

MEMORANDUM

TO: Board of Trustees

THROUGH: Indra S. Winqest
Interim General Manager

FROM: Gerald W. Eick, CPA CGMA
Director of Finance

Darren Howard
Director of Golf/Community Services

SUBJECT: Review, discuss, and possibly adopt Resolution No. 1875 authorizing a Medium-Term Installment Purchase Agreement in the form of a Lease Agreement (with PNC Equipment Finance, LLC) including minimum Future Lease Payments not to exceed \$121,605.12 to procure fifty-eight (58) EZ-Go gas-powered golf carts for the Mountain Golf Course.

STRATEGIC PLAN: Long Range Principle #2 – Finance
Long Range Principle #4 - Service
Long Range Principle #5 – Assets and Infrastructure

DATE: October 30, 2019

I. RECOMMENDATION

1. Staff recommends adoption of Resolution No. 1875 authorizing a Lease Agreement with PNC Equipment Finance, LLC for 58 (fifty-eight) EZ-Go gas-powered golf carts including future minimum lease payments totaling \$121,605.12, through 48 (forty-eight) monthly payments of \$2,533.44. Further, the Board of Trustees affirms the District's intention is to not exercise the fair market value purchase option and directs future capital project planning towards consideration of a lithium battery fleet to be integrated within projects for the Mountain Course Maintenance Building.
2. Authorize Staff to execute the EZ-Go Quote Document and provide all documents required for a compliance review by the State of Nevada Department of Taxation under Guidance Letter 16-004 relative to leasing.

3. Direct Staff to schedule the Lease Agreement and related Certificates for approval by the Board of Trustees after receipt of approval by the NV Department of Taxation.

II. **DISTRICT STRATEGIC PLAN**

Long Range Principle #2 – Finance – The District will ensure fiscal responsibility and sustainability of service capacities by maintaining effective financial policies for operating budgets, fund balances, capital improvement and debt management.

- Comply with State and Federal regulations.
- Develop and maintain long term plan to sustain financial resources

Long Range Principle #4 – Service – The District will provide superior quality service and value to its customers considering responsible use of District resources and assets.

- Provide well defined customer centric service levels consistent with community expectations.

Long Range Principle #5 – Assets and Infrastructure – The District will practice perpetual asset renewal, replacement, and improvement to provide safe and superior long-term utility services and recreation activities.

- Maintain, renew, expand, and enhance District infrastructure to meet the capacity needs and desires of the community for future generations.

III. **BACKGROUND**

The Board of Trustees adopted the 2019/2020 Capital Improvement Project Budget for 2019/2020 on May 22, 2019 at a publicly noticed meeting. During deliberations, Staff discussed the consideration of gas, traditional electric, and lithium battery powered units. Lithium battery power was highlighted at the January 2019 Professional Golf Association show and reported on by our Head Professional. Long term, the District is committed to the elimination of gas powered carts considering their effects on the environment. The current fleet of carts was originally leased in 2013 and purchased outright in 2017 with a planned use for two or three years depending on cost to maintain. We are now at a point where repair of major components could exceed the value of the units as is. For service

levels as well as cost, Staff recommends the replacement of the current fleet of fifty-eight (58) carts.

The Board of Trustees received a report at its September 25, 2019 meeting including consideration of alternatives between gas-powered and lithium-powered carts, from two vendors, with both outright purchase and lease options considered. Staff was directed unanimously by the Board of Trustees to bring an action item to lease gas-powered golf carts from EZ-Go.

Staff has conferred with the State of Nevada Department of Taxation over the manner in which to proceed with a transaction when a purchase was in the budget when adopted in May 2019. We can consider leasing as long as the State's guidance is followed before any payments are made.

The September 25, 2019 Board of Trustees report preference was:

Acquire the 58 EZ-Go RXV Gas EFI model cart fleet by paying through a lease for 48 months at \$43.68 per cart, which totals \$121,605.12 for the four years. Acquisition would occur by authorizing Staff to accept the EZ-Go quote dated September 3, 2019 allowing for production of the carts for delivery May 1, 2020. District Staff would allow EZ-Go to immediately pick up the 2013 fleet of carts to avoid winterization and storage expenses while awaiting the delivery of the new fleet. This decision does not impact CIP Project 3241ME1804 for the Mountain Golf Fuel Storage Facility since the equipment originally specified was necessary to support gas carts.

Since this option includes leasing, the District would also have to follow the process prescribed by the Nevada Department of Taxation. The Nevada Department of Taxation issued Guidance Letter 16-004 on September 27, 2016 relating to lease agreements that could be considered alternative financing. Under that guidance, public notice needs to be published ahead of the Board of Trustees authorizing the use of lease financing, and the District will be filing a request for approval of the agreement as the Board of Trustees authorizes. Once approval is received from the State, Staff will notify the Board of Trustees, at their next regular meeting, and proceed with executing remaining portion of the transaction. The Guidance Letter is also coordinated with the now issued GASB statement on lease accounting. The State of Nevada guidance for applying the GASB statement is effective December 15, 2018. Under this accounting, the lease is treated as if it was a purchase.

IV. BID RESULTS

There is no bid requirement for this portion of the transaction. The lease terms were included in the original bids tabulated and reviewed September 25, 2019. The tabulation was:

The District posted a Notice to Bidders August 27 and 28, 2019. Two bids were received on September 3, 2019. The results were:

	<u>EZ-Go</u>	<u>Club Car</u>
<i>Lithium Powered Carts Purchase</i>	<i>\$282,067.60</i>	<i>\$304,500.00</i>
<i>Lithium Powered Carts 48 Mo. Lease</i>	<i>\$135,664.32</i>	<i>\$323,584.32</i>
<i>Gas Powered Carts Purchase</i>	<i>\$204,627.16</i>	<i>\$205,900.00</i>
<i>Gas Powered Carts 48 Mo. Lease</i>	<i>\$121,605.12</i>	<i>\$218,794.56</i>

The lease proposals from EZ-Go were for fair market value leases which means they call for less principal paid by allowing a residual value and no purchase option. The lease proposals from Club Car are fully amortized over the forty-eight (48) months and carry a one dollar (\$1.00) purchase option.

District Staff received a copy of a blank Lease Agreement form, which has led to understanding of specific details unknown at the September 25 meeting. This includes clarifying that a fair market value purchase can be negotiated, but is not an obligation under the lease. The lease is for use of the carts over the forty-eight (48) months and requires them to be return in operable condition.

V. FINANCIAL IMPACT AND BUDGET

The benefits of using leasing over the useful life of the asset versus outright payment conserves cash flow and make resources available for a broader schedule of purchases. In this instance that is the future minimum lease payments totaling \$121,605.12 versus outright purchase of \$204,627.16, though we'd then be entitled to the proceeds for the used carts. The Governmental Accounting Standards Board (GASB) has issued Statement 87, *Leases*, which makes lease transactions the equivalent of a purchase because it is exchanging a stated schedule of payments for use of equipment over a stated period. The District has secured a copy of the amortization schedule that would be used during the term of the lease.

VI. ALTERNATIVES

No alternatives were presented as the Board of Trustees unanimously indicated they intend to approve a lease.

VII. BUSINESS IMPACT

This item is not a "rule" within the meaning of Nevada Revised Statutes, Chapter 237, and does not require a Business Impact Statement.

VIII. COMMENT

The Schedule of Payments per Cart indicates a T Value of \$2000.00 at the conclusion of the 48 months. EZ-Go has explained that they make the \$2000.00 per cart payment to PNC Equipment Finance, LLC and take possession to resell them elsewhere, if they do not negotiate a fair market value purchase with the District. The District is under no obligation to make the purchase.

The Nevada Department of Taxation issued Guidance Letter 16-004 on September 27, 2016 relating to lease agreements that could be considered alternative financing. Under that guidance, the District will be filing a request for approval of the agreement as the Board of Trustees authorizes. Once approval is received from the State, Staff will notify the Board of Trustees, at their next regular meeting, and proceed with executing remaining portion of the transaction. The Guidance Letter is also coordinated with the now issued GASB statement on lease accounting. The State guidance for applying the GASB statement is effective December 15, 2018.

Attachments:

Sample PNC Equipment Finance, LLC Lease Agreement and Certificates
Schedule of Payment for a Single Cart over the 48 months
State of Nevada Guidance Letter 16-004



RESOLUTION NUMBER 1875

A RESOLUTION AUTHORIZING A MEDIUM-TERM INSTALLMENT PURCHASE AGREEMENT

WHEREAS, the Incline Village General Improvement District serving the communities of Incline Village and Crystal Bay, Nevada, at a regular meeting held on November 13, 2019 at 6 P.M. PST determined that the public interest requires a Medium-Term Installment Purchase Agreement; and the following findings of fact determined: the Incline Village General Improvement District operates the Mountain Golf Course which utilizes a fifty-eight (58) cart fleet of golf carts and has determined that the best use of public funds is to acquire this replacement of this equipment, for a period of four (4) years, through the use of a Lease Agreement with PNC Equipment Finance LLC, which by its terms is deemed an installment purchase agreement.

WHEREAS, proper notice was given of the intention to act upon the Resolution Authorizing a Medium-Term Installment Purchase Agreement pursuant to Nevada Revised Statutes 350.087 and Nevada Administrative Code 350.100 through 350.160.

NOW, THEREFORE, IT IS HEREBY RESOLVED THAT THE BOARD OF TRUSTEES OF THE INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT proposes to enter a Lease Agreement with a principal amount not to exceed \$204,627.16, at an annual interest rate not to exceed 5% as of the time of closing the equipment's delivery, and to be repaid over four years with minimum future lease payments totaling \$121,605.12 (\$2,533.44 for 48 months), with a fair market value purchase option (that is not expected to be exercised). The purpose for which the funds are to be used is the acquisition of a fifty-eight (58) EZ-Go gas-powered golf carts for use at the Mountain Golf Course.

The obligation will be repaid from operating revenues of the Community Services Special Revenue Fund, through scheduled payments under a Lease Agreement with PNC Equipment Finance, LLC. The dollar amount available to repay the obligation is from lease payments made in monthly installments made each of four (4) years with a fair market value purchase option available after the forty-eighth month. It is probable the fair market value purchase option will not be negotiated, and the fifty-eight (58) gas-powered golf carts will be returned. This form of acquiring the use of this equipment is considered the best net outflow of resources to the operations of the Community Services Special Revenue Fund.

IT IS FURTHER RESOLVED that the District Clerk forward the necessary documents to the Executive Director, Department of Taxation, Carson City, Nevada.

