

**Listing of USSGL Accounts Used in This Scenario:**

|  |  |
| --- | --- |
| **Account Number** | **Account Title** |
| **Budgetary** |  |
| 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 |
| **Proprietary** |  |
| 101000 | Fund Balance With Treasury |
| 310000 | Unexpended Appropriations - Cumulative |
| 310100 | Unexpended Appropriations – Appropriations Received |
| 310710 | Unexpended Appropriations - Used - Disbursed |
| 331000 | Cumulative Results of Operations |
| 570010 | Expended Appropriations – Used - Disbursed |
| **593000** | **Lessor Lease Revenue\*[[1]](#footnote-1)** |
| 671000 | Depreciation, Amortization, and Depletion |
| **693000** | **Lessee Lease Expense\*** |

**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.

Budgetary and/or legal staff should ascertain the applicability of certain budgetary accounting terms from OMB Circular No. A-11, Appendix B, including but not limited to “contractually required payments.”

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.

**Short-Term Leases with Rent Concessions**

**Lessee Accounting**

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| --- | --- | --- | --- |
| 1. The Lessee records the enactment of appropriations of $1,200,000, or $100,000 monthly payment x 12-months in the first year of the lease. (The agency does not incur an obligation for the second year until it exercises the renewal option.) | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  411900 Other Appropriations Realized  445000 Unapportioned – Unexpired Authority  **Proprietary Entry**  101000 (G) Fund Balance With Treasury  310100 (G) Unexpended Appropriations – Appropriations Received | 1,200,000  1,200,000 | 1,200,000  1,200,000 | A104 |

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| --- | --- | --- | --- |
| 2. The Lessee records budget authority apportioned by the Office of Management and Budget and available for allotment. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  445000 Unapportioned – Unexpired Authority  451000 Apportionments  **Proprietary Entry**  None | 1,200,000 | 1,200,000 | A116 |

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| --- | --- | --- | --- |
| 3. The Lessee records the allotment of authority. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  451000 Apportionments  461000 Allotments – Realized Resources  **Proprietary Entry**  None | 1,200,000 | 1,200,000 | A120 |

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| --- | --- | --- | --- |
| 4. The Lessee records undelivered orders without an advance. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  461000 Allotments – Realized Resources  480100 Undelivered Orders – Obligations, Unpaid  **Proprietary Entry**  None | 1,200,000 | 1,200,000 | B306 |

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| --- | --- | --- | --- |
| 5. In each of the first three months of Year 1, the Lessee meets all occupation contingencies in the contract, and pays the **monthly** lease payments to the Lessor and records the payment of funds not previously accrued. ($100,000 monthly payment - $20,000 incentive = $80,000.) | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  480100 Undelivered Orders – Obligations, Unpaid  490200 Delivered Orders – Obligations, Paid    **Proprietary Entry**  610000 (N) Operating Expenses[[2]](#footnote-2)  101000 Fund Balance with Treasury  310710 Unexpended Appropriations – Used – Disbursed  570010 Expended Appropriations – Disbursed | 80,000  80,000  80,000 | 80,000  80,000  80,000 | B107  B234 |

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| --- | --- | --- | --- |
| 6. In each of the first three months of Year 1, the Lessee records a downward adjustment of a current-year unpaid undelivered order for the $60,000 total in reduced rent in Year 1. The Lessee has made the payment to the Lessor and met all occupation contingencies. ($20,000 incentive per month in Months 1, 2, & 3.) | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  4801000 Undelivered Orders – Obligations, Unpaid  461000 Allotments – Realized Resources  **Proprietary Entry**  None | 20,000 | 20,000 | B404 |

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| --- | --- | --- | --- |
| 7. In each of the remaining 9 months of Year 1, the Lessee pays the **monthly** lease payments to the Lessor and records the payment of funds not previously accrued. (Normal $100,000 monthly payment for months 4-12.) | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  480100 Undelivered Orders – Obligations, Unpaid  490200 Delivered Orders – Obligations, Paid    **Proprietary Entry**  610000 (N) Lessee Lease Expense  101000 Fund Balance with Treasury  310710 Unexpended Appropriations – Used – Disbursed  570010 Expended Appropriations – Disbursed | 100,000  100,000  100,000 | 100,000  100,000  100,000 | B107  B234 |

**Lessor Accounting**

|  |  |  |  |
| --- | --- | --- | --- |
| 1. In Year 1, the Lessor records anticipated collections. ($100,000 monthly payment x 12 months of the year.) | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  406000 Anticipated Collections From Non-Federal Sources  449000 Anticipated Resources – Unapportioned Authority  **Proprietary Entry**  None | 1,200,000 | 1,200,000 | A140 |

