



Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Table of Contents

Overview	2
Introduction	2
Policy	3
Authoritative Guidelines	3
Required Lease Transactions for LAS Plus.....	3
Real Estate Leases.....	4
Procedures	5
Accounting for Leases	5
Types of Reports	7
DOA Support	7
Preparation of Financial Statements Using LAS Plus Reports.....	7
Internal Control	8
General	8
Records Retention	8
General	8
DOA Contact	8
Contact	8
Subject Cross References.....	9
References.....	9

Volume No. 1—Policies and Procedures	TOPIC NO 31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC Reporting
 CARDINAL	DATE July 2022

Overview


Introduction

This topic provides guidance for the proper accounting and reporting of all lease transactions.

Individual users will enter all lease information for all new or renewal leases directly into the online Lease Accounting System (LAS Plus).

The web-enabled LAS Plus provides online reports for all financial reporting and disclosure requirements promulgated by the Governmental Accounting Standards Board (GASB) **Statement No. 87**, *Leases* (GASB 87).

Proper accounting for lease contracts is important because of the numerous required GAAP basis financial statements disclosures for leases. Bond rating firms review this information and determine the Commonwealth's borrowing rate. The Commonwealth currently enjoys an AAA bond rating which saves millions of dollars in interest payments each year. Also, knowledge of lease payment obligations provides improved control over outstanding lease-related liabilities of each agency.

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
 CARDINAL	DATE	July 2022

Policy

Authoritative Guidelines


All agencies and higher education institutions must follow guidelines as required by **GASB 87**.

Required Lease Transactions for LAS Plus

Agencies input all required lease transactions directly into the LAS Plus. This applies to all new or remeasured leases. Please note that short-term leases, long-term leases, and financed purchases should not be recorded in FAACS at their inception. When agencies take title of an asset at the end of a Financed Purchase contract, that asset should be recorded in FAACS.

Real Property Leases: Special requirements also exist for real estate type leases for Executive Branch agencies where the Department of General Services - Bureau of Real Estate Services administers the lease payments on the agencies' behalf. See the **Real Property Leases** subsection later in this CAPP topic for specific requirements.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Policy, Continued

Real Estate Leases


Real estate leases should be approved by the Bureau of Real Estate Services (BRES) in the Department of General Services, in accordance with its policies and procedures.

Leases where BRES facilitates the actual payment between the outside vendor and the state agency need to be reported to the Department of Accounts (DOA) only by BRES. Therefore, agencies are not required to enter any real property type leases into LAS Plus where BRES facilitates the actual lease payment to the outside vendor.

Agencies should notify DOA whenever an existing lease already entered into LAS Plus is now being administered by BRES so that DOA can determine the appropriate actions necessary to avoid double counting the lease in the ACFR. Contact DOA with any questions regarding specific leases.

Judicial Branch agencies are required to enter into LAS Plus all leases that meet the reporting requirements previously delineated in this CAPP topic, as BRES does not report these leases to DOA. Furthermore, any agency/institution that does not have an internal lease accounting system (except for BRES reported leases) must enter all leases into LAS Plus.

Lease assets associated with short-term or long-term leases should not be recorded in FAACS.

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Procedures

Accounting for Leases

RECORDING AND DISCLOSURE OF LEASED ASSETS


LAS Plus provides a tool for agencies to classify and record lease information properly. From the lessee's standpoint, lease payments associated with short-term leases are recorded as current period expenses. No long-term debt is recorded for short-term leases and the leased asset under a short-term lease is not recorded as an asset on the Statement of Net Position at year-end.

Long-term leases, on the other hand, are recorded as long-term debt on the financial statements. The payments (except for executory costs; certain amounts that are made for taxes, utilities, maintenance, insurance, etc.) are recorded as a retirement of debt and interest expense, and the leased asset is recorded on the Statement of Net Position as an intangible asset at year end. Relevant conditions for recording the lease as a short-term lease or long-term lease, as well as the method of disclosure in financial statements, are covered below.

Leases are classified as short-term, long-term or financed purchases as outlined in the **GASB 87**. (See CAPP Topic No. 31215-LAS Plus, *Transactions*). The following procedures apply for entering lease information into LAS Plus.

Complete the lease information input screen and payment stream screen in the LAS Plus. The system will determine the appropriate lease classification based upon the information entered in each screen.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Procedures, Continued

Accounting for Leases, continued

Agencies should input the lease and payment stream information based upon terms set forth in the actual contract within a timely manner. Payments should be entered for the entire contract term including any periods covered under an extension option that are “reasonably certain to be exercised.” Do not enter just the current fiscal year payments based upon a payment voucher or invoice.

