



JASON E. MUMPOWER
Comptroller

December 15, 2021

TO: Finance Officers

FROM: Division of Local Government Finance

SUBJECT: New Lease Financing Preapproval Requirement in Effect January 1, 2022

Pursuant to Tenn. Code Ann. §§ 9-24-101 et seq., all financing leases (identified as financed purchases under GASB) entered into on and after January 1, 2022, are subject to preapproval from the Comptroller's Division of Local Government Finance. For detailed information on how to properly request approval, please consult pages 30 -32 of the Debt Manual which can be found on our website at tncot.cc/debt.

Attached to this memo is our graphic representation of the changes in law and accounting standards as they relate to all leases. You will also find this illustration on our website under the "Leases" tab at tncot.cc/debt.

In addition, a new Lease Information Summary Sheet is attached. It can also be found in a fillable format on our website under the "Leases" tab at tncot.cc/debt. We believe having this summary information before submitting a plan of lease financing to our office for approval will be beneficial to not only our reviewers but also your governing bodies. The vendor (lessor) that you are leasing the asset(s) from should be able to assist you in completing this form. Finally, under the "Leases" tab on our website you will find a link to our weighted average maturity calculator.

Please feel free to contact your financial analyst if you have any questions regarding submission requirements or if we may be of assistance.

Enclosures: All Leases Illustration
Lease Information Summary Sheet
Local Government Finance Contact Information

All Leases – Before and After GASB 87 & Recent Changes to Tenn. Code Ann.

BEFORE			
	GASB	Tenn. Code Ann.	TN Comptroller—Division of LGF
1	Operating Lease (Liability – No)	<ol style="list-style-type: none"> Permitted by TCA Approval at local level Approval by State – No 	<ol style="list-style-type: none"> Approval – No File Report on Debt Obligation – No
2	Capital Lease (Liability – Yes)	<ol style="list-style-type: none"> Permitted by TCA as a “lease-purchase” Approval at local level Approval by State – No 	<ol style="list-style-type: none"> Approval – No File Report on Debt Obligation – Yes

AFTER			
	GASB	Tenn. Code Ann.	TN Comptroller—Division of LGF
1a	Short-Term Financing Lease (Term ≤ 12 months – see Note) (Liability – No)	<ol style="list-style-type: none"> Permitted by TCA Approval at local level Approval by State – No 	<ol style="list-style-type: none"> Approval – No File Report on Debt Obligation – No
	<p>Note: A non-appropriation or annual cancellation clause only impacts the lease term <u>IF</u> it is reasonably certain the clause <u>will be exercised</u>. Intent by the lessee on the planned usage period of the leased asset is the determining factor.</p>		
1b	Financing Lease (Term > 12 months) (Liability - Yes)	<ol style="list-style-type: none"> Permitted by TCA Approval at local level Approval by State – No 	<ol style="list-style-type: none"> Approval – No File Report on Debt Obligation – No
2	Not a lease – A financed purchase (Liability – Yes and GASB 62 applies)	<ol style="list-style-type: none"> Permitted by TCA as a “lease-purchase” Approval at local level Approval by State – Yes 	<ol style="list-style-type: none"> Approval – Yes File Report on Debt Obligation – Yes

Lease Information Summary Sheet

T.C.A. §§ 9-24-101 et seq.

December 2021



Name of Lessee	
Type of Entity	

Note: If the lessee is not a public entity within the meaning of T.C.A. § 9-24-102(7), then the lessee does not need to complete this form.

Yes	No		Is the lease subject to T.C.A. §§ 9-24-101 et seq.?
		1.	Does proposed lease contain an identifiable interest component (not an imputed interest rate) in the lease document?
		2.	Does the lessee have the right to purchase the property that is subject to the lease at a price that is not based upon the fair market value of the leased property? (If the expected useful life of the leased assets is approximately equal to the term of the lease, the lessee will be deemed to have a purchase option for this purpose.)
		3.	If the answer to both previous questions is “No”, then the proposed lease does not need to be submitted to the Comptroller for approval. If the answer to either of the previous questions is “Yes”, then please continue with the completion of this sheet.

Yes	No		Is Comptroller approval required?
		1.	Does the proposed lease have a principal component in excess of \$100,000?
		2.	Does the principal component of proposed lease, together with the principal amount of all other lease financings entered into during the fiscal year, have a principal amount in excess of \$100,000?
		3.	If the answer to both previous questions is “No”, then the proposed lease does not need to be submitted to the Comptroller for approval. If the answer to either of the previous questions is “Yes”, then please continue with the completion of this sheet.