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| 2. The Lessor records the apportionment approval by OMB of anticipated authority. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  449000 Anticipated Resources – Unapportioned Authority  459000 Apportionments – Anticipated Resources – Programs Subject to Apportionment  **Proprietary Entry**  None | 1,200,000 | 1,200,000 | A118 |

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| 3. In each of the first three months of Year 1, the Lessor receives the **monthly** lease payment from the Lessee. ($100,000 monthly payment - $20,000 incentive = $80,000.) The Lessor determines that the Lessee met all occupation contingencies in the contract and accepts the $20,000 incentive for the first three months. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  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  **Proprietary Entry**  101000 Fund Balance with Treasury  520000 (N) Revenue For Services Provided | 80,000  80,000  80,000  80,000 | 80,000  80,000  80,000  80,000 | C109  A123  A120 |

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| --- | --- | --- | --- |
| 4. In each of the first three months of Year 1, the Lessor must adjust anticipated resources not realized for the reduced rent ($20,000 per month lease concessions from Months 1, 2, & 3) after the Lessor determines that the Lessee has met all occupation contingencies in the contract. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  459000 Apportionments – Anticipated Resources – Programs Subject to Apportionment  406000 Anticipated Collections From Non-Federal Sources  **Proprietary Entry**  None | 20,000 | 20,000 | F112 |

|  |  |  |  |
| --- | --- | --- | --- |
| 5. In each of the remaining 9 months of Year 1, the Lessee pays the **monthly** lease payments to the Lessor and records the payment. (Normal $100,000 monthly payment for months 4-12.) | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  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  **Proprietary Entry**  101000 Fund Balance with Treasury  520000 (N) Revenue For Services Provided | 100,000  100,000  100,000  100,000 | 100,000  100,000  100,000  100,000 | C109  A123  A120 |

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| --- | --- | --- | --- |
| 6. In Year 1, the Lessor records depreciation expense on equipment it owns as an underlying asset within the lease. The equipment has a 20-year useful life; annual depreciation expense is $50,000. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  None  **Proprietary Entry**  671000 (N) Depreciation, Amortization, and Depletion  175900 Accumulated Depreciation on Equipment | 50,000 | 50,000 | E120 |

**Pre-Closing Adjusted Trial Balance:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **PRE-CLOSING** | | **LESSEE** | | **LESSOR** | |
| **Account** | **Description** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Budgetary** | |  |  |  |  |
| 411900 | Other Appropriations Realized | 1,200,000 | - | - | - |
| 426600 | Other Actual Business-Type Collections From Non-Federal Sources | - | - | 1,140,000 | - |
| 461000 | Allotments – Realized Resources | - | 60,000 | - | 1,140,000 |
| 480100 | Undelivered Orders – Obligations, Unpaid | - | - | - | - |
| 490100 | Delivered Orders, Obligations Unpaid | - | - | - | - |
| 490200 | Delivered Orders – Obligations, Paid | - | 1,140,000 | - | - |
| **Total** | | **1,200,000** | **1,200,000** | **1,140,000** | **1,140,000** |
|  | |  |  |  |  |
| **Proprietary** | |  |  |  |  |
| 101000 (G) | Fund Balance With Treasury | 60,000 | - | 1,140,000 | - |
| 175000 | Equipment | - | - | 1,000,000 | - |
| 175900 | Accumulated Depreciation on Equipment | - | - | - | 900,000 |
| 310000 | Unexpended Appropriations - Cumulative | - | - | - | - |
| 310100 (G) | Unexpended Appropriations – Appropriations Received | - | 1,200,000 | - | - |
| 310710 (G) | Unexpended Appropriations – Used - Disbursed | 1,140,000 | - | - | - |
| 331000 (G) | Cumulative Results of Operations | - | - | - | 150,000 |
| 570010 (G) | Expended Appropriations – Used - Disbursed | - | 1,140,000 | - | - |
| 520000 (N) | Revenue From Services Provided | - | - | - | 1,140,000 |
| 610000 (N) | Operating Expenses | 1,140,000 | - | - | - |
| 671000 (N) | Depreciation, Amortization, and Depletion | - | - | 50,000 | - |
| **Total** |  | **2,340,000** | **2,340,000** | **2,190,000** | **2,190,000** |

