



SUBJECT

CAPITAL LEASES

AUTHORITY

See Section II-G-1 – Capital and Non-Capital Assets.

INTRODUCTION

State agencies may acquire capital assets by outright cash purchase; they may also finance such purchases using capital leases.

In the past, State agencies have from time to time entered into installment purchase agreements as a means of financing the acquisition of capital assets. This practice has been determined to be in contravention of Article 9, Section 5 of the Constitution of the State of Arizona: **State agencies may no longer enter into installment purchase agreements.** It is strongly recommended that any contracts employing periodic payments to finance the acquisition of assets be submitted to the Office of the Arizona Attorney General for review.

Both capital leases and pre-existing installment purchase agreements require the agency to record an asset and a liability on the balance sheet. Items rented using operating leases should not create an asset or liability on the balance sheet.

The distinctions between an operating lease and a capital lease and between a capital lease and an installment contract are discussed in Subsection K – Capital Leases of SAAM Section II-G-1 – Capital and Non-Capital Assets.

This Section of SAAM will provide all the information necessary to properly account for capital lease transactions. Nonetheless, it is recognized that accounting for capital leases is a complex matter; the GAO will provide whatever assistance is necessary to help agencies compute and book the correct capital lease transactions. In any case, a copy of the lease agreement—complete with payment and amortization schedules—must be provided to the GAO when the first lease payment is made.

DEFINITIONS

See Section II-G-1 – Capital and Non-Capital Assets.

RECONCILIATION

Each agency is required to record all of its capital lease agreements for capital assets costing \$5,000 or more on FAS. It is the agency's responsibility to ensure that any lease data that appears on FAS is accurate and that lease related account balances on the general ledger are properly stated.

For those capital assets acquired through capital leases entered into by proprietary funds, the principal portion of the total liability per the amortization schedule at the inception of the lease less payments of principal should equal the balance of general ledger account 1715 (Capital Lease/Installment Purchase Obligation Long-Term). A reconciliation which verifies that the long-term liability is properly stated should be performed at least annually at fiscal year end. Both the asset and the liability should be recorded within the proprietary fund.

See Addendum A (Reconciliation of Liabilities to Lease Payments for Capital Assets Acquired Through Capital Lease and Financed by Proprietary Funding Sources) for an example of the reconciliation of capital assets acquired through capital lease and financed by proprietary funding sources. This reconciliation must be completed by the agency for each capital asset costing \$5,000 or more that is financed by a proprietary funding source acquired through capital lease which has a 'C' in the C/I



SUBJECT

CAPITAL LEASES

Indicator. The reconciliation(s) must be retained by the agency and may be reviewed or audited by internal auditors, external auditors and others.

For those capital assets acquired through capital leases entered into by governmental funds, the liability will be recorded in the SLTLF - Fund 1200, in general ledger account 1715 - Capital Lease/Installment Purchase Obligation Long-Term. The asset will be recorded in the SCAF - Fund 1300, in general ledger accounts 0811 through 0880.

See Addendum B (Reconciliation of the Long-Term Liability to Lease Payments for Capital Assets Acquired through Capital Leases and Financed by Governmental Funding Sources) for an example of the reconciliation of capital assets acquired through capital lease and financed by governmental funding sources. This reconciliation must be completed by the agency for each capital asset acquired through capital lease and financed by a governmental funding source that has a 'C' in the C/I Indicator. The reconciliation(s) must be retained by the agency and may be reviewed or audited by internal auditors, external auditors and others.

Note: Continue to send any new capital and operating lease agreements, including associated amortization schedules, executed during the current fiscal year to the GAO GAAP Reporting Section.

RECORDING CAPITAL LEASE TRANSACTIONS

The capital asset and the capital lease liability are recorded on FAS and the general ledger using the following steps.

New Capital Lease

Generate a claim (form GAO-504) for the first capital lease payment on the Pre-Enc/Enc/Expend Transaction Entry (Screen S505). Separate the transaction into two suffixes—one for the principal and the other for interest portion of the payment. The allocation of payments is based on the capital lease amortization schedule provided by the financing organization. An amortization schedule should be obtained from the financing organization at the time the lease agreement is executed.