I hereby certify that the foregoing is a full, true and correct copy of a resolution duly passed and adopted at a regularly held meeting of the Board of Trustees of the Incline Village General Improvement District on the 13th day of November, 2019, by the following vote of the Incline Village General Improvement District Board of Trustees (consisting of five (5) members):

- AYES, and in favor thereof, Trustees:
- NOES:
- ABSENT:
- (Two-thirds vote required)*

Kendra Wong
IVGID Board of Trustees Chairwoman

ATTEST By _____
Susan A. Herron
District Clerk

Borders Golf

Pricing effective January 1, 2019



A Textron Company

Presented By:

Michael A. Grooms II
Senior Corporate Account Manager

Presented To:

Incline Village General Improvement District
893 Southwood Boulevard, Incline Village, Nevada 89451

RXV Gas EFI \$7,929.00 \$459,882.00
 Horsepower: 13.5 HP (10.1 kW)
 Batteries: One, 12 volt maintenance free battery
 Fuel System: Closed-loop electronic fuel injection
 Transaxle: Differential with helical gears
 Standard Tires: Hole-in-One 18x8.50-8 (4 ply)

Front Suspension: Independent A-Arm coil over shock
 Rear Suspension: Mono-Leaf springs with hydraulic shocks
 Brakes: Dual rear wheel mechanical drum
 Ground Speed: 12 +/- .05 mph (19 kph +/- 0.8 kph)

Accessory Options

Body Colors:	Standard - Ivory or Forest Green	<input type="text"/>	\$0.00	<input type="text"/>	\$0.00
	Premium 1 - Almond, Black, Burgundy, Bright White, Electric Blue, Platinum, Flame Red	<input type="text"/>	\$0.00	<input type="text" value="58"/>	\$0.00
	Premium 2 - Inferno Red, Patriot Blue, Oasis Green, Metallic Charcoal, Sunburst Orange	<input type="text"/>	\$242.00	<input type="text"/>	\$0.00
Seat Colors:	Oyster, Stone Beige, Gray	<input type="text"/>	\$0.00	<input type="text"/>	\$0.00
Top Colors:	Oyster, Stone Beige, Black	<input type="text"/>	\$162.00	<input type="text" value="58"/>	\$9,396.00
Fold Down Windshield (top required)			\$90.00	<input type="text" value="58"/>	\$5,220.00
Wheel Covers:	Gold or Silver	<input type="text"/>	\$31.00	<input type="text" value="58"/>	\$1,798.00
USA Trail 18x8.5-8 (6 ply) tires			\$39.00	<input type="text"/>	\$0.00
Alloy Wheel - Kendra Pro Tour 10" tires			\$289.00	<input type="text"/>	\$0.00
Pinstripes:	Pewter, Black, Gold	<input type="text"/>	\$57.00	<input type="text"/>	\$0.00
Bag Cover:	Black, Oyster, Stone Beige	<input type="text"/>	\$133.00	<input type="text"/>	\$0.00
Fender Scuff Guard			\$14.00	<input type="text"/>	\$0.00
Front Bumper			\$0.00	<input type="text" value="58"/>	\$0.00
Sweater Basket			Included	<input type="text" value="58"/>	\$0.00
Drink Holders			Included	<input type="text" value="58"/>	\$0.00
Fuel/Oil Gage			\$58.00	<input type="text" value="58"/>	\$3,364.00
Hour Meter			\$45.00	<input type="text"/>	\$0.00
USB Port			\$118.00	<input type="text" value="58"/>	\$6,844.00
Semi-Permanent Tow Bar			\$170.00	<input type="text"/>	\$0.00
Semi-Perm Link			\$46.00	<input type="text"/>	\$0.00
Club & Ball Washer	Driver or Passenger Side	<input type="text"/>	\$66.00	<input type="text" value="58"/>	\$3,828.00
Cooler & Bracket	Driver or Passenger Side	<input type="text"/>	\$56.00	<input type="text"/>	\$0.00
Sand Bottle (single)			\$21.00	<input type="text" value="116"/>	\$2,436.00
Sand Bucket	Driver or Passenger Side	<input type="text"/>	\$66.00	<input type="text"/>	\$0.00
Message Holder (single)			\$14.00	<input type="text" value="116"/>	\$1,624.00
Double Message Holder			\$21.00	<input type="text"/>	\$0.00
Parts Package			\$740.00	<input type="text" value="1"/>	\$740.00
Club Logos			\$6.00	<input type="text" value="58"/>	\$348.00
Number Decals - 2each			\$3.50	<input type="text" value="58"/>	\$203.00

TOTAL \$495,683.00

Corporate Account Discount 48%

Non-OEM Accessory Options \$257,755.16

Premium Seats with High Backs \$296.00 \$17,168.00

Permanent Tow Bar \$286.00 \$16,508.00

Freight - based on delivery location California \$22,504.00

PURCHASE PRICE \$297,427.16

Upon delivery & acceptance of this proposed fleet E-Z-GO will terminate Lease # Trade Info: 2013 E-Z-GO RXV -\$1,600.00

Trade values may be adjusted due to final condition. All fleet cars must be in running condition with working chargers. Damages beyond normal wear & tear will be the responsibility of the club. -\$92,800.00

TOTAL PURCHASE PRICE \$204,627.16

UNIT PRICE \$3,528.05

Purchase Type: May 1, 2020 Delivery
 NET 30 with Credit Approval
 Lease Type: 48 Month FMV - \$43.68 per car per month
 Lease Type: 60 Month FMV - \$40.95 per car per month

Michael A. Grooms II 9/3/2019
 Senior Corporate Account Manager Date Quote accepted by Date

Pricing DOES NOT include State and Local Taxes - All Orders Are Subject to Acceptance and Credit Approval - Incoterms: FCA Augusta, Proposal valid for 30 days.



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DEPARTMENT OF TAXATION

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Henderson, Nevada 89074
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Guidance Letter 16-004

Date: September 27, 2016

To: Local Government Finance Officers; Local Government Auditing Firms

From: Terry E. Rubald, Deputy Executive Director, Department of Taxation
Co-authored by Kelly Langley, Supervisor, Local Government Finance, Division of Local Government Services

cc: Committee on Local Government Finance, Marvin Leavitt, Chairman
Deonne Contine, Executive Director, Department of Taxation

Subject: Review of Current and Pending GASB standards on Lease Accounting; Requirements for Reporting Installment-purchase Agreements; and Types of Installment-purchase Agreements and Medium Term Obligations Subject to Approval by the Department of Taxation

SUMMARY

Local governments regularly enter into leases for various reasons. Leasing provides alternative financing solutions allowing government to have the benefit of necessary items such as vehicles, heavy equipment, and buildings without having to purchase them outright. Leasing may be the solution which allows local governments to preserve capital dollars for other projects for which leasing is not an option; enables improvement of cash flow; and incorporates flexible structuring to meet budget needs.

The purpose of this Guidance Letter is to clarify the types of installment purchase and medium-term obligation financing transactions subject to approval by the Department of Taxation pursuant to NRS 350.089. In addition, this Guidance Letter reviews the existing Governmental Accounting Standards Board ("GASB") standard on leases as well as the latest GASB exposure draft on lease accounting to assist the reader in understanding how to treat and report various financial lease arrangements pursuant to Nevada law. Finally, the Guidance Letter makes recommendations for reporting to the Department and on local government financial statements consistent with generally accepted accounting principles and Nevada law.

AUTHORITY FOR THIS LETTER

NRS 354.472(1)(d): One of the purposes of the Local Government Budget and Finance Act is to provide for the control of revenues, expenditures and expenses in order to promote prudence and efficiency in the expenditure of public money. NRS 354.612(2) requires fund financial

statements and other schedules to be prepared in accordance with generally accepted accounting principles.

Guidance Letter 16-004 was approved by the Committee on Local Government Finance on September 26, 2016.

DISCUSSION

Statutory and Regulatory Framework

NRS 350.089 provides that medium-term obligations and installment-purchase agreements adopted by a local government must be approved by the Executive Director of the Department of Taxation ("Department"). A medium-term obligation is defined in NRS 350.007 as an obligation to repay borrowed money evidenced by a note or bond and having a term of 10 years or less, except for terms of less than 1 year which are payable in full from money appropriated for the same fiscal year that the obligation is incurred.

An installment-purchase agreement is specifically defined in NRS 350.0055 as the purchase of real or personal property by installment, lease, or other transaction types described in NRS 350.800 and which will be discussed in more detail below. Historically the Department has treated most capital leases as a type of installment purchase agreement subject to approval pursuant to NRS 350.089. Under NRS 350.089, however, installment-purchase agreements do not include obligations to pay rent pursuant to a lease which contains no option or right to purchase or which contain only an option or right to purchase the property without any credit towards the purchase price for lease or rental payments. With the advent of more creative leasing arrangements in recent times, it becomes important to understand the characteristics of leases in order to determine whether the lease is subject to Department approval.

NRS 350.013 requires the annual submission to the Department of Taxation and to the appropriate Debt Management Commission, of a report of the outstanding general obligation debt, other general obligations or special obligations, or levies of any special elective tax. In counties whose population is 100,000 or more, the statements may be updated more often than once a year to include items related to installment purchases that do not count against a debt limit.

NAC 350.010 describes the information which must be included in the Annual Statement and Report by municipalities required by NRS 350.013. In addition to various schedules concerning general obligation debt, the report must also include the amount of any other debts, such as mortgages or capital leases, which the governing body contemplates incurring before the end of the fiscal year following the date of the schedule.

NRS 350.014(1) requires the submission of proposed installment-purchase agreements with a term of more than 10 years to be approved by the appropriate debt management commission.

Governmental Accounting Standards Board Statements

The Department finds that Governmental Accounting Standards Board ("GASB") Statements, including but not limited to, No. 62, Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements and No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments are appropriate standards for the preparation of financial statements for all funds and comply with the requirements of NRS 354.612(2) as generally accepted accounting

principles. In particular, Statement No. 34 establishes the components of basic financial statements for general purpose governments. Statement No. 62 provides lease accounting standards for reporting leases in local government financial statements, including criteria for determining whether a lease is a capital or operating lease. GASB 62 criteria are useful in classifying leases subject to reporting and/or approval by the Department.

In addition, the Department recognizes GASB is in the process of adopting an Exposure Draft regarding financial reporting for leases by state and local governments. The GASB Exposure Draft coordinates with the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") on leases. The Department anticipates that when the updated GASB standard becomes effective on December 15, 2018, it will also comply with NRS 354.612(2).¹ The updated GASB standard will establish a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under both the updated GASB and FASB standards, a lessee will be required to recognize a lease liability and an intangible right-to-use lease asset. A lessor will be required to recognize a lease receivable and a deferred inflow of resources.² The goal of the revised ASU is to provide guidance in how to uniformly reflect actual lease liabilities in financial statements.

