

BOARD OF PUBLIC WORKS AND SAFETY

RESOLUTION NO. 23-06

**A RESOLUTION OF THE BOARD OF PUBLIC WORKS AND SAFETY OF THE CITY
OF GREENWOOD APPROVING AND ADOPTING LEAS ASSET POLICY**

WHEREAS, the Governmental Accounting Standards Board issued Statement No. 87, “Leases”, (“GASB 87”), which revises governmental lease accounting for the City of Greenwood (“City”) effective beginning July 1, 2021;

WHEREAS, GASB 87 uses new definitions to classify lessee and lessor contracts, and it is recommended that the City establish an asset capitalization policy for its leases in accordance with GASB 87;

WHEREAS, the Board of Public Works and Safety (“Board”) has determined that it is in the best interest of the City to approve and adopt a Lease Policy in accordance with GASB 87 for lease accounting purposes.

NOW THEREFORE, BE IT RESOLVED BY THE BOARD OF PUBLIC WORKS AND SAFETY OF THE CITY OF GREENWOOD, INDIANA THAT:

Section 1. The Board approves and adopts the City of Greenwood Lease Policy attached hereto as “Exhibit A”.

Section 2. This Resolution is effective retroactive to July 1, 2021 upon its approval and adoption.

PASSED BY THE BOARD OF PUBLIC WORKS AND SAFETY OF GREENWOOD, INDIANA this _____ day of April 2032, by a vote of ____ ayes, ____ nays.

BOARD OF PUBLIC WORKS AND SAFETY

Kevin A. Hoover

Jeffrey A. Colvin

Shan Rutherford

ATTEST:

Amanda Leach, Clerk of the Board of
Public Works and Safety

EXHIBIT A

City of Greenwood Lease Policy

The purpose of this policy is to outline the steps taken by the City in its efforts to identify all lessee and lessor contracts that meet the definition of a lease as defined in the GASB Statement 87 for the recording of leases. This policy will be revised periodically as determined necessary by the City.

The requirements of the Statement are effective for the City's fiscal year ending December 31, 2022. Changes adopted to conform to the provisions of this Statement will be applied retroactively by restating financial statements of the prior year, when required.

The Statement defines a lease as a long-term contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles, and equipment.

To determine whether a contract conveys control of the right to use the underlying asset, a government should assess whether it has both of the following:

- a. The right to obtain the present service capacity from use of the underlying asset as specified in the contract.
- b. The right to determine the nature and manner of use of the underlying asset as specified in the contract.

Lease Consideration:

The City will consider any leases entered into, either as the lessee or lessor, with a contract value of \$10,000 or more. All leases over this amount will be evaluated and reported in accordance with the requirements of the Statement. All leases not evaluated individually per the threshold will be considered in the aggregate to ensure unrecorded leases in the aggregate are not considered material.

Capitalization Thresholds:

When the City is the lessee, the threshold to capitalize the lease asset set at \$5,000. The total contract value at the time of implementation must be at or over the lease materiality as determined above in order for the City to report the lease asset. When the City is the lessor, the capitalization threshold will follow the normal policy for all other assets purchased by the City.

Incremental Borrowing Rate:

The initial incremental borrowing rate for leases, where the City is the lessee, will be established for existing leases with the help of our consultant. Going forward, when a new lease has been established, if the interest rate is not stated in the contract, the City will establish an incremental borrowing rate at the time of the lease transaction with the help of our consultant.