**Lessee Closing Entries:**

|  |  |  |  |
| --- | --- | --- | --- |
| 8. The Lessee records the closing of lease expense to cumulative results of operations. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  None  **Proprietary Entry**  331000 Cumulative Results of Operations  610000 (N) Operating Expenses    570010 Expended Appropriations – Disbursed  331000 Cumulative Results of Operations  310000 Unexpended Appropriations – Cumulative  310710 Unexpended Appropriations - Used - Disbursed  310100 (G) Unexpended Appropriations – Appropriations Received  310000 Unexpended Appropriations - Cumulative | 1,140,000  1,140,000  1,140,000  1,200,000 | 1,140,000  1,140,000  1,140,000  1,200,000 | F336  F342 |

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| --- | --- | --- | --- |
| 9. The Lessee records the closing of paid delivered orders to total actual resources. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  490200 Delivered Orders – Obligations, Paid  420100 Total Actual Resources, Collected    **Proprietary Entry**  None | 1,140,000 | 1,140,000 | F314 |

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| --- | --- | --- | --- |
| 10. The Lessee records the consolidation of actual net-funded resources. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  420100 Total Actual Resources, Collected  411900 Other Appropriations Realized    **Proprietary Entry**  None | 1,200,000 | 1,200,000 | F302 |

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| --- | --- | --- | --- |
| 11. The Lessee records the closing of unobligated balances in programs subject to apportionment to unapportioned authority. | | | |
| **Lessee** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  461000 Allotments – Realized Resources  445000 Unapportioned – Unexpired Authority    **Proprietary Entry**  None | 60,000 | 60,000 | F308 |

**Lessor Closing Entries:**

|  |  |  |  |
| --- | --- | --- | --- |
| 7. The Lessor records the closing of revenue to cumulative results of operations. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  None  **Proprietary Entry**  520000 (N) Revenue From Services Provided  331000 Cumulative Results of Operations | 1,140,000 | 1,140,000 | F336 |

|  |  |  |  |
| --- | --- | --- | --- |
| 8. The Lessor records the closing of expense to cumulative results of operations. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  None  **Proprietary Entry**  331000 Cumulative Results of Operations  671000 (N) Depreciation, Amortization, and Depletion | 50,000 | 50,000 | F336 |

|  |  |  |  |
| --- | --- | --- | --- |
| 9. The Lessor records the closing of unobligated balances in programs subject to apportionment to unapportioned authority. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  461000 Allotments – Realized Resources  445000 Unapportioned – Unexpired Authority  **Proprietary Entry**  None | 1,140,000 | 1,140,000 | F308 |

|  |  |  |  |
| --- | --- | --- | --- |
| 10. The Lessor records the consolidation of actual net-funded resources. | | | |
| **Lessor** | **Debit** | **Credit** | **TC** |
| **Budgetary Entry**  420100 Total Actual Resources, Collected  426600 Other Actual Business-Type Collections From Non-Federal Sources    **Proprietary Entry**  None | 1,140,000 | 1,140,000 | F302 |

**Post-Closing Adjusted Trial Balance:**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **POST-CLOSING** | | **LESSEE** | | **LESSOR** | |
| **Account** | **Description** | **Debit** | **Credit** | **Debit** | **Credit** |
| **Budgetary** | |  |  |  |  |
| 420100 | Total Actual Resources, Collected | 60,000 | - | 1,140,000 | - |
| 445000 | Unapportioned – Unexpired Authority | - | 60,000 | - | 1,140,000 |
| **Total** | | **60,000** | **60,000** | **1,140,000** | **1,140,000** |
|  | |  |  |  |  |
| **Proprietary** | |  |  |  |  |
| 101000 (G) | Fund Balance With Treasury | 60,000 | - | 1,140,000 | - |
| 175000 | Equipment | - | - | 1,000,000 | - |
| 175900 | Accumulated Depreciation on Equipment | - | - | - | 900,000 |
| 310000 | Unexpended Appropriations - Cumulative | - | 60,000 | - | 1,240,000 |
| **Total** |  | **60,000** | **60,000** | **2,140,000** | **2,140,000** |