Lease Accounting

Under GASB 62, a lease is defined as an agreement conveying the right to use capital assets (land and/or depreciable assets) but does not include agreements that are contracts for services that do not transfer the right to use capital assets from one contracting party to the other.³

GASB Statement No. 62 at paragraph 212 classifies leases into capital leases and operating leases from the standpoint of the lessee. From the standpoint of the lessor, leases may be classified as sales-type leases, direct financing leases, leveraged leases, or operating leases.

Criteria for Classifying Leases:

GASB 62, Paragraph 213 provides the criteria by which a lease may be classified as a capital or operating lease by the lessee. The criteria are summarized below.

Capital Leases

If at inception a lease meets at least one of the criteria outlined in paragraph 213 of GASB 62, the lease should be classified as a capital lease by the lessee. Otherwise, it should be classified as an operating lease. Capital leases are essentially treated as a loan for book accounting purposes. The four criteria are:

¹ Effective date is stated in the Exposure Draft, paragraph B129, page 49.

² GASB Exposure Draft, January 25, 2016 "Leases", pg iv. In addition, the 2016 GAAP Guide Volume II notes that the Financial Accounting Standards Board, ("FASB") has also released an Exposure Draft of an Accounting Standards Update ("ASU") on Leases that may have an important impact on the preparation of financial statements in the future. This proposed ASU is part of a joint project with the International Accounting Standards Board ("IASB") to develop a new approach to lease accounting that will ensure that assets and liabilities arising from lease agreements are reflected on an entity's statement of financial position. *See Wolters Kluwer 2016 GAAP Guide Volume II* Restatement and Analysis of Current FASB. Standards, Chapter 54 ASC 840, pg. 54,053

³ GASB Statement 62, Paragraph 211, p. 87.

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option (i.e., less than the fair market value)
- The lease term is greater than 75% of estimated economic life of the equipment
- The present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of leased property's fair market value.⁴

A capital lease is treated by the lessee as both the borrowing of funds and the acquisition of an asset to be depreciated; thus the lease is recorded on the lessee's balance sheet as an asset and corresponding liability (lease payable). Periodic lessee expenses consist of interest on the debt and depreciation of the asset.⁵

Operating Leases

Operating leases are all leases that cannot otherwise be classified as capital leases.⁶ In general, an operating lease must have all of the following characteristics:

- The lease term is less than 75% of the estimated economic life of the equipment
- The present value of the lease payments is less than 90% of the leased property's fair market value
- The lease cannot contain a bargain purchase option (i.e., less than fair market value)
- Ownership is retained by the lessor during and after the lease term
- An operating lease is accounted for by the lessee without showing an asset (for the equipment) or a liability (for the lease payment obligations) on its balance sheet. Periodic payments are accounted for by the lessee as operating expenses for the period)

In addition, if none of the criteria for a capital lease are present and both the collectability of the minimum lease payments is reasonably predictable and no important uncertainties surround the amount of un-reimbursable costs yet to be incurred by the lessor under the lease, the lease is classified as an operating lease.

Paragraph 222 of GASB 62 notes that normally, rental on an operating lease should be charged to expense/expenditure over the lease term as it becomes payable. If rental payments are not made on a straight-line basis, rental expense/expenditure nevertheless should be recognized on a straight-line basis unless another systematic and rational basis is more representative of the time pattern in which use benefit is derived from the leased property, in which case that basis should be used.

Lease / Installment-purchase Agreements⁷:

An Installment-purchase Agreement is defined as an agreement for the purchase of real or personal property by installment or lease. In addition, an installment-purchase agreement includes other transactions in which a municipality acquires real or personal property and another person acquires or retains a security interest in that or other property. A security

⁴ GASB 62, Paragraph 213 contains an exception to the minimum lease payment criterion. If the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion should not be used for purposes of classifying the lease. A lessor should compute the present value ("PV") of the minimum lease payment using the interest rate implicit in the lease. A lessee should compute the PV using its incremental borrowing rate, with additional caveats.

⁵ GASB 62, Paragraph 216, p. 91; Paragraph 218, p. 92.

⁶ GASB 62, Paragraph 212 (1)(2), p. 88

⁷ Nevada Revised Statute (NRS) 350.0055

interest transaction must be counted against a municipality's debt limit, unless the obligation by its terms is extinguished by a failure of the governing body to appropriate money for the ensuing fiscal year for payment of the amounts then due (a "non-funding clause"); or the municipality's budget includes a provision for the discharge of the obligation in full in the same fiscal year as when the transaction occurs.⁸

Under NRS 350.089, an Installment-purchase Agreement also includes transactions not required to be counted against the municipality's debt limit if those transactions are (a) greater than \$100,000 for local governments in a county whose population is 100,000 or more; or (b) greater than \$50,000 for a local government in a county whose population is less than 100,000. However, if the Installment-purchase Agreement contains no option or right to purchase at the conclusion of the lease term; or if the lease contains an option or right to purchase the property but does not credit the lease payments towards the purchase price, then the lease is not considered an Installment-purchase Agreement for purposes of enforcement of NRS 350.089.

Application of GASB Standards

A local government which adopts a resolution authorizing a medium-term obligation or installment-purchase agreement whether or not subject to direct approval by the Department under NRS 350.089, however, is still obligated to prepare fund financial statements using generally accepted accounting principles pursuant to NRS 354.612(2). As stated above, GASB Statement No. 62, as well as the GASB and FASB Exposure Drafts soon to be finalized regarding the recognition and measurement of lease liabilities are viewed by the Department as generally accepted accounting principles. As such, local governments should recognize and measure lease liabilities pursuant to the model provided in the GASB and FASB Statements as of their effective dates.

The following discussion reviews GASB standards for lessees, however, the reader should be aware there are additional reporting requirements if the local government is the lessor.

For example, Paragraph 223 in GASB 62 requires disclosure of the following information with respect to leases in the notes to the lessee's financial statements:

a. For capital leases:

1. The gross amount of assets recorded under capital leases as of the date of each set of financial statements presented by major classes according to nature or function. This information may be combined with the comparable information for owned assets.
2. The total of minimum sublease rentals to be received in the future under noncancelable subleases as of the date of the latest financial statements presented.
3. Total contingent rentals actually incurred for each period for which a cash flows statement is presented
4. Assets recorded under capital leases and the accumulated amortization thereon. Unless the expense resulting from amortization of assets recorded under capital leases is included with depreciation expense and the fact that it is so included is disclosed, the amortization expense should be disclosed in the notes to the financial statements.

⁸ NRS 350.800(1)(a-b)

- b. For operating leases having initial or remaining non-cancelable lease terms in excess of one year, the total of minimum rentals to be received in the future under non-cancelable subleases as of the date of the latest financial statements presented.
- c. For all operating leases, rental expense/expenditure for each period for which a cash flows statement is presented, with separate amounts for minimum rentals, contingent rentals, and sublease rentals, Rental payments under leases with terms of a month or less that were not renewed need not be included.
- d. A general description of the lessee's leasing arrangements including, but not limited to the following:
 - (1) The basis on which contingent rental payments are determined
 - (2) The existence and terms of renewal or purchase options and escalation clauses
 - (3) Restrictions imposed by lease agreements, such as those concerning additional debt and further leasing

Under GASB 62, Paragraph 234, leases involving land and building(s) should be accounted for by the lessee by separately capitalizing each asset if the lease contains a provision to transfer ownership by the end of the term of the lease or if the lease contains a bargain purchase option. "For this purpose, the present value of the minimum lease payments after deducting executory costs, including any gain thereon, should be allocated between the two elements in proportion to their fair values at the inception of the lease." The reader should review GASB 62 for other standards if the lease involves land only, if the lease involves equipment as well as real estate, or if the lease involves only part of a building.

GASB 62, Paragraphs 244-256 also establish standards of accounting and financial reporting by a seller-lessee for sale-leaseback transactions involving real estate. For example, Paragraph 245 states that sale-leaseback accounting should be used by a seller-lessee only if a sale-leaseback transaction includes a lessee-lessor relationship that involves the active use of the property by the seller-lessee in consideration for payment of rent; the payment terms and provisions adequately demonstrate the buyer-lessor's initial and continuing investment in the property; and the payment terms and provisions transfer all of the other risks and rewards of ownership as demonstrated by the absence of any other continuing involvement by the seller-lessee. Paragraph 255 indicates that the notes to financial statements of a seller-lessee should include a description of the terms of the sale-leaseback transaction, including future commitments, obligations, provisions, or circumstances that require or result in the seller-lessee's continuing involvement.

For the future, the GASB Exposure Draft concludes a lessee will recognize a lease liability and a lease asset at the beginning of a lease, and the lease liability will be measured at the present value of payments expected to be made for the lease term. The lease asset will be measured at the amount of the initial measurement of the lease liability, plus any payments made to the lessor at or before the beginning of the lease and certain indirect costs.⁹

Paragraph 29 of the GASB Exposure Draft indicates that if a lease agreement is expected to be financed from general government resources, the lease should be accounted for and reported on a basis consistent with governmental fund accounting principles. Paragraph 31 indicates that a lessee's accounting for lease liability would include a description of leasing arrangements; the amount of lease assets recognized; the amount of lease assets by major classes of underlying assets, to be disclosed separately from other capital assets; and a schedule of future lease payments to be made in the notes to financial statements.

