

LEASE EXAMPLE #1 CAFÉ RENT AND STORAGE

Presented by:
Ali H. Hijazi, Senior Manager
Plante & Moran, PLLC

LEASE EXAMPLE #1

- Lease Commencement Date: June 1, 2019
- GASB 87 Implementation Date: January 1, 2020
- Lease Term: The period commencing on the Lease Commencement Date and ending on February 28, 2022 if not further extended in accordance with the terms of Paragraph 2. If the Lease is extended, Lease Term shall include any extension period.
- Options: (Paragraph 2) Lessee will have the option to renew the Lease for two (2) additional one (1) year terms by notifying the Lessor by providing thirty (30) day written notice prior to the expiration of the current Lease Term.
- Rental Charges:
 - Basic Rental - \$3,000 per month Café Rent space
 - Basic Rental - \$954 per month storage
 - Percentage Rent - 10% of all gross receipts in excess of \$3,000 per month
- Rent escalation:
 - The Café Rent space and the Storage Space components of the Basic Rental shall increase annually . . . by an amount equal to three percent (3%) of the Basic Rental. This is effective on each anniversary of the first (1st) day of the first full month after the Lease Commencement Date during the Lease Term.
- Implicit Interest Rate in lease = 3.5%
- Payment due at the beginning of the month

LEASE EXAMPLE #1 (RESULTS)

- Lease term: (GASB 87, paragraph 12)
 - Initial Period at implementation date of 1/1/2020 – 26 months
 - With 1st option period – 38 months
 - With 2nd option period – 50 months
 - Need to determine whether it is *reasonably certain* one or both of the option periods will be exercised
- Rental Fees (GASB 87, paragraph 44 & 45)
 - Include the Basic Rental of Café of \$3,000 + the Storage rental of \$954 = \$3,954 (Fixed payment, paragraph 44a)
 - Do not include the percentage rent (Variable payment based on future performance, paragraph 45)
 - Include 3% escalation (Variable payments that are fixed in substance, paragraph 44(c))

	Rental Rate	Period
Initial Lease Term	3,954	January 1, 2020 - May 31, 2020
Initial Lease Term	4,073	June 1, 2020 - May 31, 2021
Initial Lease Term	4,195	June 1, 2021 - February 28, 2022
Option 1	4,195	March 1, 2022 - May 31, 2022
Option 1	4,321	June 1, 2022 - February 28, 2023
Option 2	4,321	March 1, 2023 - May 31, 2023
Option 2	4,450	June 1, 2023 - February 28, 2024

LEASE EXAMPLE #1 (RESULTS)

• Net Present Value:			
– Initial Lease Term:	102,279		
– With Option period 1:	149,103		
– With Option period 2:	195,669		
– Initial Lease Entry			
Lease Receivable	195,669		
Deferred Inflow of Resources			195,669
– First Month Lease Entry			
• Cash	3,954		
• Lease Receivable		3,383	
• Lease Interest Revenue		571	
• Deferred Inflow of Resources	3,913		
• Lease Revenue			3,913



LEASE EXAMPLE #2 TRAILER IN THE AOA

Presented by:
Pamela L. Hill, Partner
Plante & Moran, PLLC

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LEASE EXAMPLE #2

- Lease Commencement Date: July 3, 2012
- Lease Agreement: Installation of a triple wide trailer on the AOA in the area of Hangar XX for use by Smith Airline Express to use as boarding facilities for its express operations.
- Lease Term: The term of the agreement shall commence on July 3, 2012 giving Smith Airline Express authority to proceed with the installation of the trailer. This agreement shall terminate one year from the date of Smith Airline Express takes beneficial occupancy of the trailer or June 1, 2013 whichever date occurs first.
- Options: If this Agreement is extended beyond one year, it may thereafter be terminated at any time by either Party by giving the other Party sixty (30) days written notice.
- Rental Charges:
 - Basic Rental – Airline Type 7 rate of \$1.38 per square foot per annum which computes to the amount of \$248.40 per month. The rate may be adjusted at the sole discretion of the Airport during the period of this Agreement based upon the bi-yearly cost adjustments to the airline rate summary.
 - Utilities – All utilities used at the trailer
- Implicit Interest Rate in lease = 3.5%
- Payment due at the beginning of the month

LEASE EXAMPLE #2 (RESULTS)

- Lease term: (GASB 87, paragraph 12)
 - Initial Period - 12 months (Short Term Lease)(Paragraph 16 – maximum possible lease term of 12 months)
 - If extended, then the lease goes month to month (Paragraph 12 – both parties have option to terminate)
- Exclusion from GASB 87 – Short Term Lease
- Net Present Value:
 - Not Applicable
- Initial Lease Entry
 - Not Applicable
- Lease Entry Period 1

