



# United States Department of the Interior


OFFICE OF THE SECRETARY

Washington, DC 20240

**MAR 16 2012**

## FINANCIAL MANAGEMENT MEMORANDUM 2012- 015 (Vol. II. B)

To: Bureau Chief Financial Officers  
Bureau Procurement Officers  
Bureau Property Officers

From: Douglas A. Glenn   
Deputy Chief Financial Officer and Director  
Office of Financial Management

Subject: Future Minimum Lease Payment Disclosures

As required by the Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, future minimum lease payments are disclosed in a footnote to the financial statements. This memorandum is issued to ensure disclosure consistency in reporting future minimum lease payments for direct leases and General Services Administration (GSA) agreements for real and personal property.

### **Direct Leases**

Bureaus should calculate future minimum lease payments for non-cancelable real and personal property operating leases with an initial or remaining term greater than one year. A lease is considered to have ended, for reporting purposes, when the lease term ends but continues on a month-to-month basis. For leases that have an indefinite period of performance, only calculate the future lease payments five years outward. For contracts with specific lease terms, the future payments should be calculated for the life of the lease as indicated in the agreement.

Bureaus may calculate future minimum lease payments using either one of the following methods:

- Provisions of the lease, or
- OMB inflation factors.

### **GSA Agreements**

#### *Real Property*

Bureaus should calculate future minimum lease payments for all GSA real property agreements regardless of whether they are non-cancelable. Although an agency may end a GSA Occupancy Agreement with short notice (e.g., 4 months), Interior often resides in these buildings for an extended period of time. Calculate future lease payments five years outward for agreements that have an indefinite period of performance. For agreements with specific lease terms, the future payments should be calculated for the life of the lease as indicated in the agreement.

Bureaus may calculate future minimum lease payments using either one of the following methods:

- Provisions of the occupancy agreement, or
- OMB inflation factors.

*Personal Property (i.e., vehicles)*

Bureaus should calculate future minimum lease payments for all GSA personal property agreements in the same manner as GSA real property agreements. While vehicle agreements with GSA are non-binding, Interior generally maintains a fleet of vehicles on an ongoing basis.

**OMB Inflation Factors**

Inflation factors are updated by OMB each year in the May timeframe and are located at <http://www.gsa.gov/exhibit54>. Please refer to the “Blank Shell Exhibit 54” Excel file, Summary tab to locate the actual percentages. *BY and BY+1 refer to YR 1 and YR 2 – Years Thereafter of the future minimum lease template.*

Inflation factors should be compounded annually and applied against those portions of the current fiscal year’s actual rental expense not predetermined in future years and without a specific escalation clause to determine the future payments.

The future minimum lease payments should be computed on a straight-line basis in accordance with the Financial Accounting Standards Board (FASB) 13. Please prepare a straight-line calculation in accordance with the FASB 13 and have it available for auditor review.

If you have questions regarding this guidance, please contact Parker Hill at (202) 513-0850 or via e-mail at [Parker\\_Hill@ios.doi.gov](mailto:Parker_Hill@ios.doi.gov).

cc: Financial Statements Guidance Team  
Finance Officers Partnership