

GASB 87 IMPLEMENTATION

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ABOUT THE METROPOLITAN WASHINGTON AIRPORTS AUTHORITY (MWAA)



- Independent Authority, established in 1987
- Fiscal Year End: December 31 (Implementation of GASB 87, January 1, 2020)
- Two airports in the Washington DC with \$766 million in operating revenues
 - Washington Dulles International Airport
 - Total terminal space = 3,696,277 square feet
 - Six (6) cargo buildings
 - Ronald Reagan National Airport
 - Total terminal space = 1,243,254 square feet
 - One (1) cargo building
- One (1) Toll Road with \$151 million in operating revenues
- Building a \$5.7 billion extension of the Washington Metropolitan Area subway system.

IMPLEMENTATION OF GASB 87 LESSEE ACCOUNTING

Procurement Actions

1. Identify all agreements - Received procurement report with all open procurement actions in Workday (financial system).
 1. The report contained
 1. Contract number
 2. Supplier
 3. Description of services
 4. Contract amount
 5. Contracting officer
 6. Current completion date, etc.
 2. Additional columns were added to the file:
 1. Lease Determination (Yes/No)
 2. Reason
 3. Location of file
 4. Extension periods
 5. Notes
 6. Final GASB 87 treatment

Note* Key is to tap into each resource that might have contract information included in it.

IMPLEMENTATION OF GASB 87 LESSEE ACCOUNTING (CONT.)



Procurement Actions

2. Locate Information - Received access to Procurement's repositories for contract information. These repositories generally contained the contract document, modifications to the contract documents, DBE/LDBE requirements, etc.
3. Classify Leases - Each procurement action (qty. 1,649) in the report was reviewed and any item that might contain a lease component was identified.
4. Review Lease Details - The supporting documentation for each identified action in #3 was reviewed for lease components. The supporting documentation was found either in the procurement repositories or actually loaded in our financial system.
5. If lease components were identified, the type of lease was determined and this information was added to the report.

Contract Number	Supplier	Description	Contract Amount	Lease	Reason	Contracting Officer	Location of File	Contract Expiration Date	Extension Periods	Notes	Final Treatment
SC-19-00015 (See PO-19-10446 & PO-19-10984)	SAMPLE TRUCKING COMPANY INC	Refuse Removal and Recycling Services at DCA, IAD and DTR	6,044,331.00	Y	Lease - Equipment	Anne Field	K:\Contract Files (maXXgrp)\Contract Files (maXXgrp)\Field\2019 CONTRACTS\1-19-C002 Refuse Removal & Recycle	March 31, 2022	Begin April 1, 2019 Base period 3 years with 1 two year option	Part waste removal and part lease of containers. Per John Smith, Part A - Equipment rental we are using 100% of the containers listed in the pricing schedule. Part D - Supplemental Services - these items are used on an ad hoc basis as needed throughout the life of the contract. There is a greater than 50% chance we will exercise the option period once the three year base period is completed.	Operating Lease

IMPLEMENTATION OF GASB 87 LESSEE ACCOUNTING (CONT.)

Procurement Actions

6. Build Model – A separate lease schedule file was prepared for each “Operating Lease”.
- This file identified the specific details for each lease, such as Lessor, commencement date, expiration date, payment information, etc.
 - The file calculated the amortization schedule, the initial “Right to Use Asset”, lease liability amounts, annual depreciation/amortization amounts and annual journal entries.