• Cash	\$248.40	
• Rent Revenue		\$248.40
– Lease Entry Period 2		
• Cash	\$248.40	
• Rent Revenue		\$248.40



LEASE EXAMPLE #3 TERMINAL SPACE FOOD AND BEVERAGE LEASE

Presented by:
Danny Martinez, Managing Director
BKD LLP

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LEASE EXAMPLE #3

- Lease Commencement Date: August 1, 2019
- Lease Agreement: A lease of terminal space to ABC Company for a food and beverage concessions operation.
- Lease Term: The term of the agreement shall commence on August 1, 2019 giving ABC Company access to and control of the leased space. This agreement shall terminate five years from August 1, 2019.
- Incentives: The lessor makes a \$50,000 payment to the lessee to relieve the lessee's existing obligation to another lessor.
- Options: This agreement may be renewed by the lessee for an additional five year term.
- Charges:
 - Rent – The greater of \$10,000 per month or 10% of gross annual sales; the fixed minimum annual guarantee resets to a 3% increase over the prior year MAG or actual rent paid, whichever is greater.
 - Utilities costs (at actual) paid by the lessee.
 - Estimated janitorial costs related to the leased premises stated as a fixed percentage (5%) of actual rents due.
- Average Interest Rate on original debt to finance terminal construction = 6.75%; Average Interest Rate on most recent refunding debt issued pertaining to similar projects = 3.25%
- Payment due at the beginning of the month
- Year-end 12/31

LEASE EXAMPLE #3

- Lease Commencement Date: August 1, 2019 (lease commencement will be 1/1/20)
- Lease Agreement: A lease of terminal space to ABC Company for a food and beverage concessions operation. (is this regulated?)
- Lease Term: The term of the agreement shall commence on August 1, 2019 giving ABC Company access to and control of the leased space. This agreement shall terminate five years from August 1, 2019. (Does this meet the definition of a lease under GASB 87?)
- Incentives: The lessor makes a \$50,000 payment to the lessee to relieve the lessee's existing obligation to another lessor. (Doesn't GASB 87 say something about lease incentives?)
- Options: This agreement may be renewed by the lessee for an additional five year term. (Is the lessee reasonably certain they are going to renew? What do we need to do to find out? Let's assume it's not reasonably certain)
- Charges:
 - Rent – The greater of \$10,000 per month or 10% of gross annual sales; the fixed minimum annual guarantee resets to a 3% increase over the prior year MAG or actual rent paid, whichever is greater. (What is the fixed or fixed in substance cost?)
 - Utilities costs (at actual) paid by the lessee. (This is not included in the lease)
 - Estimated janitorial costs related to the leased premises stated as a fixed percentage (5%) of actual rents due. (Is this a service or a right to use asset?)
- Average Interest Rate on original debt to finance terminal construction = 6.75%; Average Interest Rate on most recent refunding debt issued pertaining to similar projects = 3.25% (What is the lessee's incremental borrowing rate? If unknown, what else can we use?)
- Payment due at the beginning of the month (Payment due date will impact interest revenue)
- Year end 12/31 (GASB 87 effective beginning 12/31/2020)

LEASE EXAMPLE #3 (RESULTS)

- Lease Term

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		Lease Term							
Lease Counterparty	Asset Under Contract	Fiscal Funding Clause?	Contain Renewals?	Lessor Option to Extend Reasonably Certain?	Lessee Option to Extend Reasonably Certain?	Lease Commencement/ Adoption Date	Lease Termination Date	Stated or Implicit Interest Rate in the Contract	
ABC Company	Terminal Space	NO	YES	NO	N/A	1/1/2020	7/31/2029	3.25%	

LEASE EXAMPLE #3 (RESULTS)

- Lease Payment

Lease Payment									
Initial Total Annual Fixed Lease Payments	Initial Period Fixed Payment	Payment Frequency	First Payment Date	Payment Beginning of Period or End of Period?	Periodic Adjustment %?	Periodic Adjustment \$?	Other than Standard Annual Increases?	Total Recurring Future Minimum Lease Payments	Incentives Paid to or on Behalf of the Lessee at or Prior to Commencement
\$ 120,000.00	\$ 10,000.00	Monthly	1/1/2020	Beginning	3.00%	\$ -	<input type="checkbox"/>	\$ 1,310,426.86	\$ 50,000.00

LEASE EXAMPLE #3 (RESULTS)

