

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 $<$ \$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 \geq \$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, 0117) - \$100,000
- 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)

Most Common Types of Leases	Expense Type	(1)	(2)	(3)	(4)
		Short-term Expense non-GASB 87	Not Material, non-GASB 87	Material, GASB 87	Material Financed
Equipment	Principal (research)	534043	534043	UK contact AFRS, HOSP 534072	551140
	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.

Exclusion Number	Type of Nonfinancial Asset	EXCLUDED in GASB 87?	GASB 87 Reference/Explanation
	Agricultural Leases (croplands, orchards, etc.)	No	The lease's underlying asset is the land which is not a biological asset.
1	Billboards/Advertising Space	Maybe*	A billboard is commercially designed to be contracted to customers for displaying advertisements. If shared by other advertisers, the "conveys control" requirement would not be met and the present service capacity is not met because we are not using all of the space.
2	Biological assets (living plants, animals)	Yes	Excluded paragraph 8(b)
	Buildings & Structures (includes office space in a building, housing/dorms)	No	
3	Cell Phones (actual phone and not the service)	Yes	Most likely would not meet materiality threshold
4	Cell Towers/Antenna	Maybe*	If agreement conveys control of rights to use the land or the connection point to which the antenna is affixed, it could be a GASB 87 lease.
5	Classroom Projection Systems	Maybe*	If installed, these would become part of the building and could qualify as a purchased asset.
6	Computer Software licenses	Yes	Excluded paragraph 8(a), reporting outlined in GASB Statement No. 96
	Computer equipment (servers, routers, etc.)	No	
7	Contracts that transfer ownership (UK is buying the asset)	Yes	Report as a financed purchase per paragraph 19
	Copy Machines (copiers, printers, scanners or combos)	No	
	Equipment (any equipment that belongs to another entity that UK leases)	No	
	Equipment on location at a separate site	No	
8	Event/Conference Space rental	Yes	Usually "events and conferences" do not extend for 12+ months in duration. These short term space rentals would be excluded in paragraph 16-17.
	Farm Equipment (tractors, harvesters, attachments)	No	
	Furniture including hospital beds	No	
	Golf Carts	No	
9	Grazing Leases (See Land "used" below)	Maybe*	
	Heavy Equipment (bulldozers, backhoes, trenchers, etc.)	No	
10	Hunting Permits	Maybe*	If lessee has "control of the right to use the land", this may be a GASB 87 lease.
11	Inventory	Yes	Excluded paragraph 8(c)
	Lab/Research Equipment	No	
	Land used only by UK (single entity)	No	
12	Land used by multiple entities	Maybe*	Does Lessee have complete "control of the right to use" when using the land. If so, this may be a GASB 87 lease.
13	Land Easements or "Right-of-Way"	Maybe*	Many of these leases may not meet the "conveys control of the right to use" criteria. In addition, many easements are in perpetuity, which would not meet the period of time criterion. Many of these contracts are also for \$1 and would not meet the exchange or exchange-like criterion.
14	Licensing contracts for motion picture films, video recordings, plays, and manuscripts.	Yes	Excluded paragraph 8(a)
	Machinery	No	
	Medical Equipment	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.)	No	
16	Patents and Copyrights	Yes	Excluded paragraph 8(a)
17	Service Concession Arrangements	Yes	Excluded paragraph 8(d), GASB Statement No. 60, Paragraph 4 (example - government contract with private operator to develop, operate and maintain an infrastructure asset such as road, bridge, tunnel, hospital)
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 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:

[AFRS Capital Assets](#)

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.