Complete the following and include with your request for approval.

1.	Identify proposed amount to be financed.
----	--

Lease Information Summary Sheet

T.C.A. §§ 9-24-101 et seq.

December 2021



2.	Describe the asset(s) or project to be financed.
3.	What is the economic life of the asset(s) being leased? Note: If you are leasing more than one asset with different economic lives, attach a listing with the following information: description of individual asset, cost of individual asset, economic life for each asset identified, and the weighted average life of the assets.*
4.	What is the weighted average maturity of the lease?*(The weighted average life of the leased assets cannot exceed the weighted average maturity.)
5.	Under what statute(s) could the lessee finance the leased property? (A public entity cannot enter into a lease financing for property that it cannot finance under applicable law).
6.	What is the expected payment source of the lease payments?
7.	Note: If the lease payments are payable from or secured by ad valorem (i.e., property) taxes, the lessee must first adopt an initial resolution meeting the requirements of state law if the lease term exceeds 12 years. If an initial resolution is required, what date was the initial resolution adopted?
8.	Attach a copy of the proposed lease agreement.
9.	Attach a proposed amortization schedule for the lease payment which includes the identifiable interest rate, the amount and date of each lease payment and the portion of each lease payment that is principal and the portion that is interest.
10.	Attach a schedule of detailed estimated costs of issuance, including one-time fees and recurring administrative or similar fees paid over the life of the lease.

*See: tncot.cc/debt for an estimator tool and how to videos for calculating weighted average maturity and average life of assets.



Division of Local Government Finance

CONTACT INFORMATION BY REGION

REGION 5

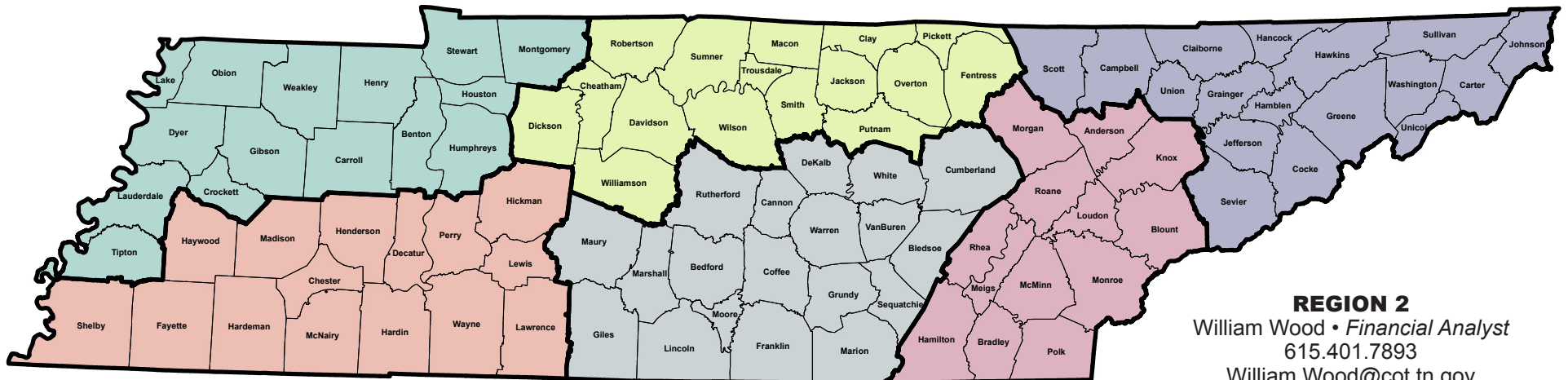
Adam Tschida • *Technical Manager*
615.747.5340
Adam.Tschida@cot.tn.gov

REGION 3

Charlie Lester • *Financial Analyst*
615.401.7762
Charlie.Lester@cot.tn.gov

REGION 1

Lori Barnard • *Financial Analyst*
615.747.5347
Lori.Barnard@cot.tn.gov



REGION 2

William Wood • *Financial Analyst*
615.401.7893
William.Wood@cot.tn.gov

REGION 6

Nate Fontenot • *Financial Analyst*
615.747.5238
Nate.Fontenot@cot.tn.gov

REGION 4

Meghan Huffstutter • *Financial Analyst*
615.747.5379
Meghan.Huffstutter@cot.tn.gov

Please send submissions and requests to:
LGF@cot.tn.gov
615.401.7829

Effective November 28, 2022