A	B	C	D	E	F	G	H	I	J
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	Total Future Lease Payment Stream	Lease Incentives to Lessee	Residual Value Guarantees	Total Years in Lease Term	Interest Rate Implicit Per Contract	Deferred Inflow	Lease Receivable	<input type="button" value="Click to Generate"/> Amortization Table	
1	1,260,426.86	50,000.00	-	9.60	3.25%	\$1,119,516.40	\$1,119,516.40	TRUE	

LEASE EXAMPLE #3 (RESULTS)

	B	C	D	E	F	G	H	I	J
Lease #			1						
Total Lease Payments		\$	1,260,426.86						
Initial Period Lease Payment		\$	10,000.00						
Pmts Prior to Lease Commencement		\$	-						
Incentives		\$	50,000.00						
Lease Commencement Date/Adoption Date (transition only)			1/1/2020	1/1/2020	First Payment				
Lease Termination Date			7/31/2029						
Total Years in Lease Term			9.60						
Lease Term (# Periods/Frequency/Timing)			115	Monthly	Beginning				
Interest Rate per Contract			3.250%						
Initial Deferred Inflow		\$	1,119,516.40						
Initial Lease Receivable		\$	1,119,516.40						
Residual Value Guarantee		\$	-						
Lease Counterparty		ABC Company							
Asset Under Contract		Terminal Space							
Lease Document Reference									



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#	1	Lease Receivable Amortization Table							
	Date	Pmt	Interest	Principal	Balance after Payment	Balance End of Period	Terminate Lease?	Amortization	Deferred
0	1/1/2020				\$ 1,119,516.40				\$ 1,119
1	1/1/2020	\$ 10,000.00	\$ -	\$ 10,000.00	1,109,516.40	\$ 1,112,521.34	No	\$ 9,734.93	1,109
2	2/1/2020	10,000.00	3,004.94	6,995.06	1,102,521.34	1,105,507.34	No	9,734.93	1,100
3	3/1/2020	10,000.00	2,986.00	7,014.00	1,095,507.34	1,098,474.34	No	9,734.93	1,090
4	4/1/2020	10,000.00	2,967.00	7,033.00	1,088,474.34	1,091,422.29	No	9,734.93	1,080
5	5/1/2020	10,000.00	2,947.95	7,052.05	1,081,422.29	1,084,351.14	No	9,734.93	1,070
6	6/1/2020	10,000.00	2,928.85	7,071.15	1,074,351.14	1,077,260.84	No	9,734.93	1,061

LEASE EXAMPLE #3 (RESULTS)

- Entry at 12/31/2019
- Deferred Inflow (\$1,069,516)
- Lease Receivable \$1,119,516
- Prepaid Expense (\$50,000)

LEASE EXAMPLE #3 (RESULTS)

- Entry at 12/31/2019
- Deferred Inflow (\$1,070,514)
- Lease Receivable \$1,132,450
- Prepaid Expense (\$50,000)
- Net Position (\$12,026)

LEASE EXAMPLE #3 (RESULTS)

- Entry at 12/31/2020

Contract #		Lease Counterparty	Asset Under Contract	Fund	Deferred Inflow Amortization	Lease Revenue	Interest Revenue	Lease Receivable	Lease Document Reference
1		ABC Company	Terminal Space		\$ 111,601.71	\$ 8,398.29	\$ (34,797.56)	\$ (85,202.44)	

- Deferred Inflow \$111,601
- Lease Receivable (\$85,202)
- Cash \$120,000
- Lease Revenue (\$111,601)
- Interest Revenue (\$34,798)

LEASE EXAMPLE #3 – FOLLOW UP

- Two years into the lease, the remaining lease agreement is cancelled. How should the lessor account for the full termination of the lease?
- **Remove the Deferred Inflow and Lease Receivable during year of cancellation, record income up to that point and the difference is attributed to a gain or loss on termination**

Example termination as of 7/1/2021

- Deferred Inflow \$902,114
- Lease Receivable (\$986,176)
- Interest income (\$16,456)
- Lease Revenue (\$45,344)
- Loss on Termination of Lease \$111,602



LEASE EXAMPLE #4 NONAERONAUTICAL BUILDING LEASE

Presented by:
Andrew Laflin, Principal
Mandy Merchant, Principal
CliftonLarsonAllen LLP (CLA)