Agencies have 30 days from the inception of the lease term (first lease payment) to input the lease information into LAS Plus except at year-end when all leases with payments beginning during the month of June or earlier must be entered into LAS Plus on or before the fiscal year-end system close date. This date is communicated annually in the Fiscal Year End Closing Instructions.

Any changes to an existing lease for error correction purposes also need to be entered before the fiscal year-end system close date. Please contact DOA when correcting original lease input from a prior fiscal year.

Required lease data includes the beginning or ending of period timing selection, the beginning payment date, estimated lease asset value, other required fields as applicable, and the payment stream information.

The payment stream is comprised of the number of payments, the frequency of payments, the payment amount and the amount of executory costs and the interest rate. For example, a lease might have 24 payments with one month between each payment. In this case, the lease will run for two years.


The lease automatically expires when the payment stream has run its course from the beginning payment date, including all renewal options reasonably expected to be exercised

If there are changes in the lease terms, discount rate or likelihood that another factor used in the original valuation that significantly impact the previous lease liability, then a remeasurement of the lease is required. This will require updating LAS Plus or the agency’s internal system to incorporate the revised information.

Expenditure and revenue activity for all leases must be processed through Cardinal as either rental expense or rental revenue, respectively.

LAS Plus automatically provides the appropriate accounting information for lessees, including classification as a short-term lease, long-term lease or financed purchase. Contact DOA for guidance if your agency has lessor leases.

Continued on next page

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Procedures, Continued

Types of Reports

LAS Plus provides a number of online reports for both short-term and long-term leases as well as financed purchases. These can be accessed directly within LAS Plus using the specific menu button for each report on the “View Lease Screen” or the “Reporting” menu button and then selecting the specific report from the listing. (See CAPP Topic No. 70610-LAS Plus, *Reports*, for details on the various online reports available.)

DOA Support

DOA provides telephone assistance when needed. DOA also provides online LAS Plus training in the Learning Center. **This training is required for anyone wishing to have access to LAS Plus.** Refer to the Contact section of this topic.

Preparation of Financial Statements Using LAS Plus Reports

To prepare financial statements, agencies with lessee leases should use the requirements outlined in **GASB Statement No. 87**, paragraphs 37-39. The following provides a high-level overview:


Short-term Leases

No balance sheet accounts are presented as neither the lease asset nor the lease obligation is recognized. The Statement of Revenues, Expenditures and Changes in Fund Balance (governmental fund types) or Statement of Revenues, Expenses, and changes in Fund Net Position (proprietary fund types) present program expenditures/expenses that include rental expenditures/expenses for short-term leases. These amounts should be included in expenditure amounts recorded in Cardinal and summarized functionally in the Cardinal expenditure reports.

Long-term Leases

For governmental fund types, long-term lease assets and lease obligations are shown in the corresponding asset and liability schedules and footnotes. For non-governmental fund types, presentation will be in the relevant fund.

The online reports available in LAS Plus provide all the relevant financial information necessary to prepare the appropriate financial information and footnotes for long-term leases.

Volume No. 1—Policies and Procedures	TOPIC NO	31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC	Reporting
	DATE	July 2022

Internal Control

General

Each agency and institution should implement cost beneficial internal control procedures to ensure that:

- All leases are properly classified and included in LAS Plus.
- All rental expense and income transactions are posted in Cardinal.
- Rent expense is reviewed and reconciled for proper disclosure.
- Familiarity with the GASB statements is maintained and compliance with the Comptroller's Directive Compliance Guidelines is achieved.

Records Retention

General

Records should be maintained for a period of at least three years or longer, if necessary, to be in compliance with policies established by the Records Management Section, The Library of Virginia. The retention period generally starts at the close of the fiscal period.

For pending, ongoing or unresolved litigation, audits or claims, retain documentation until completion, resolution or negotiation of settlements and retain according to standard schedules. Provide for the periodic destruction of records not subject to permanent deposit in accordance with policies and procedures established by the Records Management Section, Virginia State Library and Archives.

DOA Contact


Contact

Financial Reporting Lead Analyst

☎ (804) 225-2257

FAX (804) 225-2430

✉ las@doa.virginia.gov

Volume No. 1—Policies and Procedures	TOPIC NO 31220-LAS Plus
Section No. 31200—Lease Accounting	TOPIC Reporting
 CARDINAL	DATE July 2022

Subject Cross References

References

CAPP Topic No. 31215-LAS Plus, *Transactions* CAPP

Topic No. 70610-LAS Plus, *Reports*