⁹ GASB Exposure Draft, 1-25-2016, p. iv

APPLICATION:

1. Until December 15, 2018, local governments should account for and report leases in the local government financial statements on a basis consistent with GASB 62. Thereafter, the local government may rely on the final adopted version of the proposed GASB statement, which is currently known as the GASB Exposure Draft dated January 25, 2016. If the local government is considering early implementation of the new standard, implementation will require recognition and measurement of any previously unrecorded leases (i.e., operating leases) on the local government's financial statements.
2. NRS 350.013(1) requires local governments to submit a complete statement of current general obligation debt and special elective taxes, and a report of current debt and special assessments and retirement schedules, in the detail and form established by the Committee on Local Government Finance, known informally as the Indebtedness Report. Local governments may anticipate revised forms to accommodate the inclusion and listing of those leases recorded on the financial statements consistent with the requirements of NRS 350.013(4), NRS 350.014(1), and NAC 350.010.
3. A lease reported as a capital lease in an agency's CAFR under GASB which does not otherwise meet the definition of a capital lease or installment purchase agreement under Nevada Revised Statutes must still be reported to the Department of Taxation under "Other" for purposes of the Indebtedness Report. For example, if the lease term is greater than 75% of the estimated economic life of the equipment; or the present value at the beginning of the lease term of the minimum lease payments equals or exceeds 90% of the leased property's fair market value, but title does not transfer and there is no bargain purchase option, the lease meets GASB standards as a capital lease. If the resolution authorizing such a lease meets the conditions of NRS 350.087, the lease must also be approved by the Department pursuant to NRS 350.089.
4. Lease accounting as provided in GASB 62 should only be applied to the lease elements of a contract; other elements of a contract should be treated according to the GASB standard appropriate to the contract element.
5. Local governments should review the terms of the agreement and determine whether the agreement is a medium-term obligation or installment-purchase or lease agreement subject to review and approval by the Department. If the agreement meets the definition in NRS 350.007 for a medium-term obligation or the definition in NRS 350.0055 for an installment-purchase agreement, prepare the documentation necessary for review and approval by the Department.
6. Guidelines and references with regard to the procedures for procuring approval of medium-term obligations and installment-purchase agreements are available on the Department's website at http://tax.nv.gov/LocalGovt/PolicyPub/ArchiveFiles/Local_Government_Finance_Documents/
7. Evaluate the lease agreement to determine whether there is an option or right to purchase. For example, determine whether there is a bargain purchase option as that term is defined in GASB 62, Paragraph 271 at page 119. A bargain purchase option is a provision allowing the lessee the option to purchase the leased property for a price that is sufficiently lower than the expected fair value of the property at the date the option becomes exercisable such that exercise of the option appears, at the inception of the lease, to be reasonably assured. If such a provision is present, and the terms of the agreement otherwise meet the definition of an

installment-purchase agreement, the lease agreement is subject to review and approval by the Department.

8. Evaluate the lease agreement to determine whether the lease or rental payments are credited towards the purchase price. If the title to the subject property and the buildings thereon vest in the local government at the expiration of the lease, either automatically or upon written notice or request by the local government with no further payment, the lease should be considered a capital lease requiring approval by the Department.

For example, consider a financing arrangement known as a "lease-leaseback project" in which property owned by a local government is leased to any person for a minimum amount, as long as such lease requires the other party to construct (or provide for the construction of) a building or buildings upon the subject property. The lease-leaseback approach is realized when a local government enters into two leases with a chosen design/build contractor or financing entity. One lease is a Site Lease and the other is a Facilities Lease. The Site Lease is the document in which the local government leases the real property to the builder or financing entity for a nominal amount (say, \$1 per year). The Facilities Lease is the document the local government will utilize to lease back the real property and completed facilities. It is through the lease payments by the local government that the design/build contractor or financing entity will be paid. Because the local government may simply request title be transferred at the expiration of the Facilities Lease, the transaction may constitute an option to purchase in which the lease payments are considered credited towards the purchase price for purposes of NRS 350.0055.

In certain circumstances, the local government should consider whether the vesting of title at the end of the Site Lease has the same effect, i.e., where the effect of the expiration of the Site Lease is to provide the local government with the ownership of the Facilities that are leased under the Facilities Lease at a price which reflects crediting of the Facilities Lease payments towards the purchase price of the Facilities. In these situations, the transaction as a whole may be the equivalent of an installment purchase agreement under NRS 350.0055. For example if the Facilities Lease and Site Lease have identical terms and on expiration of the Site Lease, the local government will own the Facilities leased under the Facilities Lease without paying any additional consideration, the transaction as a whole appears to be one where the local government has paid the price of the Facilities leased under the facilities lease in installments during the term of the two leases, as it owns the Facilities at the end of that term, without paying any additional sum. In such a situation, the local government should follow the procedure in NRS for obtaining approval of an installment purchase agreement prior to entering into the two leases.¹⁰

9. The local government should consult with its auditors and the Department as to the proper classification of the type of transaction discussed above or other unusual transactions prior to completion of the obligation in order to (1) avoid any potential reporting violations and (2) properly reflect the transaction in the financial statements of the local government.

¹⁰ This paragraph was added after approval by CLGF on 9-26-2016 in order to incorporate a suggestion from bond counsel; and will be presented to CLGF at its next meeting for ratification.

SELECTED REFERENCES

Nevada Revised Statutes, Chapters 350, 354, and 450:

NRS 350.0055 “Installment-purchase agreement” defined.

NRS 350.087 Resolution authorizing medium-term obligation or installment-purchase agreement: Adoption; contents; notice.

NRS 350.089 Approval of resolution for medium-term obligation or installment-purchase agreement by Executive Director of Department of Taxation; appeal to Nevada Tax Commission.

NRS 350.013 Municipalities to submit annually statement of current and contemplated general obligation debt and special elective taxes, statement of debt management policy, plan for capital improvement or alternate statement and certain information regarding chief financial officer; update of information; exceptions

NRS 350.014 Approval or notification of commission required for certain proposals.

NRS 350.0145 Notice and submission of statement of certain proposals to commission; procedure for approval or disapproval.

NRS 354.472 Purposes of Local Government Budget and Finance Act.

NRS 450.665 Powers of board of trustees: Borrowing of money and incurrence or assumption of indebtedness; limitations and conditions.

Nevada Administrative Code, Chapter 350

NAC 350.010 Annual statement and report by municipalities.

NAC 350.120 Forwarding of documents to Department of Taxation following authorization.

NAC 350.130 Authorization void after 18 months.

Governmental Accounting Standards Board

Exposure Draft on Leases (January 25, 2016, Project No. 3-24E), as retrieved from the internet on September 8, 2016 at

<http://www.gasb.org/jsp/GASB/Page/GASBSectionPage&cid=1175804830991>

Governmental Accounting Standards Board Statement No. 62, Codification of Accounting and Financial reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, as retrieved from the internet on September 8, 2016 at

http://www.gasb.org/cs/ContentServer?site=GASB&c=Document_C&pagename=GASB%2FDocument_C%2FGASBDocumentPage&cid=1176159967625

Governmental Accounting Standards Board Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, as retrieved from the internet on September 8, 2016 at

http://www.gasb.org/cs/ContentServer?site=GASB&c=Document_C&pagename=GASB%2FDocument_C%2FGASBDocumentPage&cid=1176160029121

Financial Accounting Standards Board

Financial Accounting Standards Board Statement 13, Accounting for Leases, as retrieved from the internet on September 8, 2016 at <http://www.fasb.org/pdf/fas13.pdf>

Exposure Draft on Leases (Topic 842) dated May 16, 2013, as retrieved from the internet on September 8, 2016 at

http://www.fasb.org/cs/ContentServer?c=Document_C&pagename=FASB%2FDocument_C%2FDocumentPage&cid=1176162613656

National Council on Governmental Accounting (NCGA)

Statement 5, *Accounting and Financial Reporting Principles for Lease Agreements of State and Local Governments*

**If you have any questions about this guidance letter, please call the
Local Government Finance Section of
the Division of Local Government Services, Department of Taxation at (775) 684-2100.**

WEBSITE LOCATIONS:

Nevada Revised Statutes (NRS): <http://www.leg.state.nv.us/NRS/>

Nevada Administrative Code: <http://www.leg.state.nv.us/NAC/CHAPTERS.html>

Department of Taxation Guidance letters: http://tax.nv.gov/LocalGovt/PolicyPub/Guidance_Letters/



March 1, 2019

Lease Number XXXXX-X

SAMPLE APPLICATION
123 Main Street
Anytown, USA 00000

Enclosed are the necessary documents needed to complete your lease transaction. Please review, sign and return the following:

- Lease Agreement – Please have the Authorized Signor execute the documents and provide their title.
Opinion of Counsel – Please have your attorney sign and provide the name of the law firm, if applicable.
Certificate of Acceptance – **At the point of delivery, fill out this form and return the original to us. We will be unable to disburse funds until we receive this signed form.**
- Resolution-Certificate of Incumbency - List your Authorized Representative(s) and their title(s) in the body of the Resolution. Have the Authorized Representatives provide their names, title and signatures(s) on the lines which appear under the Authorized Representative Signature Section near the bottom of the Resolution. Finally, have the Secretary or appropriate Trustee attest to the information of the Authorized Representative(s) by signing and printing his/her name, title and date on the **last** signature line provided. **The person who validates the signature should not sign the Lease Agreement.** The Resolution must reflect the title(s) of the individual(s) who have authorization to sign the documents.
- Customer Information Form: Please complete and return.
- Notification of Tax Treatment: Please complete and return.
- Insurance Request Form – Fill in your insurer's information and sign. Please contact your insurer, prior to delivery, to obtain a certificate of insurance. Please enclose the certificate with the signed documentation or have the insurer fax the certificate directly to me.
- Sales Tax Exemption Certificate – Please return a copy with the documents.
- Minutes of Governing Body (approving the purchase & finance of equipment) – Please return a copy with the documents.
- Invoice for payment – Please send your check in the amount of \$XXX.XX, made payable to PNC Equipment Finance, LLC.

Please return the documents to PNC Equipment Finance, LLC, Attn: Molly Williams , 995 Dalton Avenue, Cincinnati, OH 45203.

PNC Equipment Finance, LLC, in its sole discretion, reserves the right to adjust the payment factors in the enclosed documentation to reflect any changes in market conditions up to the date of funding.

Our goal is to ensure that you receive the lowest payment available. Therefore, it is important that the documents are completed and returned to us by _____.

If you have any questions please contact _____

Sincerely,

Jordan Furnish
Commercial Transaction Coordinator

Lease Agreement

Dated as of March 1, 2019Lease Number XXXXX-X

Lessor: PNC Equipment Finance, LLC
995 Dalton Avenue
Cincinnati, OH 45203

Lessee: LESSEE FULL LEGAL NAME
SAMPLE APPLICATION
123 Main Street
Anytown, USA 00000

FEDERAL TAX ID
XXXXXXX

Equipment Description **See attached Certificate of Acceptance for Equipment Description**

Rent Payment Schedule Lease Term is for XX months, with Rent payments due in Advance monthly; quarterly; semi-annual; annually; each in the amount of \$XXX.XX beginning _____.

Lessee shall pay Rent payments exclusively from legally available funds in U.S. currency to Lessor in the amounts and on the dates set forth herein, without notice or demand.