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LEASE EXAMPLE #4

- Lease Commencement Date: April 15, 2015
- Lease Agreement: A lease of a building to XYZ Company for nonaeronautical use.
- Lease Term: The term of the agreement shall commence on April 15, 2015 giving XYZ Company access to and control of the leased space. This agreement shall terminate twenty-five years from April 15, 2015.
- Incentives: The lessor has made \$100,000 in building improvements (TI) prior to commencement of the lease.
- Options: N/A
- Charges:
 - Rent – The sum of \$3,000 per month adjusted annually by changes in the Consumer Price Index. Assume \$3,000 for 01/01/2020.
 - Operation and maintenance costs at actual amounts incurred billed and paid monthly by the lessee.
- The airport has not issued debt since 2010. At that time, the debt issued was tax-exempt financing used for airfield improvements and carried a tax-exempt interest rate of 3.25%.
- Payment due at the beginning of the month.
- 12/31/2020 Year End Entity

LEASE EXAMPLE #4 (RESULTS)

Total lessee payments post adoption date = \$730,500

PV of future cash flows at transition using 3.25% = 535,817.68 = **Lease receivable and Deferred inflow prior to adjustments**

Note: The assumption is that the airport would take into consideration the use of an appropriate discount rate as they price the contract, given the current economic environment and terms of the arrangement.

Unamortized prepaid TI of \$80,816.01 is recorded to the **deferred inflow** account and amortized to expense (contra revenue) over the remaining lease term

Rent escalations related to the increase in the CPI are not included in the capitalization of the receivable or deferred inflow. They are reflected as **inflows of resources (revenue) as they are received**. No CPI increment as of the date of adoption was provided.

Operations and maintenance costs are billed to the lessee as actuals incurred and have no impact on the capitalization of the receivable or deferred inflow.

LEASE EXAMPLE #4 (RESULTS)

Initial entry at 1/1/2020/12/31/2019 Balance:

Dr. Lease receivable	535,817.68	
Cr. Deferred inflow	535,817.68	
Dr. Deferred Inflow – Unamortized Prepaid TI		80,816.01
Cr. Prepaid Tenant Improvements		80,816.01

Monthly Entry - January 2020 month end:

Dr. Cash	3,000.00	
Cr. Lease receivable	1,556.95	
Cr. Interest income	1,443.05 (decreases over time)	
Dr. Deferred inflow	1,868.57	
Cr. Leave Revenue		1,868.57 (straight line)

LEASE EXAMPLE #4 (RESULTS)

12/31/2020 Financial Statements

Lease Receivable: \$513,853.42

Deferred Inflows: \$430,710.20

Lease Revenue: \$22,422.89

Interest Revenue: \$17,035.74

LEASE EXAMPLE #4 – FOLLOW UP

- On April 15, 2030, the lessor and lessee enter into negotiations to extend the term of the lease by 10 years. How does this change the accounting? Assume the same monthly payment is \$3,000 and tax-exempt interest rate of 3.25%
- Lease Receivable (4/15/2030): 305,918.37
- Deferred Inflows (4/15/2030) : 223,298.48

Present Value of the additional 10 years of revenue of \$360,000

- Dr. Lease Receivable - 307,418.37
- Cr. Deferred Inflows - 307,418.37

LEASE EXAMPLE #5 SHUTTLE BUSES

Presented By:
Rumzei Abdallah, Senior Manager
Plante & Moran, PLLC

LEASE EXAMPLE #5

- Lease Commencement Date: July 1, 2020
- Lease Agreement: An airport leases a fleet of 15 shuttle buses.
- Lease Term: The term of the agreement shall commence on July 1, 2020 giving the airport access to and control of the leased vehicles. This agreement shall terminate three years from July 1, 2020, with no options to terminate early.
- Incentives: N/A
- Options: This agreement may be renewed by the lessee for two additional one year terms. The lessee also has a bargain purchase option on the vehicles under lease at the conclusion of the term.
- Charges:
 - Rent – The sum of \$1,400 per vehicle per month.
 - Fuel, tires and other operation and maintenance costs are the responsibility of the lessee.
- The agreement does not carry a stated interest rate. The fair value of each vehicle under lease is \$75,000 and each vehicle is expected to have a depreciable life of 5 years with zero salvage value after year 5
- Payment is due at the beginning of the month
- The airport has a long-standing practice of leasing shuttles for the full term of the contract (3 years) and not extending beyond three years.
- The airport has no intention to purchase the buses at the end of the lease

LEASE EXAMPLE #5 (RESULTS)