If the property number was entered on the claim, financial information is posted to the Hold File of FAS and may be viewed on the Fixed Asset Financial Suspense (Screen S071). Delete the payment information from the Hold File by placing a 'D' in the Action Code field and pressing 'Enter'. Proceed to Step 3 if no financial information was posted to FAS.

Add the financial information required on Screen S071 for the purchase of the capital asset. The Amount entered should equal the principal, which includes purchase price, sales tax, freight charges and installation charges. Place a 'C' in the C/I Indicator field.

Add the property information required on the Fixed Asset Property Record Suspense (Screen S073). Place a '5' (Lease/Purch) in the Acquisition Method (Aq Meth) field.

The Fixed Asset Reconciliation Program (DAFM444) reconciles the property record with the financial record(s) for each capital asset. Capital assets that are successfully reconciled are posted to the permanent files and may be viewed on the Fixed Asset Descriptive Information and Fixed Asset Financial Information Inquiry (Screens S072 and S083, respectively).

FAS uses the fund entered on the financial records to determine whether the capital asset's funding source is a **governmental fund** or a **proprietary fund** and generates the proper TCs to post the capital



SUBJECT

CAPITAL LEASES

lease to the general ledger in the appropriate fund. The Class Code is used to determine the proper general ledger asset account.

Note: Complete Step 6.a for Governmental Fund Capital Lease Purchase Agreements. Complete Step 6.b for Proprietary Fund Capital Lease Purchase Agreements.

Governmental Fund

The following entries are system generated by FAS for capital assets acquired through a capital lease agreement purchase agreement and financed by a governmental funding source:

TC 553 Fund 1300 (Statewide Capital Asset Fund)
 DR Capital Asset (0811 - 0880)
 CR Fund Balance Investment in GFA (3015)

TC 561 Fund 1200 (Statewide Long-Term Liability Fund)
 DR Amount to be Provided for Retirement of Long-Term Debt (0920)
 CR Capital Lease/Installment Purchase Obligation Long-Term (1715)

The long-term liability in Fund 1200 **must** then be manually reduced for the principal amount of each successive monthly payment per the amortization schedule. This reduction should be recorded after each payment. Record a journal voucher entry (GAO-512) using TC 270 on AFIS. Important: Fund 1200 must be used with the TC 270 journal voucher entry rather than the original funding source or any other fund which AFIS may look up based on the Index or PCA.

TC 270 Fund 1200 (Statewide Long-Term Liability Fund)
 DR Capital Lease/Installment Purchase Obligation Long - Term (1715)
 CR Amount to be Provided for Retirement of Long-Term Debt (0920)

Proprietary Funds

The following entry is system generated by FAS for capital assets acquired through a capital lease purchase agreement and financed by a proprietary funding source, including Internal Service and Enterprise Funds. Pension Trusts also record capital assets within the fund.

TC 554 Agency Specific Fund
 DR Capital Asset (0811 - 0880)
 CR Capital Lease/Installment Purchase Obligation Long-Term (1715)

The current portion of the capital lease liability **must** be manually recorded on AFIS. Reclassify the liability from long-term to current, thereby reducing 'Capital Lease/Installment Purchase Obligation Long-Term' (1715) and increasing 'Capital Lease/Installment Purchase Obligation - Current' (1277), by recording a journal voucher entry using TC 269 on AFIS. The amount to be recorded is equal to the amount of principal to be paid during the remainder of the current fiscal year.

For example, assume that an agency enters into a four year capital lease purchase agreement for a computer in February 199X, with the first payment due in March 199X.



SUBJECT

CAPITAL LEASES

The amount of the capital lease is \$100,000 with monthly payments of \$2,584.55, including principal and interest. The total principal to be paid from March through June of 199X is \$6,825.83. Record the current portion of the capital lease liability for the remaining four months of the fiscal year. Per the example, the agency would record a journal voucher entry for \$6,825.83.