Lessor: Sample Trucking Company	Part of Master Service Contract SC-19-00015				
Equipment: Refuse Containers at DCA					
Type of Lease:	Operating Lease				
Commencement:	April 1, 2019				
Expiration Date	March 31, 2024				
Rental Payments	Payments due at the beginning of the month				
	Lease Amount	Supplemental	Total	Periods	
April 1, 2019 - March 31, 2020 (BP Y1)	\$12,885.00	43,090.88	\$55,975.88	12	154,620.00
April 1, 2020 - March 31, 2021 (BP Y2)	\$12,885.00	43,090.88	\$55,975.88	12	154,620.00
April 1, 2021 - March 31, 2022 (BP Y3)	\$12,885.00	43,090.88	\$55,975.88	12	154,620.00
April 1, 2022 - March 31, 2023 (OP Y1)	\$12,885.00	42,852.00	\$55,737.00	12	154,620.00
April 1, 2023 - March 31, 2024 (OP Y2)	\$12,885.00	42,852.00	\$55,737.00	12	154,620.00
				60	773,100.00
Period of Performance to be Measured	April 1, 2019 - March 31, 2024				
Interest Rate	3.00%				
Net Present Value:	717,080.63				

IMPLEMENTATION OF GASB 87 LESSEE ACCOUNTING (CONT.)

Non-Procurement Actions

1. Received from Disbursements a report with all payments not made through a procurement action.
 - Sorted this by supplier and reviewed invoices from each supplier.
 - Located two rent agreements that did not have procurement actions.
2. Reviewed in detail all transactions posted to our lease expenditures ledger account.
 - Tracked all expenses in the lease expenditure ledger account to a specific procurement or non-procurement action.
 - Note: Some of our leases were not recorded in the lease expenditure ledger account.
3. Reached out to our Legal Department
 - Possible easements, land use agreements, etc.
4. Reached out to each airport
 - Possible land leases, etc.

IMPLEMENTATION OF GASB 87 LESSEE ACCOUNTING (CONT.)

Items to Watch out for:

1. Technology contracts:
 - Internet Service Providers
 - 10g Ethernet private line
 - Dark Fiber
 - Data Centers
2. Contracts with unique payment schedules
 - Example – contract for the lease of deicing vehicles that bills seven (7) times per year (Oct – April) but is for 5 years in length. This is not a short term lease. How do you amortize the Right of Use assets?
3. Contracts that don't charge specifically for the equipment
 - Example: coffee machines that are lent us by the coffee supplier but we are billed for only the supplies
 - Example: Portable toilets – pricing schedules do not break out the cost of the toilet facility and the cost of cleaning the toilet facility.
4. Contracts that have a base amount of equipment but also have additional equipment and services
 - Cylinder rentals - There are a set number of cylinders on hand at all times with more added depending on usage.

GASB 87 LESSEE ON-GOING COMPLIANCE

1. Receive monthly updates on the procurement report which captures all new procurement actions.
 - The supporting documentation is reviewed for each new action.
2. Review all transactions posted to our lease expenditures ledger account each quarter.
3. Review the disbursements made without a procurement action each quarter.
4. Review invoices for outstanding leases each quarter.
5. Financial system set up:
 1. Set up separate ledger account for our “Right to Use” assets.
 2. Set up separate accumulated amortization and amortization expense for our “Right to Use” assets.
 3. Set up a separate interest expense account.
 4. Set up a separate liability account for our lease liabilities.

IMPLEMENTATION OF GASB 87 LESSOR ACCOUNTING



1. Identify all agreements

- A. Received a billing report with all the Agreements in our billing system: PROPworks®. The report contained the Agreement number and status, company, agreement class, agreement type, contract number and 2018 billed amount.
 - A. Additional columns were added to the file: GASB 87 Classification, location of files, 2nd location of files and notes
- B. Received the monthly revenue report from the company that manages our concession contracts.
- C. Received a revenue report that is produced by our Concession group each month.
- D. Received a list of lease agreements from each of the airports for land use, cargo, etc. Anything that is not classified as a “Concession” agreement.
- E. Asked the Legal Department for a list of agreements they might have. Typically these are for easements or unusual type items (e.g. solar farm)
- F. Received a list of cash receipts that were not associated with a billing agreement.

IMPLEMENTATION OF GASB 87 LESSOR ACCOUNTING (CONT.)