**Financial Statements:**

|  |  |  |  |
| --- | --- | --- | --- |
| **STANDARDIZED BALANCE SHEET** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
|  | **Assets (Note 2)** |  |  |
|  | **Intra-governmental** |  |  |
| 1 | Fund Balance with Treasury (Note 3) (101000E) | 60,000 | 1,140,000 |
| **7** | **Total intra-governmental assets** | **60,000** | **1,140,000** |
|  |  |  |  |
| 12 | General property, plant, and equipment, net (Note 10) (175000E, 175900E) | **-** | 100,000 |
| **18** | **Total other than intra-governmental assets** | - | **100,000** |
|  |  |  |  |
| **19** | **Total assets** | **60,000** | **1,240,000** |
|  |  |  |  |
|  | **Net position** |  |  |
| 41.2 | Unexpended appropriations - Funds from other than Dedicated Collections (310000E, 310100E, 310700E, 310710E) | 60,000 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (331000B, 570010E, 593000E, 693000E, 671000E) | **-** | 1,240,000 |
| **43** | **Total net position** | **60,000** | **1,240,000** |
| **44** | **Total liabilities and net position** | **60,000** | **1,240,000** |

|  |  |  |  |
| --- | --- | --- | --- |
| **STATEMENT OF NET COST** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
|  | **Gross Program Costs (Note 21):** |  |  |
| 1 | Gross costs (671000E, 610000E, 693000E) | 1,140,000 | 50,000 |
| 2 | Less: earned revenue (520000E, 593000E) | - | 1,140,000 |
| 3 | Net program costs | 1,140,000 | (1,090,000) |
| 5 | Net program costs including Assumption Changes: | 1,140,000 | (1,090,000) |
| **8** | **Net cost of operations** | **1,140,000** | **(1,090,000)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **STATEMENT OF CHANGES IN NET POSITION** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
|  | **Unexpended Appropriations:** |  |  |
| 4 | Appropriations received (310000E, 310100E) | 1,200,000 | **-** |
| 7 | Appropriations used (310700E, 310710E) | (1,140,000) | **-** |
| 8 | Net Change in Unexpended Appropriations (calc.) | 60,000 | **-** |
| 9 | Total Unexpended Appropriations – Ending (calc.) | 60,000 | - |
|  |  |  |  |
|  | **Cumulative Results of Operations:** |  |  |
| 10 | Beginning Balances (331000B) | - | 150,000 |
| 12 | Beginning balances, as adjusted | - | 150,000 |
| 14 | Appropriations used (570010E) | 1,140,000 | - |
|  |  |  |  |
| 21 | Revenue From (Net Cost of) Operations (+/-) | (1,140,000) | 1,090,000 |
|  |  |  |  |
| 22 | Net Change in Cumulative Results of Operations | - | 1,090,000 |
| 23 | Cumulative Results of Operations – Ending | - | 1,240,000 |
|  |  |  |  |
| **24** | **Net Position (calc.)** | **60,000** | **1,240,000** |

|  |  |  |  |
| --- | --- | --- | --- |
| **STATEMENT OF BUDGETARY RESOURCES** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
|  | **Budgetary resources:** |  |  |
| 1290 | Appropriations (discretionary and mandatory) (411900E) | 1,200,000 | - |
| 1890 | Spending authority from offsetting collection (discretionary and mandatory) (426600E) | - | 1,140,000 |
|  |  |  |  |
| **1910** | **Total budgetary resources (calc.)** | **1,200,000** | **1,140,000** |
|  |  |  |  |
|  | **Status of budgetary resources:** |  |  |
| 2190 | New obligations and upward adjustments (total) (Note 31) (490200E) | 1,140,000 | - |
|  |  |  |  |
|  | **Unobligated balance, end of year:** |  |  |
| 2204 | Apportioned, unexpired account (461000E) | 60,000 | 1,140,000 |
| 2412 | Unexpired unobligated balance, end of year (calc.) | 60,000 | 1,140,000 |
| 2490 | Unobligated balance, end of year (total) | 60,000 | 1,140,000 |
| **2500** | **Total budgetary resources (calc.)** | **1,200,000** | **1,140,000** |
|  |  |  |  |
|  | **Outlays, Net and Disbursements, Net** |  |  |
| 4190 | Outlays, net (total) (discretionary and mandatory) (426600E, 490200E) | 1,140,000 | (1,140,000) |

