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STATE AND LOCAL GOVERNMENT FINANCE DIVISION  
AND THE LOCAL GOVERNMENT COMMISSION

SHARON EDMUNDSON  
DEPUTY TREASURER

**Memorandum # 2021-09**

**TO:** Local Government Finance Officials and Their Independent Auditors

**FROM:** Susan McCullen, Director, Fiscal Management Section, State and Local Government Finance Division

**SUBJECT:** GASB Statement No. 87, *Leases*, Part 2

**DATE:** June 15, 2021

In December 2020, the North Carolina State and Local Government Finance Division (SLGFD) issued [Memorandum #2021-05 – GASB Statement No. 87, Leases, Part 1](#). This new memorandum builds on the information provided in Memorandum #2021-05, which focused primarily on various policy and planning aspects associated with the lease guidance provided by Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. This memorandum focuses on the implementation of GASB 87, both from a lessee and lessor perspective. To assist NC local governments with implementing GASB 87, the SLGFD has developed some tools that will help local governments post various transactions in the general ledger. The tool assumes that all the up-front work of decisioning a contract or agreement have been completed, and you have identified the population of agreements that meet the definition of a lease in GASB 87. With those decisions made, then local governments are ready to begin using these reporting tools.

**Decisioning a Contract or Agreement**

As discussed in [Memorandum #2021-05 – GASB Statement No. 87, Leases, Part 1](#), local governments will need to gather the entire population of agreements, contracts and existing leases and review them for the lease criteria in GASB 87. The local government and their auditors will need to answer some of the following questions although this is not an exhaustive list.

What is the lease term of the document, per the GASB 87 lease term guidance?

Is this agreement an exchange or exchange-like transaction?

Do any of the lease exceptions in GASB 87 apply to this agreement?

What is the discount rate for this agreement?

What variable and non-lease costs are included in this agreement that are not part of the lease expense?

## GASB 87 - Excel Templates

There are two GASB 87 Excel templates – one for lessees and one for lessors. The template is intended to be used in a one-to-one relationship with each agreement. That is, a local governmental unit with five lease agreements will need to download and complete five different workbooks, one for each of the agreements. Together, all the agreements will provide the entries that are needed for the GASB 87 lease journal entries in the initial year of implementation.

The templates are designed such that the user completes a questionnaire on the “Questionnaire” tab and payment schedules on the “Calculations” tab. After completion, the templates provide suggested journal entries for year one of implementation. The user and his or her auditor should review all entries provided by the templates and adjust them as needed to accommodate the specific circumstances of each of the lease agreements. For example, the templates charge all variable and non-lease lease related payments for excess use or for insurance or repairs and maintenance to an expense or revenue account in the month of the payment – the user may deem it necessary to charge the payment to an asset or liability account and amortize over a period of time greater than one month.

Following are brief walk-throughs of both the lessee and lessor GASB 87 Excel templates.

## Lessee GASB 87 Excel Template Walkthrough

One GASB 87 Excel template should be completed for each agreement that meets the requirements reported under GASB 87.

### Step 1 - Complete the Initial Section of the Lease Questionnaire tab.

#### Illustration # 1

| Lease Questionnaire |                                                                                        |                          |                                                                                                                                                                                                                                                                       |
|---------------------|----------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                   | Lease Description (ie. "Office Lease", "Equipment Lease", etc.)                        | Savin/Ricoh C2500 Copier | << Enter brief description of lease                                                                                                                                                                                                                                   |
| 2                   | What is your fiscal year end?                                                          | 6/30/2022                | << Select from dropdown list                                                                                                                                                                                                                                          |
| 3                   | Beginning Lease Date                                                                   | 2/1/2021                 | << Enter beginning lease date                                                                                                                                                                                                                                         |
| 4                   | Was the lease in place prior to the first year of GASB 87 implementation?              | Y                        | << Formula driven by prior responses                                                                                                                                                                                                                                  |
| 5                   | Prior fiscal year end for lease restatement under GASB 87                              | 6/30/2021                | << Formula driven by prior responses                                                                                                                                                                                                                                  |
| 6                   | Ending Lease Date                                                                      | 5/10/2026                | << Enter ending lease date                                                                                                                                                                                                                                            |
| 7                   | First Lease Payment Due Date on/after                                                  | 7/1/2021                 | << Enter the first lease payment due date after the date indicated                                                                                                                                                                                                    |
| 8                   | Last Lease Payment Due Date                                                            | 5/10/2026                | << Enter the last lease payment due date in the lease term                                                                                                                                                                                                            |
| 9                   | What is the lease payment frequency (monthly, quarterly, annually)?                    | Monthly                  | << Select from dropdown list                                                                                                                                                                                                                                          |
| 10                  | Are there any lease prepayments to be applied to future months?                        | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 11                  | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 12                  | Are there additional delivery and installation costs associated with the leased asset? | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 13                  | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 14                  | Was a lease incentive received at or before the commencement of the lease?             | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 15                  | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 16                  | What is the annual discount rate for the lease at                                      | 7/1/2021                 | << Use the annual discount rate stated in lease if available, otherwise use the internal rate of return for the lease. If the internal rate of return cannot be determined, use the organization's annual incremental borrowing rate (See GASB 62 paragraphs 183-184) |
| 17                  | Prior to GASB 87, is this lease an operating or capital lease?                         | Operating                | << Select from dropdown list                                                                                                                                                                                                                                          |

1. Lease Description – Enter a description of the leased asset. This information is not required to be completed for the template to function, but completion is recommended for the user's documentation purposes. Units might consider using chart of account codes or document numbers here that correspond to information in the financial system to help you reconcile the Excel templates to system reports.
2. Fiscal Year End – Select the organization's fiscal year end from the dropdown list provided in the cell. The choices provided are 6/30/2022, 9/30/2022, 12/31/2022, and 3/31/2023.
3. Beginning Lease Date – enter the beginning lease date in MM/DD/YYYY format. Consult GASB 87 as needed. For example, rent holidays at the beginning of the lease term should be excluded from the lease term per GASB 87.

