University of Kentucky GASB 87 Lease Decision Tree Purchase Orders for periods starting 7/1/2021 and later

This questionnaire is designed to gather information about lease activities that may be subject to GASB 87 reporting requirements. For each new lease, a copy of this completed form should be included as documentation and attached to the SAP shopping cart/requisition before the purchase order is created. Accounting and Financial Reporting Services (AFRS) or Hospital Accounting will review the documentation and contract as appropriate and let Purchasing know when the PO can be set up in SAP. Use the red numbers in parentheses to match to the GL chart in Exhibit A.

Contact information:

Department number
Department contact email/phone

General lease information for all leases:

Lease type (example vehicle, equipment, building)
Start date of lease
Possession date of the asset – if not in the contract, include email or other documentation
Renewal period end date (if expect to exercise option)
Term of the lease

Decision Tree to determine if this lease is included in GASB 87 reporting:

- 1. Is the lease excluded from GASB 87? See GASB 87 scope document in Exhibit B.
 - Yes do not continue. What is the exclusion number from the GASB scope document? (1) No continue to next question
- 2. Is this lease cancelable by both parties at any time? (Both the lessor and lessee should not be able to cancel the lease at any time per GASB 87.)
 - Yes it will not be recorded as GASB 87 lease. Do not continue. Record as an expense. (1) No continue to next question
- 3. Right to control the asset Does UK have access to the item and the vendor does not place limitations on what can be done with the leased asset?
 - No will not be recorded as GASB 87 lease. Do not continue. Record as an expense. (1) Yes continue to next question
- 4. Per the contract:

Will the lease extend greater than 12 months?

No – will not be recorded as GASB 87 lease. Do not continue. Record as an expense. (1) Yes – continue to next question after answering the following questions.

After the first year is there an option to renew? At the beginning of the lease, is it likely that the unit will exercise the option to renew?

What is the end date of the renewal periods expected to be used?

- 5. Determine Financing lease versus GASB 87 lease
 - Is there a bargain purchase option?

Yes – financing lease. Do not continue. Single item \geq \$5,000 (4) or single item \leq \$5,000 (2) No – continue to next question

Will UK own the asset at the end of the lease term?

Yes - financing lease. Do not continue. Single item >= \$5,000 (4) or single item < \$5,000 (2) No – continue to next question

6. Does the total amount to be paid throughout the lease term meet or exceed the UK materiality threshold for GASB 87 leases?

Thresholds by business area (BA):

- UK (BA 0101 and other BAs not listed below) \$100,000
- UKHC (BA 0111, 0112) \$100,000
- KDHS (BA 0117) \$50,000
- UKRF (BA 0201) \$15,000
- KMSF (BA KMSF) \$50,000
- WUKY (BA 0105) \$0
- Other affiliate business areas (BA 0400, 0600, 0700) \$0
- Contact Capital Assets Accounting 859-257-3355 for any questions.

No – will not be recorded as GASB 87 lease. Do not continue. Record as an expense. (2) Yes – GASB 87 lease (3)

Specific lease information for GASB 87 leases:

- Frequency of payments for principal and interest (ie. monthly, quarterly, annually)
- Interest rate on lease*
- FMV of asset at the inception of the lease
- Amount of each payment

Does the payment stay the same over the lease period? Yes – payment remains the same No

> Payments constantly vary (payment escalates annually at the same frequency on the same day from the first payment date until the lease ends) Payment is not constant (no preset changes or annual changes, not the same from the first payment date until the lease ends)

- Total amount to be paid to lessor over the term of the lease (including renewal periods expected to be used)
- Are there other expenses in the payment that can be easily determined (for example, maintenance charges for vehicles or buildings)? If so, these expenses should be on a separate line on the purchase order and would not be included in the payments of lease principal or interest amounts.

^{*} New leases should be negotiated so that the interest percentage and maintenance or other services are clearly defined in the contract. This will greatly assist in the recording of the leases in LeaseQuery.

