

GASB 87 - UGA as Lessor

PURPOSE:

The UGA Financial Accounting System has no mechanism for accounting for leases where UGA is the Lessor. In order for departments to have consistent procedures, the guidelines identified in this document will identify, explain and provide best practices for accounting for lease revenues where UGA assets are leased to outside vendors.

BACKGROUND:

GASB 87 defines a lease as "A contract that conveys *control* of the right to use another entity's *nonfinancial asset* (the underlying asset) as specified in the contract for a *period of time* in an exchange or exchange-like transaction.

Similar to leases, where UGA is the Lessee, UGA departments will need to analyze and document, through the "GASB 87 Lease Questionnaire - UGA as Lessor", that leases have been analyzed for GASB 87. Those leases where the Net Present Value of Future Minimum Lease Payments (NPVFMLP) exceeds the capitalization threshold for Buildings of \$100,000 would meet the GASB 87 requirements to be booked as a Lease Receivable. Those that do not meet the capitalization criteria will need to be tracked as "Insignificant".

Lease Revenue (451500) will be used for all revenue received associated with UGA Lessor leases that meet the GASB 87 criteria and are not deemed "insignificant".

NOTE: Cell Tower Revenue will use 470126 and EBS Lease Revenue will use 470127

Rent Revenue (451100) will be used for all revenue received associated with UGA Lessor Leases that DO NOT meet the GASB 87 criteria OR are deemed "insignificant".

IDENTIFICATION OF GASB 87 LEASES (Chartfield1 structuring):

Each separate lease will need to be identified by a specifically identifiable Chartfield1 code.

GASB 87 - Lease NPVFMLP > \$100,000

Chartfield1 begins with "G87"

Insignificant - Lease NPVFMLP < \$100,000

Chartfield1 begins with "INS"

Chartfield1 can only have 10 digits/characters.

First 3 digits identifies Lease Type

Middle 5 digits identifies Lease Name or another identifier sequence as determined by Department

Last 2 digits could identify the Fiscal Year that the contract date began OR can be used by department in any manner needed.

The Chartfield1 code will be used to analyze lease revenue activity at the end of each year for annual financial reporting purposes. Also, as requested by USG, this lease activity will be included in system reported for GASB 87 compliance.

DEPARTMENT PROCEDURES:

1. Department initiates contract with outside vendor for lease/rent of UGA owned asset.
2. Department sends UGA Real Estate Office the signed contract for UGA approval.

NOTE: EITS Cell Tower contracts do not require approval by UGA R/E Office.

3. After contracts are signed and approved by the UGA Real Estate Office, a confirmation email is sent to the Department and Accounting. Accounting will request that the Department complete a GASB 87 UGA as LESSOR questionnaire and a UGA LESSOR Amortization Schedule. These documents will be used to determine if the lease meets GASB 87 criteria.

NOTE: EITS will need to notify Accounting, directly, as new contracts are entered into.

4. Once questionnaire and amortization schedules are reviewed and a determination is made as to whether or not the lease meets GASB 87 criteria, Accounting will notify the Department to create and request the creation of a Chartfield1 identifier for this specific lease.

5. Departments will need to determine a specific Chartfield1 identifier for each GASB 87 lease and use the information provided by the Accounting Department to determine the prefix, either "G87" or "INS" before moving forward.

6. Departments will submit a request to create a new Chartfield1 code for approval. Departments should attach a copy of the GASB 87 Questionnaire and Amortization Schedule to this request.

NOTE: For audit tracking purposes, the Chartfield1 request should include a copy of these documents.

7. Departments will also need to initiate Budget Journals to add this new revenue and related expenditure accounts to the Department's current budget. NOTE: ONLY the Revenue Budget (DEPT_REV) should include the Chartfield1 code. The Expense side of the spendable budget does not need to be tracked with the Chartfield1 code.

8. Departments will also need to request a new Detail Deposit Code for using the appropriate revenue account code and Chartstring1 code. Lease revenue will be tracked for year end reporting from the chartstrings that use Lease Rent account codes with the separately identifiable Chartfield1's.

9. As revenue is collected on the lease, the appropriate detail deposit code should be used to record the deposit.