TERMS AND CONDITIONS

- LEASE.** Subject to the terms of this Lease, Lessee agrees to lease from Lessor the equipment (the "Equipment") described in the attached Certificate of Acceptance when Lessor accepts this Lease. Lessee agrees to be bound by all the terms of this Lease.
- DELIVERY AND ACCEPTANCE OF EQUIPMENT.** Acceptance of the Equipment occurs upon delivery. When Lessee receives the Equipment, Lessee agrees to inspect it and to verify by telephone or in writing such information as Lessor may require. Delivery and installation costs are the Lessee's responsibility. If Lessee signed a purchase contract for the Equipment, by signing this Lease Lessee assigns its rights, but none of its obligations under the purchase contract, to Lessor.
- RENT.** Lessee agrees to pay Lessor Rent (plus applicable taxes) in the amount and frequency stated above. Rent Payments under this Lease do not include the accrual of an interest portion. If Lessee's Rent payments are due in Advance, the first Rent payment is due on the date Lessee accepts the Equipment under the Lease. Lessor will advise Lessee as to (a) the due date of each Rent payment, and (b) the address to which Lessee must send payments. Rent is due whether or not Lessee receives an invoice from Lessor. Lessee will pay Lessor any required advance rent when Lessee signs this Lease. Lessee authorizes Lessor to change the Rent by not more than 15% due to changes in the Equipment configuration, which may occur prior to Lessor's acceptance of this Lease. Restrictive endorsements on checks Lessee sends to Lessor will not reduce obligations to Lessor. Unless a proper exemption certificate is provided, applicable sales and use taxes will be added to the Rent.
NON-APPROPRIATION OF FUNDS. Lessee intends to remit all Rent and other payments to Lessor for the full Lease Term if funds are legally available. In the event Lessee is not granted an appropriation of funds at any time during the Lease Term for the Equipment subject to this Lease and operating funds are not otherwise available to Lessee to pay the Rent and other payments due and to become due under this Lease, and there is no other legal procedure or available funds by or with which payment can be made to Lessor, and the non-appropriation did not result from an act or omission by Lessee, Lessee shall have the right to return the Equipment in accordance with Section 16 of the Lease and terminate this Lease on the last day of the fiscal period for which appropriations were received without penalty or expense to Lessee, except as the portion of Rent for which funds shall have been appropriated and budgeted. At least 30 days prior to the end of Lessee's fiscal year, Lessee's chief executive officer (or legal counsel) shall certify in writing that (a) funds have not been appropriated for the upcoming fiscal period, (b) such non-appropriation did not result from any act or failure to act by Lessee, and (c) Lessee has exhausted all funds legally available for the payment of Rent.
- UNCONDITIONAL OBLIGATION.** LESSEE AGREES THAT IT IS UNCONDITIONALLY OBLIGATED TO PAY ALL RENT AND ANY OTHER AMOUNTS DUE UNDER THIS LEASE IN ALL FISCAL YEARS IN WHICH FUNDS HAVE BEEN APPROPRIATED NO MATTER WHAT HAPPENS, EVEN IF THE EQUIPMENT IS DAMAGED OR DESTROYED, IF IT IS DEFECTIVE OR IF LESSEE HAVE TEMPORARY OR PERMANENT LOSS OF ITS USE. LESSEE IS NOT ENTITLED TO ANY REDUCTION OR SET-OFF AGAINST RENT OR OTHER AMOUNTS DUE UNDER THIS LEASE FOR ANY REASON WHATSOEVER.
- DISCLAIMER OF WARRANTIES.** THE EQUIPMENT IS BEING LEASED TO LESSEE IN "AS IS" CONDITION. LESSEE AGREES THAT LESSOR HAS NOT MANUFACTURED THE EQUIPMENT AND THAT LESSEE HAS SELECTED THE EQUIPMENT BASED UPON LESSEE'S OWN JUDGMENT. LESSEE HAS NOT RELIED ON ANY STATEMENTS LESSOR OR ITS EMPLOYEES HAVE MADE. LESSOR HAS NOT MADE AND DOES NOT MAKE ANY EXPRESS OR IMPLIED REPRESENTATIONS OR WARRANTIES WHATSOEVER, INCLUDING WITHOUT LIMITATION, THE EQUIPMENT'S MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, SUITABILITY, DESIGN, CONDITION, DURABILITY, OPERATION, QUALITY OF MATERIALS OR WORKMANSHIP, OR COMPLIANCE WITH SPECIFICATIONS OR APPLICABLE LAW. Lessee is aware of the name of the Equipment manufacturer and will contact the manufacturer for a description of warranty rights. If the manufacturer has provided Lessor with a warranty, Lessor assigns its rights to such warranty to Lessee and Lessee may enforce all warranty rights directly against the manufacturer of the Equipment. Lessee agrees to settle any dispute regarding performance of the Equipment directly with the manufacturer of the Equipment.
- TITLE AND SECURITY INTEREST.** Unless otherwise required by the laws of the state where Lessee is located, Lessor shall have title to the Equipment, except as set forth in section 15.
- USE, MAINTENANCE AND REPAIR.** Lessee will not move the Equipment from the Equipment Location without Lessor's advance written consent. Lessee will give Lessor reasonable access to the Equipment Location so that Lessor can check the Equipment's existence, condition and proper maintenance. Lessee will use the Equipment in the manner for which it was intended, as required by all applicable manuals and instructions, and keep it

- eligible for any manufacturer's certification and/or standard full service maintenance contract. At Lessee's own cost and expense, Lessee will keep the Equipment in good repair, condition and working order, ordinary wear and tear excepted. Lessee will not make any permanent alterations to the Equipment.
8. **TAXES.** Lessee agrees to pay Lessor, when invoiced, all taxes (including any sales, use and personal property taxes), fines, interest and penalties relating to this Lease and the Equipment (excluding taxes based on Lessor's net income). Lessee agrees to file any required personal property tax returns and, if Lessor asks, Lessee will provide Lessor with proof of payment. Lessor does not have to contest any tax assessments.
 9. **INDEMNITY.** Lessor is not responsible for any injuries, damages, penalties, claims or losses, including legal expenses, incurred by Lessee or any other person caused by the transportation, installation, manufacture, selection, purchase, lease, ownership, possession, modification, maintenance, condition, operation, use, return or disposition of the Equipment. To the extent permitted by law, Lessee agrees to reimburse Lessor for and defend Lessor against any claims for such losses, damages, penalties, claims, injuries, or expenses. This indemnity continues even after this Lease has expired, for acts or omissions that occurred during the Lease Term.
 10. **IDENTIFICATION.** Lessee authorizes Lessor to insert or correct missing information on this Lease, including Lessee's official name, serial numbers and any other information describing the Equipment. Lessor will send Lessee copies of such changes. Lessee will attach to the Equipment any name plates or stickers Lessor provides Lessee.
 11. **LOSS OR DAMAGE.** Lessee is responsible for any loss of the Equipment from any cause at all, whether or not insured, from the time the Equipment is shipped to Lessee until it is returned to Lessor. If any item of Equipment is lost, stolen or damaged, Lessee will promptly notify Lessor of such event. Then, at Lessor's option, Lessee will either (a) repair the Equipment so that it is in good condition and working order, eligible for any manufacturer's certification, or (b) pay Lessor an amount equal to the Net Book Value (as defined in Section 14) of the lost, stolen or damaged Equipment. If Lessee has satisfied Lessee's obligations under this Section 11, Lessor will forward to Lessee any insurance proceeds which Lessor receives for lost, damaged, or destroyed Equipment. If Lessee is in default, Lessor will apply any insurance proceeds Lessor receives to reduce Lessee's obligations under Section 14 of this Lease.
 12. **INSURANCE.** Lessee agrees to (a) keep the Equipment fully insured against loss, naming Lessor as loss payee, and (b) obtain a general public liability insurance policy covering both personal injury and property damage in amounts not less than Lessor may tell Lessee, naming Lessor as additional insured, until Lessee has met all Lessee's obligations under this Lease. Lessor is under no duty to tell Lessee if Lessee's insurance coverage is adequate. The policies shall state that Lessor is to be notified of any proposed cancellation at least 30 days prior to the date set for cancellation. Upon Lessor's request, Lessee agree to provide Lessor with certificates or other evidence of insurance acceptable to Lessor. If Lessee does not provide Lessor with evidence of proper insurance within ten days of Lessor's request or Lessor receives notice of policy cancellation, Lessor may (but Lessor is not obligated to) obtain insurance on Lessor's interest in the Equipment at Lessee's expense. Lessee will pay all insurance premiums and related charges.
 13. **DEFAULT.** Lessee will be in default under this Lease if any of the following happens: (a) Lessor does not receive any Rent or other payment due under this Lease within ten days after its due date, (b) Lessee fails to perform or observe any other promise or obligation in this Lease and does not correct the default within ten days after Lessor sends Lessee written notice of default, (c) any representation, warranty or statement Lessee has made in this Lease shall prove to have been false or misleading in any material respect, (d) any insurance carrier cancels or threatens to cancel any insurance on the Equipment, (e) the Equipment or any part of it is abused, illegally used, misused, lost, destroyed, or damaged beyond repair, (f) a petition is filed by or against Lessee under any bankruptcy or insolvency laws, or (g) Lessee defaults on any other agreement between it and Lessor (or Lessor's affiliates).
 14. **REMEDIES.** Upon the occurrence of a default, Lessor may, in its sole discretion, do any or all of the following: (a) provide written notice to Lessee of default, (b) as liquidated damages for loss of a bargain and not as a penalty, declare due and payable, the present value of (i) any and all amounts which may be then due and payable by Lessee to Lessor under this Lease, plus (ii) all Rent payments remaining through the end of the Lease Term, discounted at the higher of 3% or the lowest rate allowed by law, plus the Fair Market Value of the Equipment (collectively, the "Net Book Value"). Lessor has the right to require Lessee to make the Equipment available to Lessor for repossession during reasonable business hours or Lessor may repossess the Equipment, so long as Lessor does not breach the peace in doing so, or Lessor may use legal process in compliance with applicable law pursuant to court order to have the Equipment repossessed. Lessee will not make any claims against Lessor or the Equipment for trespass, damage or any other reason. If Lessor takes possession of the Equipment Lessor may (a) sell or lease the Equipment at public or private sale or lease, and/or (b) exercise such other rights as may be allowed by applicable law. Although Lessee agrees that Lessor has no obligation to sell the Equipment, if Lessor does sell the Equipment, Lessor will reduce the Net Book Value by the amounts Lessor receives. Lessee will immediately pay Lessor the remaining Net Book Value. Lessee agrees (a) that Lessor only needs to give Lessee ten days' advance notice of any sale and no notice of advertising, (b) to pay all of the costs Lessor incurs to enforce Lessor's rights against Lessee, including attorney's fees, and (c) that Lessor will retain all of Lessor's rights against Lessee even if Lessor does not choose to enforce them at the time of Lessee's default.
 15. **LESSEE'S OPTION AT END OF LEASE.** Notwithstanding anything contained in the Lease to the contrary, so long as no default shall have occurred and be continuing, Lessee may, at Lessee's option, purchase the Equipment leased pursuant to this Rental Schedule on an "as is, where is" basis, without representation or warranty, express or implied, at the end of the Initial Term at a price equal to the Fair Market Value thereof, plus applicable taxes. "Fair Market Value" shall be equal to the value which would be obtained in an arms-length transaction between an informed and willing buyer and an informed and willing seller under no compulsion to sell, and in such determination, costs of removal of the Equipment from its location of current use shall not be a deduction from such value. If Lessee and Lessor cannot agree on the Fair Market Value thereof, such value shall be determined by appraisal at the sole expense of Lessee. Appraisal shall be a procedure whereby two recognized independent appraisers, one chosen by Lessee and one by Lessor, shall mutually agree upon the amount in question. If the appraisers are unable to agree upon the amount in question, a third recognized independent appraisers' evaluation shall be binding and conclusive on Lessee and Lessor. This purchase option as applicable shall only be available if Lessee gives Lessor 90 days' prior written notice of Lessee's irrevocable intent to exercise such option and Lessor and Lessee shall have agreed to all terms and conditions of such purchase prior to the expiration date of the Initial Term. Until the Equipment is returned as required below, all terms of the Lease shall remain in full force and effect including the obligation to pay Rent.
 16. **RETURN OF EQUIPMENT.** If (a) default occurs, (b) a non-appropriation of funds occurs in accordance with Section 3, or (c) Lessee does not purchase the Equipment pursuant to Section 15, Lessee will immediately return the Equipment to any location(s) in the continental United States and aboard any carriers(s) Lessor may designate. The Equipment must be properly packed for shipment in accordance with the manufacturer's recommendations or specifications, freight prepaid and insured, maintained in accordance with Section 7, and in "Average Saleable Condition." "Average Saleable Condition" means that all of the Equipment is immediately available for use by a third party buyer, user or lessee, other than Lessee named in this Lease, without the need for any repair or refurbishment. All Equipment must be free of markings. Lessee will pay Lessor for any missing or defective parts or accessories. Lessee will continue to pay Rent until the Equipment is received and accepted by Lessor.
 17. **LESSEE'S REPRESENTATIONS AND WARRANTIES.** Lessee hereby represents and warrants to Lessor that as of the date of this Lease, and throughout the Lease Term: (a) Lessee is the entity indicated in this Lease; (b) Lessee is a State or a fully constituted political subdivision or agency of the State in which Lessee is located; (c) Lessee is duly organized and existing under the Constitution and laws of the State in which Lessee is located; (d) Lessee is authorized to enter into and carry out Lessee's obligations under this Lease, any documents relative to the acquisition of the Equipment and any other documents required to be delivered in connection with this Lease (collectively, the "Documents"); (e) the Documents have been duly authorized,