4. Was the lease in place prior to the first year of GASB 87 implementation? – Item is formula driven based on beginning lease date. No user participation needed.
5. Prior fiscal year end for lease restatement under GASB 87 – Item is formula driven based on beginning lease date. No user participation needed.
6. Ending Lease Date – Enter the ending lease date in MM/DD/YYYY format, using GASB 87 guidance as needed. For example, an optional lease extension period should be included in the lease term if the extension is reasonably certain to be exercised.
7. First Lease Payment - Enter the first lease payment due date that occurs after the date indicated in the Excel tool. The implementation date of the lease is 7/1/2021 in the example provided.
8. Last Lease Payment - Enter the last lease payment due date in the lease term.
9. Lease Payment Frequency – Select “Monthly”, “Quarterly”, or “Annually” from the dropdown list.
10. Prepayments – If a prepayment was made for a future month, then select “Y” from the dropdown, otherwise select “N”. This would include deposits that are not returned.
11. Prepayment Amount – This line displays as “NA” unless “Y” is selected in #10 above. If there are prepayments or deposits, enter the amount.
12. Delivery and Installation Costs – If there are delivery and installation costs associated with the leased asset, then select “Y” from the dropdown list, otherwise select “N”.
13. Delivery and Installation Amount - This line displays as “NA” unless “Y” is selected in #12 above. If there are delivery and installation costs, enter the amount.
14. Lease Incentive – If a lease incentive was received at or prior to lease commencement, then select “Y” from the dropdown list, otherwise select “N”. Incentives during the lease term, such as rent holidays, would not be included.
15. Lease Incentive Amount - This line displays as “NA” unless “Y” is selected in #14 above. If lease incentives were received, enter the amount.
16. Discount Rate – Enter the discount rate stated in the lease agreement, if applicable. Many lease agreements will not state a discount rate. If there is not a discount rate provided in the lease, then determine the internal rate of return for the lease and enter that rate. If there is not enough information provided to determine the internal rate of return, then enter the organization’s incremental borrowing rate. Refer to GASB 62 paragraphs 183-184 as needed to guide you in determining the rate to use. Market interest rates for loans for similar assets, the organization’s bond rates, or the organization’s bank borrowing rates may be used as a baseline discount rate. Adjustments may be needed for the length of the lease term, the type of asset, etc. Units might need to discuss some of these calculations with their auditors.
17. Operating vs. Capital – This line is “NA” if the beginning lease date occurs after the beginning of the first year of GASB 87 implementation. If the lease start date is prior to GASB 87 implementation, then select “Operating” or “Capital” from the dropdown list.

**Step 2** – Complete the second Section of the Lease Questionnaire (Questions #18-20) if the lease is a capital lease and also begins in a prior year (The answer in Question #4 is “Y”). Otherwise, this section will all default to “NA”. Fill in the data for the dates indicated for the fields shown. See illustrations below:

**Illustration # 2** – No restatement is needed because beginning lease date is during the current fiscal year that GASB 87 is implemented. Answer to Question #4 is “N”. All fields are “NA”.

|                                               |                                                                                        |  |  |  |              |                                                                                          |
|-----------------------------------------------|----------------------------------------------------------------------------------------|--|--|--|--------------|------------------------------------------------------------------------------------------|
| 1                                             | Lease Description (ie. "Office Lease", "Equipment Lease", etc.)                        |  |  |  | C2500 Copier |                                                                                          |
| 2                                             | What is your fiscal year end?                                                          |  |  |  | 6/30/2022    | << Select from dro                                                                       |
| 3                                             | Beginning Lease Date                                                                   |  |  |  | 2/11/2022    | << Enter beginning                                                                       |
| 4                                             | Was the lease in place prior to the first year of GASB 87 implementation?              |  |  |  | N            | << Formula driven                                                                        |
| 5                                             | Prior fiscal year end for lease restatement under GASB 87                              |  |  |  | 6/30/2021    | << Formula driven                                                                        |
| 6                                             | Ending Lease Date                                                                      |  |  |  | 5/10/2026    | << Enter ending les                                                                      |
| 7                                             | First Lease Payment Due Date on/after 2/11/2022                                        |  |  |  | 7/10/2021    | << Enter the first le                                                                    |
| 8                                             | Last Lease Payment Due Date                                                            |  |  |  | 5/10/2026    | << Enter the last le                                                                     |
| 9                                             | What is the lease payment frequency (monthly, quarterly, annually)?                    |  |  |  | Monthly      | << Select from dro                                                                       |
| 10                                            | Are there any lease prepayments to be applied to future months?                        |  |  |  | N            | << Select from dro                                                                       |
| 11                                            | NA                                                                                     |  |  |  |              | << Leave Blank                                                                           |
| 12                                            | Are there additional delivery and installation costs associated with the leased asset? |  |  |  | N            | << Select from dro                                                                       |
| 13                                            | NA                                                                                     |  |  |  |              | << Leave Blank                                                                           |
| 14                                            | Was a lease incentive received at or before the commencement of the lease?             |  |  |  | N            | << Select from dro                                                                       |
| 15                                            | NA                                                                                     |  |  |  |              | << Leave Blank                                                                           |
| 16                                            | What is the annual discount rate for the lease at 7/1/2021                             |  |  |  | 4.62%        | << Use the annual c<br>use the internal rate<br>cannot be determin<br>borrowing rate (Se |
| 17                                            | NA                                                                                     |  |  |  | Operating    | << Leave Blank                                                                           |
| No restatement in P 1, Below questions are NA |                                                                                        |  |  |  |              |                                                                                          |
| 18                                            | NA                                                                                     |  |  |  | -            | << Leave Blank                                                                           |
| 19                                            | NA                                                                                     |  |  |  | -            | << Leave Blank                                                                           |
| 20                                            | NA                                                                                     |  |  |  | -            | << Leave Blank                                                                           |

