

COMPTROLLER POLICY MANUAL

	POLICY: CMP 145
	Section: 100 General
	Page 1 of 5
	Responsible office: Comptroller
	Origination date: 05/26/2021
Subject: Lease Reporting	Effective date: 07/01/2021
	Revision date:

PURPOSE

To enhance the relevance and consistency of the university's leasing activities reportable under GASB statement 87.

SOURCE

University Policy, GAAP, GASB 87

CMP 145: Lease Reporting

140 – Lease Reporting

Effective fiscal year 2022 (7/1/21), leases greater than 12 months in duration (Lease Term) that meet the dollar thresholds (Lease Thresholds) within this policy will require the recognition of a lease asset and lease liability when NAU is the lessee, or a lease receivable and deferred inflow of resources when NAU is the lessor.

Lease Term

The lease term includes a non-cancelable term plus:

- Periods covered by a lessee's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessee will exercise that option
- Periods covered by a lessee's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessee will not exercise that option
- Periods covered by a lessor's option to extend the lease if it is reasonably certain, based on all relevant factors, that the lessor will exercise that option
- Periods covered by a lessor's option to terminate the lease if it is reasonably certain, based on all relevant factors, that the lessor will not exercise that option.

Short Term Leases

This policy does not apply to short-term leases which are defined as a lease that, at the commencement of the lease term, has a maximum possible term under the lease contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.

Excluded Leases

- Leases for intangibles assets.
- Leases for biological assets
- Leases for inventory

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 145
	Section: 100 General
	Page 2 of 5
	Responsible office: Comptroller
	Origination date: 05/26/2021
Subject: Lease Reporting	Effective date: 07/01/2021
	Revision date:

- Leases with the underlying asset financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor
- Service concession agreements
- Supply contracts – electric power purchase agreements
- Short-term leases (maximum term 12 months or less – see definition above)
- Contracts that transfer ownership accounted as financed purchase of underlying asset.

Lease Threshold

This policy applies to leases where the present value of minimum lease payments is \$5,000 or more for equipment and vehicles and \$100,000 for building space/land. When NAU is the lessee, the present value includes plus upfront costs, less certain lease incentives.

Individual equipment leases with asset values less than \$5,000 may result in a material lease liability if in aggregate the lease liabilities are significant (determined by the Comptroller's Office).

Embedded Leases

Contracts may include an embedded lease for a "right to use asset" which may or may not be explicitly identified in the contract. To the extent possible, "right to use assets" should be clearly identified in the contract. Embedded leases should be treated separately from the other contract requirements/deliverables with respect to this policy.

Common contracts with embedded leases:

- Advertising agreements
- Service agreements
- Transportation agreements
- Construction agreements
- Related party charges

Lease Modifications & Terminations

Lease modifications and terminations will typically require a re-measuring of lease assets/liability for lessee, and lease receivable/deferred inflow of resources for lessor. If the modification results in the addition of a new right to use asset, as opposed to an addition to an existing asset, it should be treated as a new lease.

Sub Leases

If NAU is the original lessee and becomes the lessor in a sublease, two separate transactions should be recorded, one as a lessee and another as a lessor. The two separate transactions should not be offset against each other.

COMPTROLLER POLICY MANUAL

	POLICY: CMP 145
	Section: 100 General
	Page 3 of 5
	Responsible office: Comptroller
	Origination date: 05/26/2021
Subject: Lease Reporting	Effective date: 07/01/2021
	Revision date:

CMP 145: Responsibilities

Departments:

Departments must follow all NAU Purchasing and ABOR related policies before entering into a lease agreement with a vendor, including the following:

- Purchasing Policy [301-03 Lease vs. Buy](#)
- Purchasing Policy [305-08 Real Property Leases](#)

To ensure that leases are properly reviewed under this policy, all departmental lease/rent requisitions must be done as a PUR (Purchasing) origin requisition. Requisitions must be entered with an appropriate lease/rent item category and account codes. Requisitions for contracts that contain lease and non-lease components should contain separate requisitions lines for the lease and non-lease components.

