

STATE UNIVERSITY OF NEW YORK
OFFICE OF THE UNIVERSITY CONTROLLER
CAMPUS FINANCIAL REPORTING PACKAGE
LEASES

PURPOSE

The intent of this survey is to obtain capital lease obligations (including tax exempt leasing programs (TELP) and other private financing arrangements), operating lease commitments and certificates of participation (COPS) information for inclusion in the University's financial statements for the year ended June 30. The fixed asset data related to capital leases and COPS will be obtained from the SUNY fixed asset accounting system maintained by the State University Construction Fund.

Note: if a campus has entered into private financing arrangement(s) during the year or has existing arrangement(s) that have not been previously reported (not on the capital lease schedule), complete Exhibit IV.

DEFINITIONS

Capital Lease (Lease/Purchase):

A contract entered into by the University to make periodic payments to the owner of a fixed asset for the right to use it in the normal operations of the university/college/hospital. Usually included in the contract is a provision that transfers ownership of the asset at some point in time during or at the end of the lease.

Any lease that meets any one of the following four criteria is a capital lease:

1. The lease transfers ownership of the property to the University by the end of the lease term.
2. The lease contains an option to purchase the leased property at a bargain price.
3. The lease term is equal to or greater than 75% of the estimated economic life of the leased asset.
4. The present value of rental and other minimum lease payments equals or exceeds 90% of the fair value of the leased asset.

This type of lease indicates that, by the terms of the lease, the University in effect "owns" the asset and should record the assets and the related obligation. Leases that do not meet any of the four criteria listed above are operating leases.

For purposes of this survey, two types of capital leases have been identified based upon how they were financed: (1) leases entered into directly by the campus and financed through operating funds including arrangements with lending institutions (i.e., TELP), and (2) leases entered into as a result of COPS financed through New York State, with the Office of General Services (OGS) acting as lessor to the University.

Operating Leases (Rental):

Periodic payments made to the owner of a fixed asset, for the right to use the asset in the normal operations of the University. The asset remains the property of the owner throughout the rental period (without an option for the University to purchase the asset) and is returned to the owner at the end of the lease term. These types of leases, by their terms, are no more than an arrangement to "rent" the asset for a period of time. Therefore, the obligation and the asset are not recorded in the financial statements. However, the University under GAAP must report the future rental commitments in the footnotes of the financial statements. One feature that distinguishes an operating lease from a capital lease is that operating leases do not contain an interest component within the periodic payments. Capital lease payments are composed of principal and interest.

Certificates of Participation:

One of the financing methods used by New York State to fund the acquisition of capital assets involves the issuance of COPS. COPS are similar to bonds; each has a face value, a maturity date, and a fixed interest rate. However, unlike bonds, they are secured only by ownership of the asset and the right of the lessor to receive rental payments under a lease/purchase agreement.

COPS are usually issued to investors by New York State through underwriters. The proceeds, deposited with a trustee, are used to fund the purchase of the capital asset and to pay the issuance cost. Surplus funds may be used for the retirement of debt or for any additional interest expense. COPS are not a liability of the University; however, the lease/purchase agreement entered into by the University is considered a capital lease and, as such, the asset and the liability are recorded by the University. Interest expense and principal on the certificates are paid from the campus' operating funds, the users of the leased equipment.

GENERAL RULE: All COPS must be arranged through the OGS, with OGS acting as master lessor. The University, by signing a Memorandum of Understanding (MOU) becomes a sublessee. In this situation, the University has nothing to do with arranging the COPS and does not have any claim to the money held by the trustee. For financial statement purposes these transactions are viewed as capital lease agreements entered into with OGS. However, this type of arrangement is commonly referred to as a COP. For clarification purposes, these types of leases will be referred to as New York State COPS or OGS COPS with the understanding that they will be treated as ordinary capital leases for financial statement purposes.

Another issue which needs to be clarified is that sometimes the campus will enter into a capital lease contract with a lending institution. Unknown to the campus, the lending institution or lessor will subsequently sell COPS using the campus lease. In these situations, the lease is still considered a capital lease and should not be classified as a COP.

INSTRUCTIONS

Each fiscal year lease schedules for your campus are prepared based on information submitted by your campus to the university controller's office. There are three separate schedules as follows:

- 1) Capital leases financed through operating funds or a contract with a lending institution (capital)
- 2) Leases financed through OGS COPS (OGSCOPS)
- 3) Operating Leases – Rentals (operating)

Schedules 1 or 2

Review each contract listed and verify the principal and interest payment breakdown for all applicable years. Complete the schedule with any additional leases not listed but entered into by your campus as of June 30. For each contract listed, fill in the applicable expiration date and interest rate if not already noted on the schedule. In addition, please complete the section pertaining to payments made during the time period July 1 through June 30 with the account numbers used by your campus to record both principal and interest payments. If more than one account number is used, please list each and the dollar amount charged accordingly. This should be the total amount of State funds paid out during the fiscal year, regardless of the appropriation it was paid against.

For any new leases you add on to the schedules, please submit an amortization schedule with your return package.

In addition, if a campus has entered into private financing arrangement(s) during the year or has existing arrangement(s) that have not been previously reported (not on the capital lease schedule), complete Exhibit IV.

Schedule 3

Please verify that all operating leases are listed on this schedule. If any have been omitted, please add to the schedule. Review annual rental payments and lease expiration dates and make any necessary corrections per your records. In addition, please complete the column for the account number charged by your campus for each rental payment. If more than one account is used please list each account and the amount charged accordingly.

For all leases that have expiration dates beyond five years of the fiscal year-end (i.e. June 30, 2009 from June 30, 2004), attach a supplemental schedule of the obligation, by year, for the amount reflected in the "years thereafter" column. This will facilitate the preparation of next year's lease schedules. Please sign and return this form with your completed lease schedules.

Reviewed by: _____

STATE UNIVERSITY OF NEW YORK
OFFICE OF THE UNIVERSITY CONTROLLER
CAMPUS FINANCIAL REPORTING PACKAGE
PRIVATE FINANCING ARRANGEMENTS

Campus: _____

Dept. /DivCode: _____

Preparer: _____

Telephone: _____

Please provide the following information for each private financing arrangement entered into during the year or on any existing arrangements that have not been previously reported (not included on the capital lease schedule). Also, provide a copy of the contract, including a listing of equipment (assets) and related amortization schedule.

Provide a brief description of purpose and type of borrowing: _____

Date of Contract	_____
Total \$ amount of borrowing	\$ _____
Cost of borrowing (loan fees)	\$ _____
Initial available proceeds	\$ _____
Interest earnings during the year	\$ _____
Outstanding obligation at 6/30	\$ _____

Principal payments made during the year	\$ _____	SUNY a/c # _____
Interest cost during the year – 6/30	\$ _____	SUNY a/c # _____
Available cash balance at 6/30	\$ _____	(provide bank statement)
Assets purchased prior to 6/30 (prior year)	\$ _____	(provide detail)
Assets purchased (cumulative) thru 3/31	\$ _____	(provide detail)
Assets purchased 4/1 through 6/30	\$ _____	(provide detail)
\$ Amount of assets on PCS (or FA-2) 3/31	\$ _____	*
\$ Amount of assets on PCS (or FA-2) 6/30	\$ _____	*

* Building improvements should not be reported on PCS, but should be reported to the State University Construction Fund through the capital reporting process. As such, for building improvements not yet complete (construction-in-process) the Controller's Office will use the information reported here for the University financial statements.