**Illustration #3** – A restatement is provided for a capital lease reported in the prior year. Questions #18-20 prior year balances related to the capital lease will be needed to complete the restatement information.

|                                                                                                        |                                                                                        |           |  |  |                               |                                                                                                                                                                |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|-----------|--|--|-------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                                                      | Lease Description (ie. "Office Lease", "Equipment Lease", etc.)                        |           |  |  | Savin/Minicon<br>C2500 Copier | << Enter brief description of lease                                                                                                                            |
| 2                                                                                                      | What is your fiscal year end?                                                          |           |  |  | 6/30/2022                     | << Select from dropdown list                                                                                                                                   |
| 3                                                                                                      | Beginning Lease Date                                                                   |           |  |  | 2/11/2019                     | << Enter beginning lease date                                                                                                                                  |
| 4                                                                                                      | Was the lease in place prior to the first year of GASB 87 implementation?              |           |  |  | Y                             | << Formula driven by prior response                                                                                                                            |
| 5                                                                                                      | Prior fiscal year end for lease restatement under GASB 87                              |           |  |  | 6/30/2021                     | << Formula driven by prior response                                                                                                                            |
| 6                                                                                                      | Ending Lease Date                                                                      |           |  |  | 5/10/2026                     | << Enter ending lease date                                                                                                                                     |
| 7                                                                                                      | First Lease Payment Due Date on/after 7/1/2021                                         |           |  |  | 7/10/2021                     | << Enter the first lease payment due                                                                                                                           |
| 8                                                                                                      | Last Lease Payment Due Date                                                            |           |  |  | 5/10/2026                     | << Enter the last lease payment due                                                                                                                            |
| 9                                                                                                      | What is the lease payment frequency (monthly, quarterly, annually)?                    |           |  |  | Monthly                       | << Select from dropdown list                                                                                                                                   |
| 10                                                                                                     | Are there any lease prepayments to be applied to future months?                        |           |  |  | N                             | << Select from dropdown list                                                                                                                                   |
| 11                                                                                                     | NA                                                                                     |           |  |  |                               | << Leave Blank                                                                                                                                                 |
| 12                                                                                                     | Are there additional delivery and installation costs associated with the leased asset? |           |  |  | N                             | << Select from dropdown list                                                                                                                                   |
| 13                                                                                                     | NA                                                                                     |           |  |  |                               | << Leave Blank                                                                                                                                                 |
| 14                                                                                                     | Was a lease incentive received at or before the commencement of the lease?             |           |  |  | N                             | << Select from dropdown list                                                                                                                                   |
| 15                                                                                                     | NA                                                                                     |           |  |  |                               | << Leave Blank                                                                                                                                                 |
| 16                                                                                                     | What is the annual discount rate for the lease at 7/1/2021                             |           |  |  | 4.62%                         | << Use the annual discount rate stat<br>use the internal rate of return for the l<br>cannot be determined, use the organi<br>borrowing rate (See GASB 62 parag |
| 17                                                                                                     | Prior to GASB 87, is this lease an operating or capital lease?                         |           |  |  | Capital                       | << Select from dropdown list                                                                                                                                   |
| Complete the prior FIVE financial information for the lease (ENTER CREDIT AMOUNTS AS NEGATIVE AMOUNTS) |                                                                                        |           |  |  |                               |                                                                                                                                                                |
| 18                                                                                                     | Asset under capital lease at                                                           | 6/30/2021 |  |  | -                             | << Enter Amount                                                                                                                                                |
| 19                                                                                                     | Accumulated depreciation for asset under capital lease at                              | 6/30/2021 |  |  | -                             | << Enter Amount AS A NEGATIVE                                                                                                                                  |
| 20                                                                                                     | Debt payable for capital lease at                                                      | 6/30/2021 |  |  | -                             | << Enter Amount AS A NEGATIVE                                                                                                                                  |

**Illustration #4** – An example of a real-life operating lease for a copier is included in Addendum 1 with the completed lease questionnaire. The lease used in this illustration was effective prior to GASB 87 implementation. See Addendum 1 – Copier Lease that is included with this memorandum. It is redacted as needed to protect proprietary vendor information.

|                                                                                                        |                                                                                        |                          |                                                                                                                                                                                                                                                                       |
|--------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1                                                                                                      | Lease Description (ie. "Office Lease", "Equipment Lease", etc.)                        | Savin/Ricoh C2500 Copier | << Enter brief description of lease                                                                                                                                                                                                                                   |
| 2                                                                                                      | What is your fiscal year end?                                                          | 6/30/2022                | << Select from dropdown list                                                                                                                                                                                                                                          |
| 3                                                                                                      | Beginning Lease Date                                                                   | 2/1/2021                 | << Enter beginning lease date                                                                                                                                                                                                                                         |
| 4                                                                                                      | Was the lease in place prior to the first year of GASB 87 implementation?              | Y                        | << Formula driven by prior responses                                                                                                                                                                                                                                  |
| 5                                                                                                      | Prior fiscal year end for lease restatement under GASB 87                              | 6/30/2021                | << Formula driven by prior responses                                                                                                                                                                                                                                  |
| 6                                                                                                      | Ending Lease Date                                                                      | 5/10/2026                | << Enter ending lease date                                                                                                                                                                                                                                            |
| 7                                                                                                      | First Lease Payment Due Date on/after: 7/1/2021                                        | 7/10/2021                | << Enter the first lease payment due date after the date indicated                                                                                                                                                                                                    |
| 8                                                                                                      | Last Lease Payment Due Date                                                            | 5/10/2026                | << Enter the last lease payment due date in the lease term                                                                                                                                                                                                            |
| 9                                                                                                      | What is the lease payment frequency (monthly, quarterly, annually)?                    | Monthly                  | << Select from dropdown list                                                                                                                                                                                                                                          |
| 10                                                                                                     | Are there any lease prepayments to be applied to future months?                        | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 11                                                                                                     | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 12                                                                                                     | Are there additional delivery and installation costs associated with the leased asset? | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 13                                                                                                     | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 14                                                                                                     | Was a lease incentive received at or before the commencement of the lease?             | N                        | << Select from dropdown list                                                                                                                                                                                                                                          |
| 15                                                                                                     | NA                                                                                     |                          | << Leave Blank                                                                                                                                                                                                                                                        |
| 16                                                                                                     | What is the annual discount rate for the lease at 7/1/2021                             | 4.62%                    | << Use the annual discount rate stated in lease if available, otherwise use the internal rate of return for the lease. If the internal rate of return cannot be determined, use the organization's annual incremental borrowing rate (See GASB 62 paragraphs 183-184) |
| 17                                                                                                     | Prior to GASB 87, is this lease an operating or capital lease?                         | Operating                | << Select from dropdown list                                                                                                                                                                                                                                          |
| Complete the prior FYE financial information for the lease (ENTER CREDIT AMOUNTS AS NEGATIVE AMOUNTS): |                                                                                        |                          |                                                                                                                                                                                                                                                                       |
| 18                                                                                                     | NA                                                                                     | -                        | << Leave Blank                                                                                                                                                                                                                                                        |
| 19                                                                                                     | NA                                                                                     | -                        | << Leave Blank                                                                                                                                                                                                                                                        |
| 20                                                                                                     | NA                                                                                     | -                        | << Leave Blank                                                                                                                                                                                                                                                        |

