

**STATE OF VERMONT
LEASE FORM
JUNE 30, 2018**

Lease Form – CAFR-5

Report all lease commitments where the State of Vermont is the lessee on contract and the lessor is not a State Agency/Department. Your department/agencies should report the lease if named as the lessee on the contract. If the Department of Building and General Services is the lessee on behalf of your department or agencies, then BGS should report the lease. Leasing equipment from BGS through the Equipment Revolving Fund or the Copy Center does not need to be reported by receiving department since the department is the lessee and BGS is the lessor. Only agreements where the State is Lessee and the lessor is not a State Department/Agency needs to be reported.

Departments should report all leases that were in effect during FY 2018 as well as those that will continue into the subsequent year(s). The current year activity is required since the actual amount paid in the current fiscal year must be reported even if the lease expired sometime during FY2018. All departments are required to provide supporting transactions from VISION of the lease amount paid in FY18.

The Department of Building and General Services should report all office space leases, copier leases and postage meter leases if named as lessee on the contract and apply the criteria for determining if the lease is capital or operating for all new/amended lease agreements. The reporting instructions above apply for all leases even if a worksheet submittal is used to replace the CAFR 5 Form.

All Departments should review their policies and procedures over recording and tracking leases to ensure that leases are reported in accordance with accounting standards.

The Department of Finance & Management as part of their year-end review may ask Departments to submit lease agreements or other supporting documentations to ensure completeness and accuracy of the information received. Supporting information should be readily available upon request by auditors. Likewise, departments may contact the Financial Operations anytime during the year to ask us for assistance in analyzing leases.

Be sure to complete Business Unit Number and Department Name in top right corner

- Please complete the CAFR5 Form tab on worksheet (continue on Sheet 2 if needed) for **all leases** where the State is the lessee (*your Department / Agencies is named as lessee on the contract with outside party*).

*Example: LEASE between COMPANY and the State of Vermont, Department of Building and General Services for the Agency of Human Services; then **the Department of Building and General Services should report the lease.***

- A “Lease” is defined as a contract that conveys the right to use an underlying asset for a period of time exceeding 12 months. Both leases with cancellable and non-cancellable terms must be reported. Departments do not need to report instances where rent is being paid on a month-by-month basis and there is no contractual obligation (or the State as lessee may terminate the contract on less than 12 month notice).
- Do NOT fill in the gray shaded areas – these cells contain formulas and are protected.

- On the “Payments” tab provide a listing of the AP Cash Expense Detail from VISION in support of the lease amount paid. Supporting transactions for the amount paid for leases in the current fiscal year is required for all types of leases (space, land, equipment...), and for both operating or capital. The lease payment cost should reflect the contractual obligation for the right to use the underlying asset and not ancillary components such as maintenance, insurance, supplies or other services. Also, major improvements to property or space that is leased pursuant a non-cancellable multi-year operating lease should be capitalized. Please contact F&M (e-mail VISION.CAFR@vermont.gov) for reporting instructions since these improvements are typically captured under CIP CAFR 4 reporting requirements or entering capital assets.
- Please submit legible copies of all new/amended Capital lease agreements executed in FY2018. Additional information is required for entering capital leases into VISION and should be entered on the Capital Lease tab. This information is only required for New/Amended capital leases that need to be entered into the VISION Asset Module.
- All forms must be approved by an authorized person. Capital leases must meet the same closing deadlines as all other capital assets. Agencies/departments are responsible for maintaining all supporting documentation which should be available upon request by F&M and/or Auditors.
- Complete the Certification Sheet. By completing this sheet and submitting it electronically from your state email account, it is considered electronically signed and approved by the authorized individual.
- The Department of Finance & Management as part of their year-end review may ask departments to submit lease agreements or other supporting documentations to ensure completeness and accuracy of the information received.
- Departments may contact the F&M anytime during the year with questions or help with analyzing leases.

Criteria for a Capital Lease – Total Cost of Lease is at least \$5,000 and:

- Transfer of Ownership – the item becomes the property of the State at the end of the lease.
- Bargain Purchase Option – the leased item can be purchased at the end of the lease for an obviously low cost (i.e., \$1.00).
- 75% Test – determines if the lease term is 75% or more of the estimated life of the asset.
- 90% Test – determines if the present value of the lease payments are 90% or more of the assets’ estimated fair market value.
- Type of Lease – You have a capital lease if any 1 of the following criteria has been met:
 - Transfer of Ownership or Bargain Purchase Option are “yes”,
 - The 75% Test produces a value of 75% or greater,
 - The 90% test produces a value of 90% or greater,
 - Otherwise the lease is an operating lease.

Accurately applying the criteria on the CAFR 5 form will determine if the lease is operating or capital. All new or amended leases must be evaluated to determine whether the lease is Capital. If capital, please review the VISION Procedure #1 related to capital leases. For new capital leases include on your form all of the accounting chartfields required for entering the lease in VISION’s Asset Management Module including the interest rate, first payment date, and location of the asset. Capital leases must meet the same closing requirements and deadlines as all other capital assets

Definitions

Lease: Legal agreement whereby the lessee uses real or personal property of the lessor for a rental charge

of Lease Payments: Number of payments to be made during the life of the lease

Estimated Life: The estimated life for determining if the agreement is capital or operating is the number of years the asset is expected to be usable including those years after the lease term expires. This is the lease analysis definition which is not the same for entering a capital lease improvements.

Columns on CAFR-5 include:

- Description – include the name of the lessor and type of asset leased (copier, vehicle, space).
- Date Lease Began or Date of Rate Change – enter date of original lease or most recent rate change.
- PO/Contract # - Enter the PO number or contract number of the lease.
- # of Lease Payments – number of payments to be made during the life of the lease.
- Estimated Life of Asset – number of years the asset is expected to be usable.
- Lease Payment Cost – the “base” lease payment amount. This amount should not include maintenance, insurance, supplies or other services. If the breakout is not available for ancillary services included in the base amount, please note additional costs included with base amount on the form. If the lease has step payments, please show the detail or submit a copy of the lease agreement.
- Lease Payment Frequency – the frequency of the payment (monthly, quarterly, or annually).
- Payment Due Date – enter “1” if the payment is due at the beginning of the period, and “0” if the payment is due at the end of the period.
- Total Lease Commitment – this is a calculated balance.
- Estimated Fair Market Value – the estimated value of the item at the inception of the lease.
- Transfer of Ownership – enter “yes” or “no” as appropriate.
- Bargain Purchase Option – enter “yes” or “no” as appropriate.
- 75% Test, PV of Lease, and 90% Test – these are all calculated balances.
- Type of Lease – Calculated based on the criteria outlined above.
- Lease Amount Paid in FY2018 – enter the amount paid against the lease in FY2018. Provide VISION detail on the Payments Tab (Example - Query VT_AP_CASH_EXPENDITURE_DST).

Capital Leases Only Tab (Required for entering into Asset Management Module by F&M)

- Description – include the name of the lessor and type of asset leased (copier, vehicle, space).
- Chartfield Information – Fund, Department
- Interest Rate – rate included in payment (if not on the agreement, contact the vendor)
- First payment due date
- Location Code – Where the asset resides

If there are any questions, please e-mail VISION.CAFR@vermont.gov
The completed form should be e-mailed to VISION.CAFR@vermont.gov