TC 269 Agency Specific Fund

DR Capital Lease/Installment Purchase Obligation Long-Term (1715)
CR Capital Lease/Installment Purchase Obligation - Current (1277)

The current liability **must** be manually reduced for the principal amount of each payment as shown on the amortization schedule. Record a journal voucher entry using TC 271 on AFIS. This reduction should be journalized after each payment.

TC 271 Agency Specific Fund

DR Capital Lease/Installment Purchase Obligation - Current (1277)
CR GAAP Expenditure Offset (3600)

Annual Adjustment for Capital Lease Purchase Agreements: Proprietary Trust Funds Only

The current portion of the capital lease liability **must** be manually adjusted for each succeeding fiscal year during the 13th month adjustment period using a TC 269. Decrease 'Capital Lease/Installment Purchase Obligation Long-Term' (1715) and increase 'Capital Lease/Installment Purchase Obligation - Current' (1277). The amount of the adjustment is the sum of the principal amounts of the capital lease payments to be paid in the next fiscal year for **all** the agency's existing capital leases. Perform steps 1 through 3 for any new capital leases incurred during the next fiscal year. This 13th month adjustment is necessary because TC 271 reduces only the current portion of the capital lease liability.

TC 269 Agency Specific Fund

DR Capital Lease/Installment Purchase Obligation Long-Term (1715)
CR Capital Lease/Installment Purchase Obligation - Current (1277)

Existing Capital Leases

Enter existing capital leases on AFIS and FAS using the steps above, with the following exceptions:

Governmental Fund - During Step 6.a.2, make the adjustment for all principal payments previously paid, including the payment made in Step 1. This will ensure that AFIS represents only the remaining liability associated with the capital lease and not the entire liability.

Proprietary Fund - During Step 6.b.2, make the adjustment for all principal payments previously paid plus the principal payments remaining to be paid in the fiscal year.

During Step 6.b.3, make the adjustment for all principal payments previously paid, including the payment made in Step 1. This will ensure that AFIS represents only the remaining liability associated with the capital lease and not the entire liability.



SUBJECT

CAPITAL LEASES

TRANSACTION CODES AND COMPTROLLER OBJECTS

The following transaction codes (TCs) have been established for use in recording Capital Leases on AFIS. They are entered manually by journal voucher entry.

<u>TC</u>	<u>Description</u>
269	Fixed Asset Capital Lease Liability Reclassification from Long-Term to Current - Proprietary Funds
270	Fixed Asset Capital Lease Liability Reduction - Governmental Funds
271	Fixed Asset Capital Lease Liability Reduction - Proprietary Funds

The following COBJs are available for recording Capital Lease and Operating Lease principal and interest payments on AFIS. They are manually entered on a claim.

<u>COBJ</u>	<u>Title</u>
8116	Land & Land Improvement - Capital Leases
8126	Building & Building Improvements - Capital Leases
8136	Construction in Progress - Capital Leases
8146	Highways & Bridges - Capital Leases
8196	Improvements Other than Buildings, Highways & Bridges - Capital Leases
8416	Vehicles - Capital Leases
8426	Furniture - Capital Leases
8436	EDP Equipment-Mainframe - Capital Leases
8446	EDP Equipment-Midrange - Capital Leases
8456	EDP Equipment-PC/LAN - Capital Leases
8466	Telecommunication Equipment - Capital Leases
8476	Other Equipment - Capital Leases
8486	Mainframe Software - Capital Leases
8487	Midrange Software - Capital Purchase
8488	PC/LAN Software - Capital Leases
8489	Telecommunications Software - Capital Leases
8496	Other Capital Asset Leases
8516	Vehicles - Non-Capital Leases
8526	Furniture - Non-Capital Leases
8536	EDP Equipment-Mainframe - Non-Capital Leases
8546	EDP Equipment-Midrange - Non-Capital Leases
8556	EDP Equipment-PC/LAN - Non-Capital Leases
8566	Telecommunications Equipment - Non-Capital Leases
8576	Other Equipment - Non-Capital Leases
8586	Mainframe Software - Non-Capital Leases
8587	Midrange Software - Non-Capital Leases
8588	PC/LAN Software - Non-Capital Leases
8589	Telecommunications Software - Non-Capital Leases
7239	All Other Interest Payments