The lease in the addendum does not contain several key information points that were needed to complete the above questions.

The lease does not have a stated discount interest rate; therefore, we attempted to determine an internal rate of return to impute the lessor's implied lending rate. To determine the internal rate of return, we obtained a market value quote for the equipment. We also determined the amount of the monthly lease payment that is attributable to the equipment by estimating the amount of the monthly payment attributable to usage and deducting that amount from the total. Much of this information will have to be obtained from the lessor or other parties if it is not available in the lease.

The steps used to calculate the monthly payment attributable to usage is below. For your information, we included quote screenshots for equipment purchases and an excerpt of the lease terms from the lease agreement.

Ricoh IM C2500 Color...  
\$4,196.00  
Copyfaxes  
Free shipping

|                                              |               |
|----------------------------------------------|---------------|
| Monthly payment                              | 221.54        |
| Estimated monthly usage included in payment: |               |
| B&W overage rate per sheet                   | 0.0165        |
| Base B&W sheets included in payment          | 1,500         |
|                                              | 24.75 (24.75) |
| Color overage rate per sheet                 | 0.0935        |
| Base color sheets included in payment        | 200           |
|                                              | 18.70 (18.70) |
| Monthly equipment lease payment              | 178.09        |

Ricoh IM C2500 Color...  
\$4,188.88  
A Matter of ...  
Free shipping

**TERM AND PAYMENT INFORMATION**

Payments\* of \$ 221.54

The payment ("Payment") period is monthly unless otherwise indicated.

Payment includes 1500 B&W pages per month

Payment includes 200 Color pages per month

Overages billed monthly at \$ .0165 per B&W page\*

Overages billed monthly at \$ .0935 per Color page\*

By Initialing here, you agree that maintenance and supplies are not included in this Agreement and Paragraph 13 shall not apply to this Agreement.

Since we know the market value of the equipment (We used \$4,196 from the two quotes provided, which are materially the same.) and the amount of the monthly lease payment attributable to the equipment (\$178.09), we can schedule out the cash flows for the 63 monthly payments. Use the Excel IRR function to determine a monthly discount rate of 3.85%, which equates to an annual discount rate of 46.22%. *This is a very high discount rate. We would not expect discount rates to be this high, but we are showing this particular lease as an example to emphasize to lessees the need to examine lease terms and resulting implied discount rates prior to entering into a lease.* (Note: The Excel XIRR function may also be used to impute the lender's implied lending rate. The rates imputed using the IRR and XIRR functions will be similar, but not identical.)

| <div> <div></div> <div>✕ ✓ f<sub>x</sub></div> <div>=IRR(B4:B67,0.12)</div> </div> |              |                     |   |   |
|------------------------------------------------------------------------------------|--------------|---------------------|---|---|
| A                                                                                  | B            | C                   | D | E |
|                                                                                    | monthly rate | annual rate         |   |   |
|                                                                                    | 3.85%        | 46.22%              |   |   |
|                                                                                    | (4,196.00)   | value of equipment  |   |   |
| 1                                                                                  | 178.09       | 63 monthly payments |   |   |
| 2                                                                                  | 178.09       |                     |   |   |
| 3                                                                                  | 178.09       |                     |   |   |
| 4                                                                                  | 178.09       |                     |   |   |
| 5                                                                                  | 178.09       |                     |   |   |
| 6                                                                                  | 178.09       |                     |   |   |
| 7                                                                                  | 178.09       |                     |   |   |
| 8                                                                                  | 178.09       |                     |   |   |
| 9                                                                                  | 178.09       |                     |   |   |
| 10                                                                                 | 178.09       |                     |   |   |
| 11                                                                                 | 178.09       |                     |   |   |
| 12                                                                                 | 178.09       |                     |   |   |

If we had been unable to develop an internal rate of return, we would have needed to determine our incremental borrowing rate to use as the discount rate. To determine an incremental borrowing rate, units might contact their primary banker to determine what terms would be offered for the similar circumstance (For example, an equipment loan that is payable over 5 years) or they may use interest rates from other similar financings.

In addition, the first and last lease payment dates, as well as the beginning and ending lease dates are not provided in the agreement; however, we know these dates based on our interactions with the lessor and the invoices we have paid thus far for the copier lease. Although the operating lease in this example began prior to the GASB 87 implementation, we do not need to provide any prior year information as there are typically no balances associated with operating leases, just rent expenditures/outflows.