2. Locate Information - Received access to Concession's repositories for agreement information. These repositories contain the master lease, correspondence, other agreements (e.g. storage) and other information. We also have documents embedded in our billing software.
3. Classify Leases - Each line item in the billing report (qty. 7,103) was reviewed and any item that might contain a lease component was identified.
4. Review Lease Details - The supporting documentation for each identified action in #3 was reviewed for lease components. The supporting documentation was found in the Concession repositories or we contacted the Concession group directly for the paperwork. We also accessed the agreements through hyperlinks in our billing system.

IMPLEMENTATION OF GASB 87 LESSOR ACCOUNTING (CONT.)



5. If lease components were identified, the type of lease was determined and this information and the location of the supporting documentation was added to the billing report. We also updated our billing system if there were discrepancies between the supporting documentation and the billing system.
6. We cross-checked the other reports received against our master billing report to make sure we didn't miss any agreements.

Note* Some agreements in our billing system had multiple leases associated with them. A single concessionaire could have multiple locations and storage locations.

Note* Some of our airline agreements which would normally be covered by our Use and Lease Agreement had GASB 87 components, e.g. a VIP club that sells food and beverages. We found these by actually looking at the monthly invoices to the airlines.

IMPLEMENTATION OF GASB 87 LESSOR ACCOUNTING (CONT.)

7. Build Model – A separate lease schedule file was prepared for each GASB 87 agreement.
 - This file identified the specific details for each Agreement, such as lessee, commencement date, expiration date, payment information, space occupied, etc.
 - The file calculated the amortization schedule, the initial lease receivable and deferred inflow of resources and annual journal entries.

Lessee:	Sample Washington Concession	
Space:	NH-51	
Type of Lease:	Specialty Retail	1,027 Sq Ft
Commencement:	October 26, 2015	
Expiration Date (With Options)	December 31, 2020	
Option Periods:	none	
Rents	\$11,250.00	Jan 1 2019 - Dec 31 2019
	\$11,250.00	Jan 1 2020 - Dec 31 2020
 Propworks Agreement No.	 016289	
Payments	Monthly at Beginning of Period	
Period of Performance to be Measured	January 1, 2019 - December 31, 2020	
Interest Rate	2.60%	
 Net Present Value:	 263,392.28	

IMPLEMENTATION OF GASB 87 LESSOR ACCOUNTING (CONT.)



7. Build Model (cont.) –

- GASB 87 Lessor Database – we built (in testing now) a simple access database which we will populate with the information from each individual lease schedule. This database will allow us to prepare annual journal entries for the GASB 87 and will help with the maintenance of the lease schedules.
- PROPworks – the billing software we are using is building GASB 87 functionality. We are working closely with the company to make sure the reports and functionality are correct. Our billing software won't create the journal entries required in our financial system but will give us reports that will help us prepare monthly, quarterly or annual journal entries and our annual CAFR disclosures.

GASB 87 LESSOR ON-GOING COMPLIANCE

1. Receive monthly updates on the billing report from PROPworks which captures all new agreements.
 - The supporting documentation is reviewed for each new action.
2. Review each month the monthly revenue report from the management company.
3. Review each month a list of cash receipts not associated with a billing agreement.
4. Financial system set up:
 1. Set up separate ledger accounts for our lease receivables long term and short term
 2. Set up separate ledger account for our deferred inflow of resources.
 3. Set up a separate lease revenue account
 4. Set up a separate lease Interest Income account

IMPORTANT THINGS TO DO

- Get upper management across the organization engaged
 - Presentation given to VP's early on in the process
 - Access to Concession and Procurement files
 - IT staff assigned to help with Lessor database
- Reach out to auditors early (before the audit) for consensus on decisions
 - Review of federal lease for our airports
 - Inclusion of minimum annual guarantees only in lessor calculations (exclusion of percentage amounts)
 - Treatment of technology assets
 - Interest rates for lessee and lessor calculations
 - Aeronautical leases
- Follow the cash
 - Look at all possible ways you are paying your vendors (including P-cards)
 - Look at all possible ways you are receiving payments

QUESTIONS?