Exhibit A: Accounting Key (GLs and categories based on determination above)

(1) (2) (3)

		Chart torre		Long town	
Most Common	Expense Type	Short-term	n Long-term		
Types of Leases		Expense non-GASB 87	Not Material, non-GASB 87	Material, GASB 87	Material Financed
	Principal (research)	534043	534043	UK contact AFRS, HOSP 534072	551140
Equipment	Principal (non-research)	534042	534042	UK contact AFRS, HOSP 534072	551140
	Interest	N/A	534071	534073	534071
	Maintenance	533030	533030	533030	533030
	Admin costs	534055	534055	534055	534055
Vehicle	Principal	534049	534042	UK contact AFRS, HOSP 534072	551140
	Interest	N/A	534071	534073	534071
	Maintenance	533043	533043	533043	533043
	Admin costs	534055	534055	534055	534055
Real Estate	Principal (bldg)	534041	534041	534072	N/A
	Principal (land)	534045	534045	UK contact AFRS, HOSP 534072	N/A
	Interest	N/A	534071	534073	N/A
	Maintenance (bldg)	533022	533022	533022	533022
	Maintenance (land)	533040	533040	533040	533040
	Admin costs	534055	534055	534055	534055

Exhibit B

GASB 87 Leases Scope

Use this worksheet to determine if the asset is excluded per GASB 87. If not specifically excluded from GASB 87, use UK GASB 87 Decision Tree to determine if the lease is reported.

Agricultural Leases (croplands, orchards, etc.) A billboards (Advertising Space Maybe* A billboard is commercially designed to be contracted to custome other advertisers, the "conveys control" requirement would not met because we are not using all of the space. Biological assets (living plants, animals) Bulldings & Structures (includes office space in a building, housing/dorms) Cell Towers/Antenna A cell Towers/Antenna Cell Towers/Antenna Maybe* Cell Towers/Antenna Maybe* Computer Software licenses Computer Software licenses Yes Report as a financed purchase per paragraph 19 Copy Machines (copiers, printers, scanners or combos) No Equipment on location at a separate site No Belloting A Software licenses No Golf Carts Farm Equipment (tractors, harvesters, attachments) No Golf Carts No Furniture including hospital beds No Golf Carts No Hunting Permits No Land used only by UK (Single entity) No Land used only by UK (Single entity) No Land used only by UK (Single entity) No Land assements or "Right-of-Way" Maybe* Jand Research Equipment No Maybe* Maybe* Maybe* Maybe* Maybe* Maybe* Maybe* Jand Research Equipment No Land Easements or "Right-of-Way" Maybe* Does Lessee have complete "control of the right to use the land", this may be a General seasement of the period of also for \$1 and would not meet the "conveys control of the reasements are in perpetuity, which would not meet the period of also for	ers for displaying advertisements. If shared by be met and the present service capacity is not be met and the present service capacity is not nection point to which the antenna is affixed, it ualify as a purchased asset.
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Machinery No No	
15 Mineral Rights (oil, gas, minerals and similar nonregenerative resources). Yes Excluded paragraph 8(a)	
Movie/Film Equipment No	
Office Equipment (postage meters, fax machines, mail machines, water coolers, etc.)	
16 Patents and Copyrights Yes Excluded paragraph 8(a)	
17 Service Concession Arrangements Yes Excluded paragraph 8(d), GASB Statement No. 60, Paragraph 4 (e operator to develop, operate and maintain an infrastructure asse	
18 Small Dollar Leases (Annual leases for \$1 or some other small dollar amount) Yes Appendix B (B9) Considered "non-exchange" transactions	
19 Short term leases (contract term is less than 12 months with NO options to extend past 12 months) Yes Report as expense in year of lease payments, excluded paragraph to extend past 12 months)	16-17
Radio Station Towers No	
Storage Units/Coolers No	
20 Supply Contracts (power purchase agreements, linen rental, uniform rental, gas cylinder rentals) Yes Excluded paragraph 8(f)	
21 Timber Yes Excluded paragraph 8(b)	
Vehicles (ownership does not transfer to UK) No	
Water Filtration System No	

^{*} If unsure whether the lease should be considered a GASB 87 lease, contact the Accounting and Financial Reporting Services Lease Manager listed at the website below for assistance:

<u>AFRS Capital Assets</u>

NOTES

Leases between UK departments in the same business area would not meet GASB 87 criteria because UK owns the asset that is being used. Leases between UK Departments should be recorded as a pass-thru transaction on a journal voucher using General Ledger Account 539000 for both the debit and credit.

If two UK Departments share the cost of a leased asset, owned by another entity, this lease would qualify under GASB 87. There is no exclusion because the expense of the lease is split between cost objects for payment of the lease.

 $Leases\ financed\ with\ conduit\ debt\ are\ excluded\ unless\ both\ asset\ and\ conduit\ debt\ are\ reported\ by\ the\ lessor.$