**Step 3** – With all the required information entered into the lease questionnaire, then move to complete the Lessee Calculations information on the Lessee Calculations tab. Fill in the estimated payment amounts in the red-highlighted column **"INPUT Expected Scheduled Payment Amount net of any Lease Incentive"**. **The amounts entered in this column should only include the amount attributable to the asset being leased (not the usage or non-lease components)!** In the copier example, that is the \$178.09 calculated in this memorandum. The Monthly Payment Dates will automatically populate based on questionnaire responses. There should be a payment amount provided for each date. If on a particular date, the payment is \$0, then enter "0" for that amount and disregard the warning message. *Do not include prepayments that were included in questions 10 and 11 of the questionnaire.* The amounts input should be what is known at the later of lease inception or lease restatement date. See GASB 87 paragraph 21 for more information.

**Illustration #5** – Illustration below is before Step 3 completion, with warning messages.

|                                                  |              |                                                                                                                                                                                        |                |    |                              |          |                                                           |                              |  |
|--------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------|----|------------------------------|----------|-----------------------------------------------------------|------------------------------|--|
| Discount rate                                    |              | 46.22%                                                                                                                                                                                 |                |    |                              |          |                                                           |                              |  |
| Beginning measurement date                       |              | 7/1/2021                                                                                                                                                                               |                |    | PV Calc as of                |          |                                                           |                              |  |
| Implementation FYE                               |              | 6/30/2022                                                                                                                                                                              |                |    | 7/1/2021                     |          |                                                           |                              |  |
| Ending lease date                                |              | 5/10/2026                                                                                                                                                                              |                |    | -                            |          | = Beginning Lease Liability                               |                              |  |
| First Payment in measurement period              |              | 7/10/2021                                                                                                                                                                              |                |    | -                            |          | Prepayments, installation and delivery costs net of lease |                              |  |
| Last Payment                                     |              | 5/10/2026                                                                                                                                                                              |                |    | -                            |          | = Beginning Lease Asset                                   |                              |  |
| Expected/Base Lease Payments and Lease Liability |              |                                                                                                                                                                                        |                |    |                              |          |                                                           |                              |  |
|                                                  |              | <b>INPUT<br/>Expected<br/>Scheduled<br/>Payment<br/>Amount net of<br/>any Lease<br/>Incentive<br/>(include asset<br/>component, do<br/>not include<br/>usage/other<br/>components)</b> |                |    |                              |          |                                                           |                              |  |
|                                                  | Payment Date |                                                                                                                                                                                        | Warnings       | PV | Beg of<br>Month<br>Principal | Interest | Principal<br>(Reduction)/In<br>crease                     | End of<br>Month<br>Principal |  |
| 0                                                | 7/10/2021    |                                                                                                                                                                                        | **warning - no | -  | -                            | -        | -                                                         | -                            |  |
| 1                                                | 8/10/2021    |                                                                                                                                                                                        | **warning - no | -  | -                            | -        | -                                                         | -                            |  |
| 2                                                | 9/10/2021    |                                                                                                                                                                                        | **warning - no | -  | -                            | -        | -                                                         | -                            |  |
| 3                                                | 10/10/2021   |                                                                                                                                                                                        | **warning - no | -  | -                            | -        | -                                                         | -                            |  |
| 4                                                | 11/10/2021   |                                                                                                                                                                                        | **warning - no | -  | -                            | -        | -                                                         | -                            |  |

**Illustration #6** - After the successful completion of Step 3, with lease liability and asset calculations presented. Notice that the warning messages have been remedied.

|                                                  |              |                                                                                                                                                                                        |          |        |                              |          |                                                           |                              |  |
|--------------------------------------------------|--------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|--------|------------------------------|----------|-----------------------------------------------------------|------------------------------|--|
| Discount rate                                    |              | 46.22%                                                                                                                                                                                 |          |        |                              |          |                                                           |                              |  |
| Beginning measurement date                       |              | 7/1/2021                                                                                                                                                                               |          |        | PV Calc as of                |          |                                                           |                              |  |
| Implementation FYE                               |              | 6/30/2022                                                                                                                                                                              |          |        | 7/1/2021                     |          |                                                           |                              |  |
| Ending lease date                                |              | 5/10/2026                                                                                                                                                                              |          |        | 4,285.37                     |          | = Beginning Lease Liability                               |                              |  |
| First Payment in measurement period              |              | 7/10/2021                                                                                                                                                                              |          |        | -                            |          | Prepayments, installation and delivery costs net of lease |                              |  |
| Last Payment                                     |              | 5/10/2026                                                                                                                                                                              |          |        | 4,285.37                     |          | = Beginning Lease Asset                                   |                              |  |
| Expected/Base Lease Payments and Lease Liability |              |                                                                                                                                                                                        |          |        |                              |          |                                                           |                              |  |
|                                                  |              | <b>INPUT<br/>Expected<br/>Scheduled<br/>Payment<br/>Amount net of<br/>any Lease<br/>Incentive<br/>(include asset<br/>component, do<br/>not include<br/>usage/other<br/>components)</b> |          |        |                              |          |                                                           |                              |  |
|                                                  | Payment Date |                                                                                                                                                                                        | Warnings | PV     | Beg of<br>Month<br>Principal | Interest | Principal<br>(Reduction)/In<br>crease                     | End of<br>Month<br>Principal |  |
| 0                                                | 7/10/2021    | 178.09                                                                                                                                                                                 |          | 178.09 | 4,285.37                     | -        | (178.09)                                                  | 4,107.28                     |  |
| 1                                                | 8/10/2021    | 178.09                                                                                                                                                                                 |          | 171.48 | 4,107.28                     | 158.20   | (19.89)                                                   | 4,087.39                     |  |
| 2                                                | 9/10/2021    | 178.09                                                                                                                                                                                 |          | 165.12 | 4,087.39                     | 157.43   | (20.66)                                                   | 4,066.74                     |  |
| 3                                                | 10/10/2021   | 178.09                                                                                                                                                                                 |          | 153.00 | 4,066.74                     | 156.64   | (21.45)                                                   | 4,045.28                     |  |
| 4                                                | 11/10/2021   | 178.09                                                                                                                                                                                 |          | 153.10 | 4,045.28                     | 155.81   | (22.28)                                                   | 4,023.00                     |  |



**Step 4** – Also on the Lessee Calculations tab, fill in the actual payment amounts in the red-highlighted column "INPUT Actual Scheduled Payment Amount net of Lease Incentives". These are actual amounts, so only amounts through the end of the current fiscal year will be populated. Generally, these amounts will be the same as those entered in Step 3. If the expected scheduled amount entered in Step 3 includes an expected increase based upon a future index rate, then an index rate change may cause a difference between the amounts entered in Step 3 and Step 4. There should be no warning messages in the adjacent column to the right when complete.