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **SF 133 AND SCHEDULE P – REPORT ON BUDGET EXECUTION AND BUDGETARY RESOURCES AND BUDGET PROGRAM AND FINANCING SCHEDULE** | | | | | |
| **Line No.** |  | **LESSEE** | | **LESSOR** | |
|  | **BUDGETARY RESOURCES** | ***SF 133*** | ***Schedule P*** | ***SF 133*** | ***Schedule P*** |
| 0900 | Total new obligations, unexpired accounts (490200E) | - | 1,140,000 | - | - |
|  | **Budget authority:** |  |  |  |  |
|  |  |  |  |  |  |
|  | **Appropriations:** |  |  |  |  |
|  |  |  |  |  |  |
|  | **Discretionary:** |  |  |  |  |
| 1100 | Appropriation (411900E) | 1,200,000 | 1,200,000 | - | - |
| 1160 | Appropriation, discretionary (total) | 1,200,000 | 1,200,000 | - | - |
| 1700 | Collected (426600E) | - | - | 1,140,000 | 1,140,000 |
| 1750 | Spending authority from offsetting collections, discretionary (total) | - | - | 1,140,000 | 1,140,000 |
|  |  |  |  |  |  |
| 1900 | Budget authority (total) | 1,200,000 | 1,200,000 | 1,140,000 | 1,140,000 |
| **1910** | **Total budgetary resources (calc.)** | **1,200,000** | **-** | **1,140,000** | **-** |
| 1930 | Total budgetary resources available | - | 1,200,000 | - | 1,140,000 |
|  |  |  |  |  |  |
|  | **Memorandum (non-add) entries:** |  |  |  |  |
| 1941 | Unexpired unobligated balance, end of year (461000E) | - | 60,000 | - | 1,140,000 |
|  |  |  |  |  |  |
|  | **STATUS OF BUDGETARY RESOURCES** |  |  |  |  |
|  | **New obligations and upward adjustments:** |  |  |  |  |
|  | **Direct:** |  |  |  |  |
| 2002 | Category B (by project) (490200E) | 1,140,000 | - | - | - |
| 2004 | Direct obligations (total) (calc.) | 1,140,000 | - | - | - |
|  |  |  |  |  |  |
| 2170 | New obligations, unexpired accounts (490200E) | 1,140,000 | - | - | - |
| 2190 | New obligations and upward adjustments (total) | 1,140,000 | - | - | - |
| 2201 | Available in the current period (461000E) | 60,000 | - | 1,140,000 | - |
| 2412 | Unexpired unobligated balance: end of year (calc.) | 60,000 | - | 1,140,000 | - |
| 2490 | Unobligated balance, end of year (total) | 60,000 | - | 1,140,000 | - |
| **2500** | **Total budgetary resources (calc.)** | **1,200,000** | **-** | **1,140,000** | - |
|  |  |  |  |  |  |
|  | **Memorandum (non-add) entries:** |  |  |  |  |
| 2501 | Subject to apportionment – excluding anticipated amounts (461000E) | 60,000 | - | 1,140,000 | - |
|  |  |  |  |  |  |
|  | **CHANGE IN OBLIGATED BALANCE** |  |  |  |  |
|  | **Unpaid obligations:** |  |  |  |  |
| 3010 | New obligations, unexpired accounts (490200E) | 1,140,000 | 1,140,000 | - | - |
| 3020 | Outlays (gross) (-) (490200E) | (1,140,000) | (1,140,000) | - | - |
| 3200 | Obligated balance, end of year (= or -) | - | - | - | - |
|  |  |  |  |  |  |
|  | **BUDGET AUTHORITY AND OUTLAYS, NET** |  |  |  |  |
|  | **Discretionary:** |  |  |  |  |
| 4000 | Budget authority, gross (calc.) | 1,200,000 | 1,200,000 | 1,140,000 | 1,140,000 |
|  |  |  |  |  |  |
|  | **Outlays, gross** |  |  |  |  |
| 4010 | Outlays from new discretionary authority (490200E) | 1,140,000 | 1,140,000 | - | - |
| 4020 | Outlays, gross (total) | 1,140,000 | 1,140,000 | - | - |
|  |  |  |  |  |  |
|  | **Offsets against gross budget authority and outlays:** |  |  |  |  |
|  | **Offsetting collections (collected) from:** |  |  |  |  |
| 4033 | Non-Federal sources (-) (426600E) | - | - | (1,140,000) | (1,140,000) |
| 4040 | Offsets against gross budget authority and outlays (-) (calc.) | *-* | - | (1,140,000) | (1,140,000) |
| 4070 | Budget authority, net (discretionary) (calc.) | 1,200,000 | 1,200,000 | 1,140,000 | 1,140,000 |
| 4080 | Outlays, net (discretionary) (calc.) | 1,140,000 | 1,140,000 | (1,140,000) | (1,140,000) |
| 4180 | Budget authority, net (total) (calc.) | 1,200,000 | 1,200,000 | (1,140,000) | (1,140,000) |
| 4190 | Outlays, net (total) (calc.) | 1,140,000 | 1,140,000 | (1,140,000) | (1,140,000) |
|  |  |  |  |  |  |
|  | **Unobligated balance:** |  |  |  |  |
| 5321 | Direct unobligated balance, end of year (461000E) | 60,000 | 60,000 | (1,140,000) | (1,140,000) |
| 5323 | Discretionary unobligated balance, end of year (461000E) | 60,000 | 60,000 | (1,140,000) | (1,140,000) |

