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## 1109 EQUIPMENT LEASE

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Effective: December 1986  
Revised: April 2012  
Last Reviewed: April 2017  
Resp Office: Comptroller's Office / Treasurer's Office  
Approval: Comptroller's Office

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### PURPOSE

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The University leases facilities and equipment as required by normal operations with the intention to support the mission of instruction, research and public service.

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### POLICY

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1. The Office of the Treasurer is responsible for classifying leases of equipment in the year of their origination as either operating or capital leases in accordance with the applicable financial accounting pronouncements.
2. Facilities and Real Estate Services (FRES) is responsible for classifying facility leases in the year of their origination as either operating or capital leases in accordance with the applicable financial accounting pronouncements.
3. FRES is responsible for the relationship with outside landlords acting as agent in the rental of third-party property and the payment of related rental expense.
4. All leases or letters of agreement for rental of leased property must be executed by the Vice President of FRES.
5. FRES is responsible for the allocation of related rental expense as directed by the department's business administrators.
6. The Office of the Comptroller is responsible for ensuring proper accounting for all leases during the life of the lease in accordance with the applicable financial accounting pronouncements. Generally, those standards provide that:
  - i. Lease payments for leases classified as operating leases shall be monitored for materiality. Based on this materiality, the operating lease shall be:
    - a) Recorded as an expenditure as paid over the life of the lease (immaterial leases).
    - b) Straight-lined as an expenditure over the life of the lease (material leases).

- ii. **Leases classified as capital leases shall be recorded as an asset and a liability equal to the lesser of either the fair market value of the asset at the inception of the lease or the present value of the lease payments during the life of the lease.**