**Step 5** – Continuing on the Lessee Calculations tab, enter any additional payments that were made that were related to the lease during the year. Such payments could be for the base usage component, overage usage payments, insurance, property tax, etc. Contingent and variable lease incentives would also be included in this column. In the provided example, the base usage component of the monthly payment of \$43.45 (\$24.75 for B&W sheet + \$18.70 color sheet) was provided in Illustration #4. See GASB 87, paragraph 22 for more information.

**Illustration #7** – After Step 4 and Step 5 are completed, the actual payment information through the end of the current year; the resulting adjustment to lease expense; and lease asset amortization are displayed as presented below in Illustration #7.

| Actual Lease Payments and Adjustments to Amortization Expense |                                                              |              |                                             |                                                                                                                                     |                      |                             | Lease Asset Amortization |                               |              |                            |
|---------------------------------------------------------------|--------------------------------------------------------------|--------------|---------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------|----------------------|-----------------------------|--------------------------|-------------------------------|--------------|----------------------------|
| Payment Date                                                  | INPUT Actual Scheduled Payment Amount net of Lease Incentive | Input Errors | Difference Between Actual and Expected Rent | Add'l Usage/ Insurance/Other Payments for Lease (those deemed not unreasonable) net of any Contingent and Variable Lease Incentives | Total Actual Payment | Adjustment to Lease Expense | Period                   | Beginning Lease Asset Balance | Amortization | Ending Lease Asset Balance |
| 7/10/2021                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 7/10/2021                | 4,285.37                      | 72.63        | 4,212.74                   |
| 8/10/2021                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 8/10/2021                | 4,212.74                      | 72.63        | 4,140.11                   |
| 9/10/2021                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 9/10/2021                | 4,140.11                      | 72.63        | 4,067.47                   |
| 10/10/2021                                                    | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 10/10/2021               | 4,067.47                      | 72.63        | 3,994.84                   |
| 11/10/2021                                                    | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 11/10/2021               | 3,994.84                      | 72.63        | 3,922.21                   |
| 12/10/2021                                                    | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 12/10/2021               | 3,922.21                      | 72.63        | 3,849.57                   |
| 1/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 1/10/2022                | 3,849.57                      | 72.63        | 3,776.94                   |
| 2/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 2/10/2022                | 3,776.94                      | 72.63        | 3,704.31                   |
| 3/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 3/10/2022                | 3,704.31                      | 72.63        | 3,631.67                   |
| 4/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 4/10/2022                | 3,631.67                      | 72.63        | 3,559.04                   |
| 5/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 5/10/2022                | 3,559.04                      | 72.63        | 3,486.41                   |
| 6/10/2022                                                     | 178.03                                                       |              | -                                           | 43.45                                                                                                                               | 221.54               | 43.45                       | 6/10/2022                | 3,486.41                      | 72.63        | 3,413.77                   |



**Step 6** - Review the resulting journal entries on the Lessee 1<sup>st</sup> Year Adjusting Journal Entries (AJEs) tab. Make modifications to the resulting entries as necessary.

**Illustration #8** – Lessee 1<sup>st</sup> Year AJEs tab details Year 1 entries in Illustration #8.

| Month-End for JE | General Fund                                                                                                                                                                                    |                        | DR       | CR       | Conversion to Governmental Activities                                                                                                                                                           |                                        | DR       | CR       |
|------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------|----------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|----------|----------|
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 |                                        |          |          |
| 7/31/2021        | Capital Outlay                                                                                                                                                                                  |                        | 4,285.37 |          | Lease Asset                                                                                                                                                                                     |                                        | 4,285.37 |          |
|                  |                                                                                                                                                                                                 | Other Financing Source |          | 4,285.37 | Other Financing Source                                                                                                                                                                          |                                        | 4,285.37 |          |
|                  |                                                                                                                                                                                                 | Cumulative Effect PPA  |          | -        |                                                                                                                                                                                                 | Lease Liability                        |          | 4,285.37 |
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 | Capital Outlay                         |          | 4,285.37 |
|                  | <i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i> |                        |          |          | <i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i> |                                        |          |          |
| 7/31/2021        | Debt Service Expenditure - Principal                                                                                                                                                            |                        | 178.09   |          | Lease Liability                                                                                                                                                                                 |                                        | 178.09   |          |
|                  | Debt Service Expenditure - Interest                                                                                                                                                             |                        | -        |          | Interest Expense                                                                                                                                                                                |                                        | -        |          |
|                  |                                                                                                                                                                                                 | Cash                   |          | 178.09   |                                                                                                                                                                                                 | Debt Service Expenditure - Principal   |          | 178.09   |
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 | Debt Service Expenditure - Interest    |          | -        |
|                  | <i>Record lease payment</i>                                                                                                                                                                     |                        |          |          | <i>Record lease payment</i>                                                                                                                                                                     |                                        |          |          |
| 7/31/2021        | No Entry                                                                                                                                                                                        |                        |          |          | Amortization Expense Lease Asset                                                                                                                                                                |                                        | 72.63    |          |
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 | Accumulated amortization - lease asset |          | 72.63    |
|                  |                                                                                                                                                                                                 |                        |          |          | <i>Record lease asset amortization</i>                                                                                                                                                          |                                        |          |          |
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 |                                        |          |          |
| 7/31/2021        | Rental Expenditure Expense                                                                                                                                                                      |                        | 43.45    |          | No Entry                                                                                                                                                                                        |                                        |          |          |
|                  |                                                                                                                                                                                                 | Cash                   |          | 43.45    |                                                                                                                                                                                                 |                                        |          |          |
|                  | <i>Record variable rent expense</i>                                                                                                                                                             |                        |          |          |                                                                                                                                                                                                 |                                        |          |          |
|                  |                                                                                                                                                                                                 |                        |          |          |                                                                                                                                                                                                 |                                        |          |          |