- executed and delivered by Lessee in accordance with all applicable laws, rules, ordinances, and regulations, the Documents are valid, legal, binding agreements, enforceable in accordance with their terms and the person(s) signing the Documents have the authority to do so, are acting with the full authorization of Lessee's governing body, and hold the offices indicated below their signature, each of which is genuine; (f) the Equipment is essential to the immediate performance of a governmental or proprietary function by Lessee within the scope of Lessee's authority and shall be used during the Lease Term only by Lessee and only to perform such function; (g) Lessee intends to use the Equipment for the entire Lease Term and shall take all necessary action to include in Lessee's annual budget any funds required to fulfill Lessee's obligations for each fiscal year during the Lease Term; (h) Lessee has complied fully with all applicable law governing open meetings, public bidding and appropriations required in connection with this Lease and the acquisition of the Equipment; (i) Lessee's obligations to remit Rent under this Lease constitutes a current expense and not a debt under applicable state law and no provision of this Lease constitutes a pledge of Lessee's tax or general revenues, and any provision which is so constructed by a court of competent jurisdiction is void from the inception of this lease; (j) all payments due and to become due during Lessee's current fiscal year are within the fiscal budget of such year, and are included within an unrestricted and unencumbered appropriation currently available for the lease of the Equipment; and (k) all financial information Lessee has provided to Lessor is true and accurate and provides a good representation of Lessee's financial condition.
18. **LESSEE'S PROMISES.** In addition to the other provisions of this Lease, Lessee agrees that during the term of this Lease (a) Lessee will promptly notify Lessor in writing if it moves Lessee's principal office or it changes names or its legal structure, (b) Lessee will provide to Lessor such financial information as may reasonably request from time to time, and (c) Lessee will take any action Lessor reasonably requests to protect Lessor's rights in the Equipment and to meet Lessee's obligations under this Lease.
 19. **ASSIGNMENT. LESSEE WILL NOT SELL, TRANSFER, ASSIGN, PLEDGE, SUB-LEASE OR PART WITH POSSESSION OF THE EQUIPMENT OR FILE OR PERMIT A LIEN TO BE FILED AGAINST THE EQUIPMENT.** Lessee will not attach any of the Equipment to any real estate. Upon Lessor's reasonable request and at Lessee's cost, Lessee will obtain from each person having an interest in the real estate where the Equipment is located a waiver of any rights they may have in the Equipment.
 20. **ASSIGNMENT BY LESSOR.** This Lease, and the rights of Lessor hereunder and in and to the Equipment, may be assigned and reassigned in whole or in part to one or more assignees by Lessor or its assigns at any time without the necessity of obtaining the consent of Lessee; provided, however, no such assignment or reassignment shall be effective unless and until Lessee shall have been given written notice of assignment disclosing the name and address of the assignee or its agent authorized to receive payments and otherwise service this Lease on its behalf. Upon receipt of notice of assignment, Lessee agrees to record the same in records maintained for such purpose, and further, to make all payments as designated in the assignment, notwithstanding any claim, defense, setoff or counterclaim whatsoever (whether arising from a breach of this Lease or otherwise) that Lessee may from time to time have against Lessor or Lessor's assigns. Lessee agrees to execute all documents, including acknowledgments of assignment, which may reasonably be requested by Lessor or its assigns to protect their interests in the Equipment and in this Lease.
 21. **COLLECTION EXPENSES, OVERDUE PAYMENT.** Lessee agrees that Lessor can, but does not have to, take on Lessee's behalf any action which Lessee fails to take as required by this Lease, and Lessor's expenses will be in addition to that of the Rent which Lessee owes Lessor. If Lessor receives any payment from Lessee after the due date, Lessee shall pay Lessor on demand as a late charge five percent (5%) of such overdue amount, limited, however, to the maximum amount allowed by law.
 22. **AGREED LEASE RATE FACTOR.** Lessee understands that the Equipment may be purchased for cash (the "Equipment Cost") or it may be leased. By signing this Lease, Lessee acknowledges that it has chosen to lease the Equipment from Lessor for the Lease Term and that Lessee has agreed to pay Rent. Each payment of Rent includes a principal amount based on the Equipment Cost and a lease charge rate. If it is determined that Lessee's payments under this Lease result in an interest payment higher than allowed by applicable law, then any excess interest collected will be applied to the repayment of principal and interest will be charged at the highest rate allowed by law. In no event will Lessor charge or receive or will Lessee pay any amounts in excess of the legal amount.
 23. **MISCELLANEOUS.** This Lease contains the entire agreement and supersedes any conflicting provision of any equipment purchase order or any other agreement. **TIME IS OF THE ESSENCE IN THIS LEASE.** If a court finds any provision of Lease to be unenforceable, the remaining terms of this Lease shall remain in effect. **TO THE EXTENT THAT THIS LEASE IS FOUND TO NOT BE A TRUE LEASE, THIS LEASE IS A "FINANCE LEASE" AS DEFINED IN ARTICLE 2A OF THE UNIFORM COMMERCIAL CODE.** Lessee authorizes Lessor (or Lessor's agent) to (a) obtain credit reports, (b) make such other credit inquires as Lessor may deem necessary, and (c) furnish payment history information to credit reporting agencies. To the extent permitted by law, Lessor may charge Lessee a fee of \$250.00 to cover Lessor's documentation and investigation costs.
 24. **NOTICES.** All of Lessee's written notices to Lessor must be sent by certified mail or recognized overnight delivery service, postage prepaid, to Lessor at Lessor's address stated in this Lease, or by facsimile transmission to Lessor's facsimile telephone number, with oral confirmation of receipt. All of Lessor's notices to Lessee may be sent first class mail, postage prepaid, to Lessee's address stated in this Lease. At any time after this Lease is signed, Lessee or Lessor may change an address or facsimile telephone number by giving notice to the other of the change.
 25. **ANTI-MONEY LAUNDERING/INTERNATIONAL TRADE COMPLIANCE.** Lessee represents and warrants to Lessor, as of the date of this Lease, the date of each advance of proceeds under the Lease, the date of any renewal, extension or modification of this Lease, and at all times until the Lease has been terminated and all amounts thereunder have been indefeasibly paid in full, that: (a) no Covered Entity (i) is a Sanctioned Person; or (ii) does business in or with, or derives any of its operating income from investments in or transactions with, any Sanctioned Country or Sanctioned Person in violation of any law, regulation, order or directive enforced by any Compliance Authority; (b) the proceeds of the Lease will not be used to fund any unlawful activity; (c) the funds used to repay the Lease are not derived from any unlawful activity; and (d) each Covered Entity is in compliance with, and no Covered Entity engages in any dealings or transactions prohibited by, any laws of the United States.
 26. As used herein: "**Compliance Authority**" means each and all of the (a) U.S. Treasury Department/Office of Foreign Assets Control, (b) U.S. Treasury Department/Financial Crimes Enforcement Network, (c) U.S. State Department/Directorate of Defense Trade Controls, (d) U.S. Commerce Department/Bureau of Industry and Security, (e) U.S. Internal Revenue Service, (f) U.S. Justice Department, and (g) U.S. Securities and Exchange Commission; "**Covered Entity**" means Lessee, its affiliates and subsidiaries and direct and indirect owners; "**Sanctioned Country**" means a country subject to a sanctions program maintained by any Compliance Authority; and "**Sanctioned Person**" means any individual person, group, regime, entity or thing listed or otherwise recognized as a specially designated, prohibited, sanctioned or debarred person or entity, or subject to any limitations or prohibitions (including but not limited to the blocking of property or rejection of transactions), under any order or directive of any Compliance Authority or otherwise subject to, or specially designated under, any sanctions program maintained by any Compliance Authority.
 27. **USA PATRIOT ACT NOTICE.** To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify and record information that identifies each lessee that opens an account. What this means: when the Lessee opens an account, Lessor will ask for the business name, business address, taxpayer identifying number and other information that will allow the Lessor to identify Lessee, such as organizational documents. For some businesses and organizations, Lessor may also need to ask for identifying information and documentation relating to certain individuals associated with the business or organization.
 28. **WAIVERS. LESSOR AND LESSEE EACH AGREE TO WAIVE, AND TO TAKE ALL REQUIRED STEPS TO WAIVE, ALL RIGHTS TO A JURY TRIAL.** To the extent Lessee is permitted by applicable law, Lessee waives all rights and remedies conferred upon a lessee by Article 2A (Sections 508-522) of the Uniform Commercial Code including but not limited to Lessee's rights to: (a) cancel or repudiate this Lease; (b) reject or