**Reclassified Financial Statements:**

|  |  |  |  |
| --- | --- | --- | --- |
| **STANDARDIZED BALANCE SHEET** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
|  | **Assets (Note 2)** |  |  |
|  | **Intra-governmental** |  |  |
| 1 | Fund Balance with Treasury (Note 3) (101000E) | 60,000 | 1,140,000 |
| **7** | **Total intra-governmental assets** | **60,000** | **1,140,000** |
|  |  |  |  |
| 12 | General property, plant, and equipment, net (Note 10) (175000E, 175900E) | **-** | 100,000 |
| **18** | **Total other than intra-governmental assets** | - | **100,000** |
|  |  |  |  |
| **19** | **Total assets** | **60,000** | **1,240,000** |
|  |  |  |  |
|  | **Net position** |  |  |
| 41.2 | Unexpended appropriations - Funds from other than Dedicated Collections (310000E, 310100E, 310700E, 310710E) | 60,000 | - |
| 42.2 | Cumulative results of operations - Funds from other than Dedicated Collections (593000E, 693000E, 671000E) | **-** | 1,240,000 |
| **43** | **Total net position** | **60,000** | **1,240,000** |
| **44** | **Total liabilities and net position** | **60,000** | **1,240,000** |

|  |  |  |  |
| --- | --- | --- | --- |
| **RECLASSIFIED STATEMENT OF NET COST** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
| **1** | **Gross cost** |  |  |
| 2 | Non-federal gross cost (610000E, 693000E, 671000E) | 1,140,000 | 50,000 |
| **6** | **Total non-federal gross cost (calc.)** | **1,140,000** | **50,000** |
| 7 | Federal gross cost (610000E, 693000E) (RC24) | **-** | **-** |
| **8** | **Total federal gross cost (calc.)** | - | - |
| **9** | **Department total gross cost (calc.)** | **1,140,000** | **50,000** |
| 10 | Earned revenue |  |  |
| 11 | Non-federal earned revenue (520000E, 593000E) | **-** | 1,140,000 |
| 13 | Total federal earned revenue (calc.) | - | - |
| 14 | Department total earned revenue (calc.) | - | **1,140,000** |
| **15** | **Net cost of operations (calc.)** | **1,140,000** | **(1,090,000)** |

|  |  |  |  |
| --- | --- | --- | --- |
| **RECLASSIFIED STATEMENT OF OPERATIONS AND CHANGES IN NET POSITION** | | | |
| **Line No.** |  | **LESSEE** | **LESSOR** |
| **1** | **Net position, beginning of period (331000B)** | **-** | 150,000 |
| **7** | **Financing sources:** |  |  |
| 7.1 | Appropriations received as adjusted (rescissions and other adjustments) (RC 41)/1 (310000E, 310100E) | 1,200,000 | **-** |
| 7.2 | Appropriations used (RC 39) (310710E) | (1,140,000) | **-** |
| 7.3 | Appropriations expended (RC 38)/1 (570010E) | 1,140,000 | **-** |
| **7.30** | **Total financing sources (calc.)** | **1,200,000** | - |
|  |  |  |  |
| 8 | Revenue From (Net Cost of) Operations (+/-) | (1,140,000) | 1,090,000 |
|  |  |  |  |
| **9** | **Net position, end of period (calc.)** | **60,000** | **1,240,000** |

1. Effective FY2024, please see Treasury Financial Manual, Volume 1, USSGL Supplements, Section II for Account Definitions of new lease accounts. [↑](#footnote-ref-1)
2. Note: SGL 693000 is designed to capture all lease expenses that agencies wish to disclose. While SFFAS 54 does not require disclosures for short-term leases, OMB Circular No. A-136 and Treasury provide flexibility to lessees who may wish to disclose expenses other than those required. Due to forthcoming authoritative guidance from FASAB to offer a transition accommodation for “embedded leases”, lessees may choose to record short-term lease expenses in SGL 610000 or 693000 in FY24, while lessors may choose to record short-term lease revenues in SGL 520000 or 593000 in FY24. [↑](#footnote-ref-2)