SUBJECT CAPITAL LEASES

ADDENDA

ADDENDUM A

**RECONCILIATION OF LIABILITIES TO LEASE PAYMENTS FOR CAPITAL ASSETS
ACQUIRED THROUGH CAPITAL LEASE AND FINANCED BY
PROPRIETARY FUNDING SOURCES**

The following schedules must be established and maintained by agencies to ensure that long-term and current liabilities associated with capital assets that are acquired through capital leases and financed by proprietary funding sources are properly stated on the agency’s general ledger. Users will be required to enter this information on a spreadsheet (e.g., Excel). Per Example 1, each capital asset costing \$5,000 or more, with a ‘C’ in the C/I Indicator field, that is acquired through capital lease and financed by a proprietary funding source must be entered on a spreadsheet in order to reconcile lease payments with related liabilities on the general ledger. These reconciliations should be done monthly but must be done at least annually at fiscal year end.

Schedules of Capital Lease Payments and Reductions of Lease Liabilities by Proprietary Funds

Example 1 - Detail Schedule for a Single Capital Asset, Fund 4201

The following schedule provides the accounting data necessary to reconcile lease payments to lease liabilities at fiscal year end. In this example, the inception of the lease is July 1, 1996 and the payment, including principal and interest, is \$3,113.75 per month. Payments continue for 60 months, although only the first 12 payments corresponding to FY 1996/97 appear in this example. Similar schedules that carry over liability balances from preceding fiscal years must be prepared for FY 1997/98 through FY 2000/01.

Step 1 illustrates that the long-term liability (GL Account 1715) is recorded on AFIS via a system generated TC 554 when entered on FAS with Acquisition Method ‘5’ (Lease/Purch). Refer to SAAM Section II-G-1 – Capital and Non-Capital Assets, for an explanation of the capitalization policy. Using the amortization schedule associated with the capital asset under capital lease, agency personnel record the current liability (GL Account 1277) with a journal entry using a TC 269, as illustrated in **Step 2**. The amount of the journal entry is computed by summing the principal portion of the total capital lease payments for the capital asset in FY 1996/97. Each year, the long-term liability is reduced by the principal amount of the current liability that is paid. At fiscal year end, the amount of the long-term liability associated with the capital asset acquired through capital lease (\$125,125.50 in this example) should match the remaining balance of principal to be paid by the agency to the vendor as recorded by the vendor and should match the general ledger.

If the monthly lease payments have been properly recorded on AFIS, (i.e., interest and principal have been identified based on the amortization schedule and recorded separately using the proper Comptroller Objects), the principal portion of the lease payments may be obtained from the original claim documents or from the various AFIS expenditure reports. Agency personnel should reduce the current liability by the principal portion of each monthly lease payment via journal entries using TC 271s, as illustrated in **Step 3**.

After reducing the current liability for FY 1996/97 to \$0 at fiscal year end, the user should reference the amortization schedule and record a current liability of \$27,207.91 via a journal entry using TC 269 for FY 1997/98 during the 13th month of FY 1996/97, as illustrated in **Step 4**. In a similar manner, the current liability for FY 1998/99 will be \$29,760.19, for FY 1999/00 will be \$32,551.90 and for FY 2000/01 will be \$35,605.50. By the end of the 5-year capital lease term, the long-term liability of \$150,000 will be reduced to \$0 as each fiscal year’s current liability is paid.



SUBJECT CAPITAL LEASES

Note: The sum of the current liabilities paid over the five years (\$24,874.50 + \$27,207.91 + \$29,760.19 + \$32,551.90 + \$35,605.50) equals the total principal amount at the inception of the lease (\$150,000.00).