revoke acceptance of the Equipment; (c) recover damages from Lessor for any breach of warranty or for any other reason; (d) grant a security interest in any Equipment in Lessee's possession. To the extent Lessee is permitted by applicable law, Lessee waives any rights they now or later may have under any statute or otherwise which requires Lessor to sell or otherwise use any Equipment to reduce Lessor's damages, which requires Lessor to provide Lessee with notice of default, intent to accelerate amounts becoming due or acceleration of amounts becoming due, or which may otherwise limit or modify any of Lessor's rights or remedies. **ANY ACTION LESSEE TAKES AGAINST LESSOR FOR ANY DEFAULT, INCLUDING BREACH OF WARRANTY OR INDEMNITY, MUST BE STARTED WITHIN ONE (1) YEAR AFTER THE EVENT, WHICH CAUSED IT.** Lessor will not be liable for specific performance of this Lease or for any losses, damages, delay or failure to deliver Equipment.

29. **IMPORTANT INFORMATION ABOUT PHONE CALLS.** By providing telephone number(s) to Lessor, now or at any later time, Lessee authorizes Lessor and its affiliates and designees to contact Lessee regarding Lessee account(s) with Lessor or its affiliates, whether such accounts are Lessee individual accounts or business accounts for which Lessee is a contact, at such numbers using any means, including but not limited to placing calls using an automated dialing system to cell, VoIP or other wireless phone number, or leaving prerecorded messages or sending text messages, even if charges may be incurred for the calls or text messages. Lessee consents that any phone call with Lessor may be monitored or recorded by Lessor.

IMPORTANT: READ BEFORE SIGNING. THE TERMS OF THIS LEASE SHOULD BE READ CAREFULLY BECAUSE ONLY THOSE TERMS IN WRITING ARE ENFORCEABLE. TERMS OR ORAL PROMISES WHICH ARE NOT CONTAINED IN THIS WRITTEN AGREEMENT MAY NOT BE LEGALLY ENFORCED. THE TERMS OF THIS LEASE MAY ONLY BE CHANGED BY ANOTHER WRITTEN AGREEMENT BETWEEN LESSEE AND LESSOR. LESSEE AGREES TO COMPLY WITH THE TERMS AND CONDITIONS OF THIS LEASE. LESSEE AGREES THAT THE EQUIPMENT WILL BE USED FOR BUSINESS PURPOSES ONLY AND NOT FOR PERSONAL, FAMILY OR HOUSEHOLD PURPOSES.

LESSEE CERTIFIES THAT ALL THE INFORMATION GIVEN IN THIS LEASE AND LESSEE'S APPLICATION WAS CORRECT AND COMPLETE WHEN THIS LEASE WAS SIGNED. THIS LEASE IS NOT BINDING UPON LESSOR OR EFFECTIVE UNLESS AND UNTIL LESSOR EXECUTES THIS LEASE. THIS LEASE WILL BE GOVERNED BY THE LAWS OF THE STATE OF THE LESSEE.

SAMPLE APPLICATION
("Lessee")

PNC Equipment Finance, LLC
("Lessor")

X
Authorized Signature

X
Authorized Signature

Print Name

Print Name

Title:

Title:

Date

995 Dalton Ave.
Cincinnati, OH 45203

123 Main Street.
Anytown, USA 00000

OPINION OF COUNSEL

I have acted as counsel to the above-referenced Lessee (the "Lessee") with respect to this Lease Agreement by and between the Lessee and Lessor (the "Lease"), and in this capacity have reviewed the original or duplicate originals of the Lease and such other documents as I have deemed relevant. Based upon the foregoing, I am of the opinion that: (A) Lessee is a state or a fully constituted political subdivision or agency of a state within the meaning of Section 103 of the Internal Revenue Code of 1986, as amended; (B) the execution, delivery and performance of the Lease by Lessee has been duly authorized by all necessary action on the part of Lessee; (C) the Lease constitutes a legal, valid and binding obligation of Lessee enforceable in accordance with its terms, except as limited by laws of general application affecting the enforcement of creditors' rights, and does not constitute a debt of Lessee which is prohibited by state law; (D) the authorization, approval and execution of the Lease and all other proceedings of Lessee related to the transactions contemplated thereby have been performed in accordance with all open-meeting laws, public bidding laws, and all other applicable state laws. The undersigned certifies that (s)he is an attorney duly authorized to practice law in the State of _____.

The foregoing opinions are limited to the laws of such State and federal laws of the United States.

Attorney of Lessee

By: _____
Print Name: _____
Law firm: _____

CERTIFICATE OF ACCEPTANCE

Lease Number XXXXX-XX

Quantity	Description	Serial No.
1	Equipment Description	

Equipment Location:
 123 Main Street
 Anytown, USA 00000

Lessee, through its authorized representative, hereby certifies to Lessor that:

1. The Equipment has been delivered to the location where it will be used, which is the Equipment Location given in the Lease Agreement ("Lease");
2. All of the Equipment has been inspected and is (a) complete, (b) properly installed, (c) functioning, and (d) in good working order;
3. Lessee accepts the Equipment for all purposes under the Lease as of _____, 20 (the "Acceptance Date"), which is the date on which the Equipment was delivered and installed;
4. The Equipment is of a size, design, capacity and manufacture acceptable to Lessee and suitable for Lessee's purposes; and
5. Lessee is not in default under the Lease, no Non-Appropriation of Funds (as described in the Lease) has occurred, and all of Lessee's statements and promises set forth in the Lease are true and correct.

Lessor is hereby authorized to insert serial numbers on the Lease.

THIS CERTIFICATE OF ACCEPTANCE IS SIGNED THIS ____ DAY OF _____, 20_.

SAMPLE APPLICATION
("Lessee")

X _____
 Authorized Signature

 Print Name

 Title:

 Date

RESOLUTION AND CERTIFICATE OF INCUMBENCY
Lease Number XXXXX-X

Lessee: SAMPLE APPLICATION

Amount: \$XXX.XX (payment X term)

WHEREAS, Lessee, a body politic and corporate duly organized and existing as a political subdivision, municipal corporation or similar public entity of the State or Commonwealth ("the State") is authorized by the laws of the State to purchase, acquire and lease certain equipment and other property for the benefit of the Lessee and its inhabitants and to enter into contracts with respect thereto; and

WHEREAS, pursuant to applicable law, the governing body of the Lessee ("Governing Body") is authorized to acquire, dispose of and encumber real and personal property, including, without limitation, rights and interest in property, leases and easements necessary to the functions or operations of the Lessee.

WHEREAS, the Governing Body hereby finds and determines that the execution of one or more Lease Agreements or lease schedules ("Leases") in the amount not exceeding the amount stated above for the purpose of acquiring the property ("Equipment") to be described in the Leases is appropriate and necessary to the functions and operations of the Lessee.

WHEREAS, PNC Equipment Finance, LLC ("Lessor") shall act as Lessor under said Leases.

NOW, THEREFORE, Be It Ordained by the Governing Body of the Lessee:

Section 1. Either one of the _____ OR _____ (each an "Authorized Representative") acting on behalf of the Lessee, is hereby authorized to negotiate, enter into, execute, and deliver one or more Leases in substantially the form set forth in the document presently before the Governing Body, which document is available for public inspection at the office of the Lessee. Each Authorized Representative acting on behalf of the Lessee is hereby authorized to negotiate, enter into, execute, and deliver such other documents relating to the Lease as the Authorized Representative deems necessary and appropriate. All other related contracts and agreements necessary and incidental to the Leases are hereby authorized.

Section 2. By a written instrument signed by any Authorized Representative, said Authorized Representative may designate specifically identified officers or employees of the Lessee to execute and deliver agreements and documents relating to the Leases on behalf of the Lessee.

Section 3. The Lessee's obligations under the Leases shall be subject to annual appropriation or renewal by the Governing Body as set forth in each Lease and the Lessee's obligations under the Leases shall not constitute general obligations of the Lessee or indebtedness under the Constitution or laws of the State.

Section 4. This resolution shall take effect immediately upon its adoption and approval.

SIGNATURES AND TITLES OF AUTHORIZED REPRESENTATIVES : AUTHORIZED LEASE SIGNORS ONLY

Name	Title	Signature
Name	Title	Signature

ADOPTED AND APPROVED on this _____, 20__.

Section 5. I, the undersigned Secretary/Clerk identified below, does hereby certify that I am the duly elected or appointed and acting Secretary/Clerk of the above Lessee, a political subdivision duly organized and existing under the laws of the State where Lessee is located, that I have the title stated below, and that, as of the date hereof, the individuals named below are the duly elected or appointed officers of the Lessee holding the offices set forth opposite their respective names. The undersigned Secretary/Clerk of the above-named Lessee hereby certifies and attests that the undersigned has access to the official records of the Governing Body of the Lessee, that the foregoing resolutions were duly adopted by said Governing Body of the Lessee at a meeting of said Governing Body and that such resolutions have not been amended or altered and are in full force and effect on the date stated below.

LESSEE: SAMPLE APPLICATION

Signature of Secretary/Clerk of Lessee

[SEAL]

Print Name: _____
Official Title: _____
Date: _____



995 Dalton Avenue
Cincinnati, Ohio 45203 • Telephone (513) 421-9191

Please Retain for Future Reference
Page No. 1
INVOICE #XXXXXX-X
Customer #XXXXXX

INVOICE DATE
10/11/2018

DUE DATE
Upon Receipt

Bill To:
SAMPLE APPLICATION
123 Main Street
Anytown, USA 00000

Remit To:
PNC Equipment Finance, LLC
Attn: Lease Servicing/Set-Up Processing
995 Dalton Avenue
Cincinnati, OH 45203

INVOICE

Lease No. XXXXX-X

<u>Initial Charges:</u>	
Monthly Rent - 1 st Month	\$XXX.X
Sales Tax – Please submit Exemption Certificate	Exempt
PAY THIS AMOUNT	
	\$XXX.XX

Lease #XXXXX-X

Please provide the following information. By providing such information, you will enable us to ensure prompt payment of your vendor and the correct processing of your lease transaction.