Departments are responsible for notifying Contracts, Purchasing & Risk Management of the following:

- New lease arrangements.
- Lease modifications and terminations.
- Change in assumptions such as likelihood of exercising lease renewals or termination options.

Contracts, Purchasing and Risk Management:

Contracting services will oversee lease contracts in accordance with applicable policies, rules and regulations. To the extent possible, lease agreements will be negotiated and crafted to help ensure compliance with reporting requirements in this policy. Additional documentation, such as likelihood of exercise of lease option, should be maintained as support for lease treatment.

Comptroller's Office:

Financial Accounting Services (FAS) is responsible for reviewing applicable lease agreements and determining and recording appropriate accounting entries. Based on lease terms and additional information provided by departments and Contract Services, calculations will be made to determine whether the lease meets the lease threshold. All leases will be tracked and appropriate adjustments will be made for modifications and changes in assumptions.

CMP 145 Procedure

Lease Requisition Coding and Tracking:

COMPTROLLER POLICY MANUAL

	POLICY: CMP 145
	Section: 100 General
	Page 4 of 5
	Responsible office: Comptroller
	Origination date: 05/26/2021
Subject: Lease Reporting	Effective date: 07/01/2021
	Revision date:

All leases meeting the reporting requirements will be tracked in PeopleSoft Financials with a unique lease contract number (provided by FAS). For leases paid through a Requisition/PO, the lease contract number must be entered on the both the requisition and PO. In addition, all lease Requisitions/POs must use one of the item categories in the table below. Departments paying for equipment or vehicle leases on a pcard will be required to enter the contract number in the description field and must use one of the account codes in the table below.

Category Cd	Category Desc	Acct Cd	Acct Cd Desc
97100	Real Property Rental Or Lease	755115	Other Rentals/Leases
97145	Room Rental-Classroom and Meeting	755100	Rental/Lease Bldgs/Office/Room
97501	Capital Lease	755110	Rentals/Lease Equip/Vehicles
97511	Airplanes, Helicopters, and Accessory Rental or Lease	755110	Rentals/Lease Equip/Vehicles
97514	Rental-Auto and Other Vehicle	755110	Rentals/Lease Equip/Vehicles
97700	Applnce, Film, Furnitr, Hardwr, Music, Sew Equip Rent/Lease	755110	Rentals/Lease Equip/Vehicles
97700	Applnce, Film, Furnitr, Hardwr, Music, Sew Equip Rent/Lease	755110	Rentals/Lease Equip/Vehicles
97773	Toilets, Portable, Rental Or Lease	755110	Rentals/Lease Equip/Vehicles
97785	Vending Machine Rental Or Lease	755110	Rentals/Lease Equip/Vehicles
98100	Rental or Lease of Equipment - General Equipment	755110	Rentals/Lease Equip/Vehicles
98400	Computers, Data Processing, Word Processing Equip Rent/Lease	755110	Rentals/Lease Equip/Vehicles
98400	Computers, Data Processing, Word Processing Equip Rent/Lease	755110	Rentals/Lease Equip/Vehicles
98500	Office, Printing, Radio/TV/Telephone Equipment Rent/Lease	755110	Rentals/Lease Equip/Vehicles
98500	Office, Printing, Radio/TV/Telephone Equipment Rent/Lease	755110	Rentals/Lease Equip/Vehicles
CLASSROOM RENTAL	Classroom Rental	755100	Rental/Lease Bldgs/Office/Room

COMPTROLLER POLICY MANUAL

 NORTHERN ARIZONA UNIVERSITY	POLICY: CMP 145
	Section: 100 General
	Page 5 of 5
	Responsible office: Comptroller
	Origination date: 05/26/2021
Subject: Lease Reporting	Effective date: 07/01/2021
	Revision date:

CROSS-REFERENCES

- Purchasing Policy [301-03 Lease vs. Buy](#)
- Purchasing Policy [305-08 Real Property Leases](#)
- AZ General Accounting Office GASB 87 [Lease Guidance](#)
- Comptroller Policy [CMP 405-01 - Lease Purchase of Capital Equipment](#)