  

| Activities    |          | Governmental Activities                                                                                                                                                                         |          |
|---------------|----------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------|
| DR            | CR       | DR                                                                                                                                                                                              | CR       |
| 4,285.37      |          | Lease Asset                                                                                                                                                                                     | 4,285.37 |
| 4,285.37      |          | Lease Liability                                                                                                                                                                                 | 4,285.37 |
|               | 4,285.37 | Cash                                                                                                                                                                                            | -        |
|               | 4,285.37 |                                                                                                                                                                                                 |          |
|               |          | <i>To record inception of lease and deposit payment - if lease was entered into in a prior period, this JE is N/A as inception of lease is recorded in the PPA JE in the prior fiscal year.</i> |          |
| 178.09        |          | Lease Liability                                                                                                                                                                                 | 178.09   |
| -             |          | Interest Expense-87                                                                                                                                                                             | -        |
| Principal     | 178.09   | Cash                                                                                                                                                                                            | 178.09   |
| Interest      | -        |                                                                                                                                                                                                 |          |
|               |          | <i>Record lease payment</i>                                                                                                                                                                     |          |
| 72.63         |          | Lease Amortization Expense                                                                                                                                                                      | 72.63    |
| - lease asset | 72.63    | Accumulated amortization - lease asset                                                                                                                                                          | 72.63    |
|               |          | <i>Record lease asset amortization</i>                                                                                                                                                          |          |
|               |          | Variable Rental expense - 87                                                                                                                                                                    | 43.45    |
|               |          | Cash                                                                                                                                                                                            | 43.45    |
|               |          | <i>Record variable rent expense</i>                                                                                                                                                             |          |

**Step 7** – Review the Trial Balance Crosswalk tab ending balances for appropriateness. Lease Asset less Accumulated Amortization, and Lease Liability mounts should tie back to the amortization schedules on the Lessee/Lessor Calculations tab. The Cash credit amount represents all lease payments made during the year.

**Illustration #9** – Trial Balance Crosswalk tab showing lease-related balances prior to Year 1, Year 1 entry totals by account and after Year 1.

|                                                      | 6/30/2021             |                    |                     | 6/30/2022         |
|------------------------------------------------------|-----------------------|--------------------|---------------------|-------------------|
|                                                      | Before<br>Restatement | 1st Year<br>Debits | 1st Year<br>Credits | Ending<br>Balance |
| <b>Assets/Liabilities</b>                            |                       |                    |                     |                   |
| Cash                                                 |                       | -                  | 2,658.48            | (2,658.48)        |
| Lease Asset                                          | -                     | 4,285.37           | -                   | 4,285.37          |
| Accumulated amortization - lease asset               | -                     | -                  | 871.60              | (871.60)          |
| Asset under Capital Lease                            | -                     | -                  | -                   | -                 |
| Accumulated Depreciation - Asset under Capital Lease | -                     | -                  | -                   | -                 |
| Lease Liability                                      | -                     | 444.29             | 4,285.37            | (3,841.08)        |
| Debt Payable under Capital Lease                     | -                     | -                  | -                   | -                 |
| Cumulative Effect PPA                                | -                     | -                  | -                   | -                 |
|                                                      |                       |                    |                     |                   |
| <b>Inflows/Outflows(Revenues/Expenses)</b>           |                       |                    |                     |                   |
| Lease Amortization Expense                           |                       | 871.60             | -                   | 871.60            |
| Interest Expense-87                                  |                       | 1,632.79           | -                   | 1,632.79          |
| Variable Rental expense - 87                         |                       | 521.40             | -                   | 521.40            |
|                                                      |                       |                    |                     |                   |
|                                                      |                       |                    |                     |                   |
|                                                      |                       |                    |                     |                   |
|                                                      |                       |                    |                     |                   |
|                                                      |                       |                    |                     |                   |
|                                                      |                       | 7,815.46           | 7,815.46            |                   |

*Recommendation* – In order to gain comfort with your understanding of the Excel template process, you can enter the information from this copier example into a blank template (complete the Questionnaire tab and payment columns on the Calculations tab), then compare the resulting TB Crosswalk to the above.

### Lessor GASB 87 Excel Template Walkthrough

With only a few exceptions, the lessor template is identical to the lessee template and the above steps are also applicable to the lessor template. The resulting journal entries are different for lessors than for lessees and these differences are reflected in the journal entry tabs.

There are additional questions in the Lease Questionnaire related to capital assets on the lessor template. The fixed asset questions are only applicable for capital leases in place before GASB 87 implementation. With the implementation of GASB 87, the lessor will no longer remove leased assets from the balance sheet. Instead, the lessor will continue to amortize the capital asset being leased. There is also a capital asset depreciation schedule included on the Lessor Calculations tab. **The template is not intended to serve as a replacement for the organization's capital asset system.** The capital asset information is included in the template to demonstrate to lessors that the underlying capital asset should continue to be included in their financial statements.

### Multiple Component Leases, Lease Modifications, Terminations and Remeasurements

If a lease involves multiple underlying assets, lessees and lessors may need to account for each underlying asset as a separate lease contract (see GASB 87 paragraphs 63-68). In this circumstance, a separate lease template should be prepared for each lease component.

If, after the initial recording of a lease under GASB 87, the lease is modified, terminated or partially terminated (see GASB 87 paragraphs 71-79 for qualifying modifications), the lessee and lessor will need to remeasure the lease liability and lease asset (lease receivable and deferred inflow of resources for lessors) during the accounting period of modification/termination/partial termination. In some cases, the discount rate also will be modified. A separate lease template should be used to perform the remeasurement. The existing lease balances should then be adjusted to the new modified balances, with any difference being posted to a gain or loss account.