Thank you.

Lessee Information

Full Business Legal Name: SAMPLE APPLICATION		Federal Tax ID Number: XXXXXXX	
Address	City:	State:	Zip:

Preferred Method of Payment: (Please check)

<input type="checkbox"/> Monthly Invoice (Mail)	
Invoices should be directed to:	Attention:
Address	City, State, Zip:
<input type="checkbox"/> Monthly Invoice (Email)	
Billing Contact:	Email:

Contact Information

In order to verify receipt of equipment and review terms and conditions of the lease, please provide contact information for one or more staff that can assist in this process.

Contact 1:	Phone:
Email:	
Contact 2:	Phone:
Email:	

I hereby attest the above information is accurate.

Signature X	Date
----------------	------

Email:

March 1, 2019

SAMPLE APPLICATION

123 Main Street
Anytown, USA 00000

RE: Insurance Coverage Requirements for Equipment Financing Transaction between PNC Equipment Finance, LLC and SAMPLE APPLICATION

Lease# XXXXX-X

Before funding your transaction, PNC Equipment Finance, LLC requires evidence of appropriate insurance coverage on the equipment described in your transaction documents. Please forward this request to your insurance company, agent or broker as soon as possible and ask for the evidence of insurance to be sent to the address below.

PNC Equipment Finance, LLC will have an insurable interest in the following equipment:

Quantity	Description	Serial No.
1	Equipment Description	

As a condition to entering into the equipment financing transaction, PNC Equipment Finance, LLC requires the following at all times during the term of the transaction:

1. All of the equipment must be insured for its full insurable value on a 100% replacement cost basis.
2. PNC Equipment Finance, LLC must be named as lender loss payee under a property insurance policy insuring all risks to the equipment, including fire, theft, and other customary coverage under an "extended coverage" endorsement, with a deductible not to exceed \$10,000 per occurrence.
3. PNC Equipment Finance, LLC must receive evidence that a comprehensive general liability insurance policy is in place with a minimum coverage of \$1,000,000. PNC Equipment Finance, LLC must be named as an additional insured under the liability policy.
4. Each property insurance policy must contain a lender's loss payable clause, or special endorsement, in which the insurer agrees that any loss will be payable in accordance with the policy terms, notwithstanding any act or negligence of the insured.
5. Each policy must provide for 30 days' written notice to PNCEF prior to any cancellation, non-renewal or amendment of the policy.
6. All additional insurance requirements as specified below:

The evidence of insurance can consist of a Certificate of Insurance form, Evidence of Insurance form, Memorandum of Insurance, binder for insurance, declarations page, or the actual policy and endorsements, in each case naming PNC Equipment Finance, LLC as follows:

PNC Equipment Finance, LLC, and its successors and assigns, as lender loss payee
Attn: Insurance Department
995 Dalton Avenue
Cincinnati, OH 45203

When completed, the evidence of insurance should be provided to the following address:

PNC Equipment Finance, LLC
995 Dalton Avenue
Cincinnati, OH 45203

Notification of Tax Treatment

PNC Equipment Finance, LLC a Delaware limited liability company ("**PNC**"), is required to collect and remit sales/use tax in the taxing jurisdiction where your equipment will be located. If you select that you are exempt by marking one of the checkboxes below, you must provide a valid exemption certificate. If you do not provide this certificate *prior* to the booking of your transaction, you will be responsible for sales tax on all accrued payments.

- If tax has been remitted up front and financed into your lease payment, your account will not be marked sales tax exempt if you provide an exemption certificate after your transaction has been booked.
- If your tax is remitted on a monthly basis, your lease may be marked sales tax exempt for the remaining payments left to be invoiced if you provide a valid exemption certificate after your transaction has been booked.
- In the event we do not receive a valid sales tax exemption certificate prior to the date your lease commences, you will be charged sales/use tax.

Personal property tax returns will be filed as required by local law. In the event that any tax abatements or special exemptions are available on the equipment you will be leasing from us, please notify us as soon as possible and forward the related documentation to us. This will ensure that your leased equipment will be reported correctly.

Please indicate below if your lease is subject to tax or whether a valid exemption exists.

Sales Tax

- I agree that my lease is subject to sales/use tax.
- I am exempt from sales/use tax and I have attached a completed exemption certificate to PNC.
- I am claiming a partial exemption from tax. I have attached a completed exemption certificate or other documented proof of this partial exemption.
- I agree that my business is subject to sales/use tax and I have attached a completed resale certificate. This certificate indicates that I will be responsible for collection and remittance of sales/use tax based on the subsequent re-rental of the property.

If applicable to the tax rates in your state, are you outside the city limits or in an unincorporated area?

- Inside city limits
- Outside city limits
- Unincorporated area

Property Tax

- I have a valid abatement or property tax exemption (documentation attached).
- Location: State _____
Taxing District _____

Additional comments:

Lease Number XXXXX-X

Lessee: SAMPLE APPLICATION

Signature:

X

Print Name:

Title:

Date:

PLEASE COMPLETE AND SIGN FORM

Incline Village RXV Gas Sample Schedule of Payments per Cart

Compound Period: Monthly

Nominal Annual Rate: 5.000 %

CASH FLOW DATA

	Event	Date	Amount	Number	Period	End Date
1	Loan	05/01/2020	3,528.05	1		
2	Payment	06/01/2020	43.68	48	Monthly	05/01/2024
3	Payment	06/01/2024	2,000.00	1	Make by EZ-Go not IVGID	

AMORTIZATION SCHEDULE - Normal Amortization

	Date	Payment	Interest	Principal	Balance
Loan	05/01/2020				3,528.05
1	06/01/2020	43.68	14.70	28.98	3,499.07
2	07/01/2020	43.68	14.58	29.10	3,469.97
3	08/01/2020	43.68	14.46	29.22	3,440.75
4	09/01/2020	43.68	14.34	29.34	3,411.41
5	10/01/2020	43.68	14.21	29.47	3,381.94
6	11/01/2020	43.68	14.09	29.59	3,352.35
7	12/01/2020	43.68	13.97	29.71	3,322.64
2020 Totals		305.76	100.35	205.41	
8	01/01/2021	43.68	13.84	29.84	3,292.80
9	02/01/2021	43.68	13.72	29.96	3,262.84

10	03/01/2021	43.68	13.60	30.08	3,232.76
11	04/01/2021	43.68	13.47	30.21	3,202.55
12	05/01/2021	43.68	13.34	30.34	3,172.21
13	06/01/2021	43.68	13.22	30.46	3,141.75
14	07/01/2021	43.68	13.09	30.59	3,111.16
15	08/01/2021	43.68	12.96	30.72	3,080.44
16	09/01/2021	43.68	12.84	30.84	3,049.60
17	10/01/2021	43.68	12.71	30.97	3,018.63
18	11/01/2021	43.68	12.58	31.10	2,987.53
19	12/01/2021	43.68	12.45	31.23	2,956.30
2021 Totals		524.16	157.82	366.34	
20	01/01/2022	43.68	12.32	31.36	2,924.94
21	02/01/2022	43.68	12.19	31.49	2,893.45
22	03/01/2022	43.68	12.06	31.62	2,861.83
23	04/01/2022	43.68	11.92	31.76	2,830.07
24	05/01/2022	43.68	11.79	31.89	2,798.18
25	06/01/2022	43.68	11.66	32.02	2,766.16
26	07/01/2022	43.68	11.53	32.15	2,734.01
27	08/01/2022	43.68	11.39	32.29	2,701.72
28	09/01/2022	43.68	11.26	32.42	2,669.30
29	10/01/2022	43.68	11.12	32.56	2,636.74
30	11/01/2022	43.68	10.99	32.69	2,604.05
31	12/01/2022	43.68	10.85	32.83	2,571.22
2022 Totals		524.16	139.08	385.08	
32	01/01/2023	43.68	10.71	32.97	2,538.25
33	02/01/2023	43.68	10.58	33.10	2,505.15
34	03/01/2023	43.68	10.44	33.24	2,471.91
35	04/01/2023	43.68	10.30	33.38	2,438.53

36	05/01/2023	43.68	10.16	33.52	2,405.01
37	06/01/2023	43.68	10.02	33.66	2,371.35
38	07/01/2023	43.68	9.88	33.80	2,337.55
39	08/01/2023	43.68	9.74	33.94	2,303.61
40	09/01/2023	43.68	9.60	34.08	2,269.53
41	10/01/2023	43.68	9.46	34.22	2,235.31
42	11/01/2023	43.68	9.31	34.37	2,200.94
43	12/01/2023	43.68	9.17	34.51	2,166.43
2023 Totals		524.16	119.37	404.79	
44	01/01/2024	43.68	9.03	34.65	2,131.78
45	02/01/2024	43.68	8.88	34.80	2,096.98
46	03/01/2024	43.68	8.74	34.94	2,062.04
47	04/01/2024	43.68	8.59	35.09	2,026.95
48	05/01/2024	43.68	8.45	35.23	1,991.72
Adjustment				-8.28	2000.00
2024 Totals		218.40	51.97	166.43	
T Value		2000.00		2000.00	
Grand Totals		4,096.64	568.59	3,528.05	

Last interest amount decreased by 0.02 due to rounding.

NOTICE OF INTENTION TO AUTHORIZE
A MEDIUM-TERM INSTALLMENT PURCHASE AGREEMENT

Notice is hereby given that the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT, State of Nevada, will hold a public hearing at a regular meeting to be held on November 13, 2019 at the hour of six o'clock (6 P.M. PST) in the CHATEAU, 955 FAIRWAY BLVD., INCLINE VILLAGE, NV to act upon a Resolution authorizing a Medium-Term Installment Purchase Agreement in the form of a Lease Agreement with future minimum payments not exceed a total of \$121,605.12, to enable the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT to acquire fifty eight (58) EZ-Go Gas-Powered Golf Carts for the Mountain Golf Course.

The proposed obligation is to be repaid by revenues of the Community Services Special Revenue Fund, which is a part of the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT. The Community Services Special Revenue Fund will budget for the payments each year as an operating expenditure for the venue using the equipment. The installment purchase agreement will be in the form of a Lease Agreement with PNC Equipment Finance, LLC for a term of four (4) years and includes a Fair Market Value purchase option payment, that is not expected to be exercised.

All persons are invited to attend and to be heard regarding the proposed action. Prior to the hearing, written comments may be filed with the INCLINE VILLAGE GENERAL IMPROVEMENT DISTRICT District Clerk and will be considered.

Publication date: November 1, 2019.