Example 1 - Detail Schedule for a Single Capital Asset

Agency: ABC

Fund: 4201

Fiscal Year 1996/97

Capital Asset 1234567890/0001: Lease Principal \$150,000, Interest Rate 9%, Lease Term 5 Years

Date	Claim Number/ Suffix	Long-Term Liability (GL Account 1715)	Current Liability (GL Account 1277)	Payment - Principal Only	TC	Step
07-01-96		\$150,000.00			554	1
07-01-96		(24,874.50)	\$ 24,874.50		269	2
07-01-96	21111111/001		(1988.75)	\$ 1988.75	271	3
08-01-96	22222222/001		(2003.67)	2003.67	271	3
09-01-96	23333333/001		(2018.70)	2018.70	271	3
10-01-96	24444444/001		(2033.84)	2033.84	271	3
11-01-96	25555555/001		(2049.09)	2049.09	271	3
12-01-96	26666666/001		(2064.46)	2064.46	271	3
01-01-97	27777777/001		(2079.94)	2079.94	271	3
02-01-97	28888888/001		(2095.54)	2095.54	271	3
03-01-97	29999999/001		(2111.26)	2111.26	271	3
04-01-97	20101010/001		(2127.09)	2127.09	271	3
05-01-97	21111110/001		(2143.05)	2143.05	271	3
06-01-97	22121212/001		(2159.11)	2159.11	271	3
		<u>\$125,125.50</u> (A)	<u>\$ 0.00</u> (B)	<u>\$ 24,874.50</u> (C)		
07-01-97		(27,207.91)	\$ 27,207.91		269	4



SUBJECT CAPITAL LEASES

Example 2 - Summary Schedule for All Capital Assets, Fund 4201

The following summary schedule includes balances from Example 1 and all capital assets acquired through capital leases and financed by proprietary funding source, Fund 4201, at FY 1996/97 year end. Long-term liabilities (\$1,000,000.00 in this example) and current liabilities (\$0 in this example prior to recording the current liability for FY 1997/98) from this schedule should agree with corresponding amounts on the general ledger for Fund 4201. 'Long Term Liability (GL Account 1715)' per the schedule corresponds to general ledger account 1715 (Capital Lease/Installment Purchase Obligation Long-Term) and 'Current Liability (GL Account 1277)' corresponds to general ledger account 1277 (Capital Lease/Installment Purchase Obligation - Current). General ledger account balances for accounts 1715 and 1277 may be viewed on AFIS Screen S65A (Status of General Ledger-Trial Balance) or on the DAFR6460 (Trial Balance by Fund).

General ledger accounts 1277 and 1715 summarize current and long term liabilities, respectively, for all capital assets under capital lease financed by Fund 4201. Current and long-term liability figures from the spreadsheets must be summed for every capital asset under capital lease and financed by Fund in order for the figures to agree with the amounts per the general ledger. Payments of principal for capital assets financed by capital leases (\$324,874.50 in this example) per the reconciliation's 'Payment - Principal Only' should equal the sum of all principal amounts for capital assets under capital lease expended from Fund 4201 throughout the fiscal year per the various AFIS expenditure reports and microfiche.

Dollar amounts below include corresponding dollar amounts, (A) through (C), from Example 1.

Example 2 - Summary Schedule for All Capital Assets, Fund 4201

Agency: ABC

Fund: 4201

Fiscal Year 1996/97

Total Capital Assets Financed by Capital Leases From Fund 4201

Date	Claim Number/ Suffix	Long-Term Liability (GL Account 1715)	Current Liability (GL Account 1277)	Payment - Principal Only	TC
07-01-96 through 06-30-97	Various	\$1,000,000.00 Includes (A)	\$0.00 Includes (B)	\$324,874.50 Includes (C)	Various