In conclusion, you can use the GASB 87 Excel tools when performing your GASB 87 calculations. Prior to using the tools, you should have identified all leases which are in-scope for GASB 87 reporting and you should be familiar with the reporting requirements of GASB 87. This memo is provided as a guide to the GASB 87 Excel tools. If you have further questions in this memorandum, please contact a staff member of the State and Local Government Finance Division staff at 919-814-4300.

## Addendum #1

The screenshot below is a redacted version of a lease agreement for a Ricoh/Savin copier that is used as an example on page 5 of this memorandum. Note: This example includes a calculated annual discount rate that we would not expect to see.

| APPLICATION NO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           | AGREEMENT NO.                       |                                   |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------|-------------------------------------|-----------------------------------|
| The words "Lessee," "you" and "your" refer to Customer. The words "Lessor," "we," "us" and "our" refer to [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                           |                                     |                                   |
| <b>CUSTOMER INFORMATION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                           |                                     |                                   |
| FULL LEGAL NAME [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     |                                   |
| CITY [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     |                                   |
| BILLING NAME [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                           |                                     |                                   |
| CITY [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     |                                   |
| EQUIPMENT [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |                           |                                     |                                   |
| <b>EQUIPMENT DESCRIPTION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                |                           |                                     |                                   |
| MAKER/MODEL/ACCESSORIES                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     | SERIAL NO.                | STARTING METER                      | NOT FINANCED UNDER THIS AGREEMENT |
| Savin C2500                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |                           |                                     | <input type="checkbox"/>          |
| <input type="checkbox"/> See attached Schedule A <input type="checkbox"/> See attached Billing Schedule                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |                           |                                     |                                   |
| <b>TERM AND PAYMENT INFORMATION</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                           |                                     |                                   |
| 63 Payments* of \$ 221.54                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                                     |                                   |
| The payment ("Payment") period is monthly unless otherwise indicated.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                       |                           |                                     |                                   |
| If you are exempt from sales tax, attach your certificate.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     |                                   |
| *plus applicable taxes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                           |                                     |                                   |
| Payment includes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 1500 B&W pages per month  | Overages billed monthly at \$ .0165 | per B&W page*                     |
| Payment includes                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            | 200 Color pages per month | Overages billed monthly at \$ .0935 | per Color page*                   |
| By initiating here, you agree that maintenance and supplies are <u>not</u> included in this Agreement and Paragraph 13 shall not apply to this Agreement.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                                     |                                   |
| <b>END OF TERM OPTIONS</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     |                                   |
| You may choose one of the following options, which you may exercise at the end of the term, provided that no event of default under this Agreement has occurred and is continuing. If no box is checked and initiated, Fair Market Value will be your end of term option. Fair Market Value means the value of the Equipment in continued use.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |                           |                                     |                                   |
| <input type="checkbox"/> Purchase all of the Equipment for its Fair Market Value, renew this Agreement, or return the Equipment.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                           |                                     |                                   |
| <input type="checkbox"/> Purchase all of the Equipment for \$1.00. At the end of the term, title to the Equipment will automatically transfer to you, AS IS, WHERE IS, with no warranties of any kind.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |                           |                                     |                                   |
| Customer's Initials                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                           |                                     |                                   |
| Customer's Initials                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                         |                           |                                     |                                   |
| Upon acceptance of the Equipment, THIS AGREEMENT IS NONCANCELABLE, IRREVOCABLE AND CANNOT BE TERMINATED.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                           |                                     |                                   |
| <b>LESSOR ACCEPTANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |                           |                                     |                                   |
| [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     | 02-11-2021                        |
| [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     | DATED                             |
| <b>CUSTOMER ACCEPTANCE</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     |                                   |
| BY SIGNING BELOW OR AUTHENTICATING AN ELECTRONIC RECORD HEREOF, YOU CERTIFY THAT YOU HAVE REVIEWED AND DO AGREE TO ALL TERMS AND CONDITIONS OF THIS AGREEMENT ON THIS PAGE AND ON PAGE 2 ATTACHED HERETO.                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                   |                           |                                     |                                   |
| [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     | 11/18/20                          |
| [REDACTED]                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                  |                           |                                     | DATED                             |
| <b>TERMS AND CONDITIONS (Continued on Page 2)</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                           |                           |                                     |                                   |
| 1. AGREEMENT: You agree to lease from us the goods, together with all replacements, parts, repairs, additions, and accessories incorporated therein or attached thereto and any and all proceeds of the foregoing, including, without limitation, insurance recoveries ("Equipment") and, if applicable, finance certain software, software license(s), software components and/or professional services in connection with software (collectively, the "Financed Items," which are included in the word "Equipment" unless separately stated) from various license(s) and/or supplier(s) (collectively, the "Supplier"), as described in this Agreement and in any attached schedule, addendum or amendment hereto ("Agreement"). You represent and warrant that you will use the Equipment for business purposes only. You agree to all of the terms and conditions contained in this Agreement, which, with the acceptance certification, is the entire agreement between you and us regarding the Equipment and which supersedes all prior agreements, including any purchase order, invoice, request for proposal, response or other related documents. This Agreement becomes valid upon execution by us. If maintenance and supplies are not included, and we want to start on the date we pay supplier and our first payment is due on the day after the date of this Agreement and each payment thereafter shall be due on the same day of each month (the "Due Date") unless a different due date is mutually agreed to by us and you. If the parties agree to adjust the Payment due date (an "Adjusted Due Date"), in addition to all Payments and other amounts due hereunder, you will pay an invoice payment in an amount equal to 1/30th of the Payment, multiplied by the number of days between the Scheduled Due Date and the Adjusted Due Date. If any provision of this Agreement is declared unenforceable, the other provisions herein shall remain in full force and effect to the fullest extent permitted by law. |                           |                                     |                                   |