SUBJECT CAPITAL LEASES

ADDENDUM B

RECONCILIATION OF THE LONG-TERM LIABILITY TO LEASE PAYMENTS FOR CAPITAL ASSETS ACQUIRED THROUGH CAPITAL LEASES AND FINANCED BY GOVERNMENTAL FUNDING SOURCES

The following schedules must be established and maintained by each agency to ensure that long-term liabilities associated with capital assets acquired through capital leases and financed by governmental funding sources are properly stated on the agency’s general ledger. Agency personnel will be required to enter this information on a spreadsheet, e.g., Excel or Lotus. Each capital asset costing \$5,000 or more, with a ‘C’ in the C/I Indicator field, acquired through capital lease and financed by governmental funding sources must be entered on the spreadsheet in order to reconcile lease payments with related liabilities on the general ledger. These reconciliations should be done monthly but must be done at least annually at fiscal year end.

Schedules of Capital Lease Payments and Reductions of Lease Liabilities by Governmental Funds

Example 1 - Detail Schedule for a Single General Fund Capital Asset

The following schedule provides the accounting data necessary to reconcile lease payments to lease liabilities at fiscal year end. In this example, the inception of the lease is July 1, 1996 and the payment, including principal and interest, is \$3,113.75 per month. Payments continue for 60 months, although only the first 12 payments corresponding to FY 1996/97 appear in this example. Similar schedules that carry over liability balances from preceding fiscal years must be prepared for FY 1997/98 through FY 2000/01.

In this example, the long-term liability (GL Account 1715) is recorded on AFIS via a system generated TC 561 when entered on FAS with Acquisition Method ‘5’ (Lease/Purch), as illustrated in Step 1. See SAAM Section II-G-1 – Capital and Non-Capital Assets for an explanation of the capitalization policy. The governmental funding source in this example is the General Fund. For capital assets with governmental funding sources, the long-term liability per the TC 561 posts to Fund 1200 (Statewide Long-Term Liability Fund). The corresponding capital asset posts to Fund 1300 (Statewide Capital Asset Fund) per TC 553. Each year, the long-term liability is reduced by the amount of principal that is paid. At fiscal year end, the amount of the long-term liability associated with the capital asset acquired through capital lease (\$125,125.50 in this example) should match the remaining principal balance to be paid by the agency to the vendor as recorded by the vendor and should match the general ledger.

If the monthly lease payments have been properly recorded on AFIS, (i.e., interest and principal have been identified based on the amortization schedule and separately recorded using the proper Comptroller Objects), the principal portion of the lease payments may be obtained from the original claim documents or from the various AFIS expenditure reports. Agency personnel should reduce the long-term liability by the principal portion of each monthly lease payment via journal entries using TC 270s, as illustrated by Step 2. By the end of the 5-year capital lease term, the long-term liability of \$150,000 will be reduced to \$0.

Note: The sum of the current liabilities paid over the five years (\$24,874.50 + \$27,207.91 + \$29,760.19 + \$32,551.90 + \$35,605.50) equals the total principal amount at the inception of the lease (\$150,000.00).



SUBJECT

CAPITAL LEASES

Example 1

Agency: ABC

Source Fund: 1000 (General Fund)

G/L Account 1715 Recorded in Fund 1200

Fiscal Year 1996/97

Capital Asset 0123456789/0001: Lease Principal \$150,000, Interest Rate 9%, Lease Term 5 Years

Date	Claim Number/ Suffix	Long-Term Liability (GL Account 1715)	Payment - Principal Only	TC	Step
07-01-96		\$150,000.00		561	1
07-01-96	21111111/001		\$ 1988.75	270	2
08-01-96	22222222/001		2003.67	270	2
09-01-96	23333333/001		2018.70	270	2
10-01-96	24444444/001		2033.84	270	2
11-01-96	25555555/001		2049.09	270	2
12-01-96	26666666/001		2064.46	270	2
01-01-97	27777777/001		2079.94	270	2
02-01-97	28888888/001		2095.54	270	2
03-01-97	29999999/001		2111.26	270	2
04-01-97	20101010/001		2127.09	270	2
05-01-97	21111110/001		2143.05	270	2
06-01-97	22121212/001		2159.11	270	2
		<u>(24,874.50)</u>	\$ 24,874.50		
		\$125,125.50	(B)		
		(A)			



SUBJECT

CAPITAL LEASES

Example 2 - Detail Schedule for One Special Revenue Fund Capital Asset

The following schedule illustrates a capital asset under capital lease financed by a Special Revenue Fund, another governmental funding source. Governmental funds include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Projects Funds. In this example, the inception of the lease is July 1, 1996, and the payment, including principal and interest, is \$1,213.28 per month. Payments continue for 120 months, although only the first 12 payments corresponding to FY 1996/97 appear in this example. Similar schedules that carry over the long-term liability balance from preceding fiscal years must be prepared for fiscal years 1997/98 through 2005/06. **Step 1** illustrates the recording of the long-term liability (GL account 1715) on AFIS via a system generated TC 561 triggered by entering Acquisition Method '5' (Lease/Purch) on AFIS Screen S073. **Step 2** illustrates the reduction of the principal portion of the long-term liability on AFIS with a journal entry using TC 270.

Example 2

Agency: ABC

Source Fund: 2243 (Special Revenue Fund)

G/L Account 1715 Recorded in Fund 1200

Fiscal Year 1996/97

Capital Asset 0012345678/0001: Lease Principal \$100,000, Interest Rate 8%, Lease Term 10 Years

Date	Claim Number/ Suffix	Long-Term Liability (GL Account 1715)	Payment - Principal Only	TC	Step
07-01-96		\$100,000.00		561	1
07-01-96	21010101/001		\$546.61	270	2
08-01-96	22020202/001		550.25	270	2
09-01-96	23030303/001		553.92	270	2
10-01-96	24040404/001		557.61	270	2
11-01-96	25050505/001		561.33	270	2
12-01-96	26060606/001		565.07	270	2
01-01-97	27070707/001		568.84	270	2
02-01-97	28080808/001		572.63	270	2
03-01-97	29090909/001		576.45	270	2
04-01-97	22345678/001		580.29	270	2
05-01-97	23345678/001		584.16	270	2
06-01-97	24345678/001		588.09	270	2
		(6,805.25)			
		<u>\$93,194.75</u>	<u>\$6805.25</u>		
		(C)	(D)		



SUBJECT CAPITAL LEASES

Example 3 - Summary Schedule for All Capital Assets, Fund 1200

The following summary schedule includes balances from Examples 1 and 2 and represents aggregate amounts for all capital assets acquired through capital leases and financed by governmental funding sources at FY 1996/97 year end. Long-term liabilities (\$2,000,000 in this example) from this schedule should agree with the corresponding amounts on the general ledger for Fund 1200. 'Long-Term Liability (GL Account 1715)' per the schedule corresponds to general ledger account 1715 (Capital Lease/Installment Purchase Obligation Long-Term). The general ledger account balance for account 1715 may be viewed on AFIS Screen S65A (Status of General Ledger - Trial Balance) or on the DAFR6460 (Trial Balance by Fund). Payments of principal for capital assets financed by capital leases (\$531,679.75 in this example) per the reconciliation's 'Payment - Principal Only' should equal principal amounts for all capital assets acquired through capital lease and financed by governmental funding sources throughout the fiscal year per the various AFIS expenditure reports and microfiche.

Dollar amounts below include corresponding dollar amounts from Examples 1 and 2, as indicated by letters (A) through (D).

Example 2

Agency: ABC
Funding Source: Governmental
G/L Account 1715 Recorded in Fund 1200
Fiscal Year 1996/97

Total Capital Assets Financed by Capital Leases From Governmental Funds

Date	Claim Number/ Suffix	Long-Term Liability (GL Account 1715)	Payment - Principal Only	TC
07-01-96 through 06-30-97	Various	\$2,000,000.00 Includes (A+C)	\$531,679.75 Includes (C+D)	Various