- Does this contract meet the definition of a lease?
 - Conveys the control of the right to a nonfinancial asset for a period of time in an exchange or exchange-like transaction
- What are the terms of the lease?
 - 15 shuttle buses
 - 3 years/36 months
 - Monthly payments of \$1,400 per bus
 - Purchase price is excluded as this is not certain of being exercised
- What is the rate implicit in the lease?
 - *Per GASB 87 implementation guide question 4.31, because the lease term is less than the entire useful life of the vehicles, the fair value of the right to use the vehicles for the lease term may be estimated using professional judgement, maximizing the use of the observable information.*
 - *5 year life, assumed annual depreciation of \$15,000 per vehicle*
 - *The Excel RATE function is a financial function that returns the interest rate per period of an annuity. RATE can be used to calculate the periodic interest rate.*

LEASE EXAMPLE #5 (RESULTS)

- What is the rate implicit in the lease? (continued)
 - =RATE (nper, pmt, pv, [fv], [type])
 - nper - The total number of payment periods.
 - pmt - The payment made each period.
 - pv - The present value, or total value of all loan payments now.
 - fv - [optional] The future value, or desired cash balance after last payment. Default is 0.
 - type - [optional] When payments are due. 0 = end of period. 1 = beginning of period. Default is 0.
 - Implicit rate = 7.96%

Lease Terms	Value	Formula
Interest Rate	?	rate
Monthly Payment	21,000	pmt
Number of payments	36	nper
Present value	675,000	pv
Payment due date		1 type
Number of vehicles leased	15	
Depreciable Life (In years, per vehicle)	5	
Fair market value, per vehicle	75,000	
Fair market value, all vehicles	1,125,000	X
Assumed salvage value after year 5, per vehicle	-	
Estimated annual depreciation, per vehicle	15,000	
Estimated net book value at lease end, per vehicle	30,000	
Estimated NBV at least end, all vehicles	450,000	Y
Fair value of the right to use vehicles	675,000	X - Y
=RATE(36,-21000,675000,0,1)	0.66%	Z
Annualized rate	7.96%	Z * 12

Amortization Schedule			
Year ended	Principal	Interest	Total Payment
12/31/2020	105,424	20,576	126,000
12/31/2021	214,376	37,624	252,000
12/31/2022	232,074	19,926	252,000
12/31/2023	<u>123,126</u>	<u>2,874</u>	<u>126,000</u>
	675,000	81,000	756,000

Journal Entry (enterprise fund)	Dr	Cr
<i>Initial entry</i>		
Intangible lease asset	675,000	
Lease Liability - Current portion		105,424
Lease Liability - Long-term portion		569,576
<i>To record 6 monthly lease payments during first year</i>		
Lease Liability - Current portion	105,424	
Interest expense	20,576	
Cash		126,000
<i>To record first year amortization expense (for 6 months)</i>		
Amortization expense	112,500	
Accumulated amortization		112,500

LEASE EXAMPLE #5 – FOLLOW UP

- On July 1, 2021, the lease is modified to add 3 more shuttle buses to the lease at the same payment amounts and terms under the original agreement (3 years, \$1,400 month, etc). The new buses will not have any impact on the existing buses. How does this change the accounting?

LEASE EXAMPLE #5 – ANSWER

- On July 1, 2021, the lease is modified to add 3 more shuttle buses to the lease at the same payment amounts and terms under the original agreement (3 years, \$1,400 month, etc) The new buses will not have any impact on the existing buses. How does this change the accounting?

Lease Modifications

A lease amendment that adds an underlying asset to the contract is a lease modification. A lease modification should be accounted for as either a separate lease (if it meets the criteria in paragraph 72 of Statement 87) or a remeasurement of the existing lease.

Paragraph 72: The lessee should account for an amendment during the reporting period resulting in a modification to a lease contract as a separate lease (separate from the most recent lease contract before the modification) **if both** of the following conditions are present.

- The lease modification gives the lessee an additional lease asset by adding one or more underlying assets that were not included in the original lease contract.
 - The increase in lease payments for the additional lease asset does not appear to be unreasonable based on (1) the terms of the amended lease contract and (2) professional judgment, maximizing the use of observable information (for example, using readily available observable stand-alone prices).
- Because 3 additional shuttle buses are being added, and because the increase in lease payments does not appear to be unreasonable, the 3 additional shuttle buses will be treated as separate leases as both of these conditions are present.



LEASE EXAMPLE #6 RENTAL CAR FACILITIES

Presented By:
Blake Rodgers, Partner
Deloitte & Touche LLP

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LEASE EXAMPLE #6 – RENTAL CAR FACILITY

- The lease with ABC Company (“ABC”) begins on May 1, 2018 and has a noncancelable lease term of 5 years. Payments are made at the beginning of the month. Assume an interest rate of 5%.

Underlying Asset	Payments	Considerations
Counter space in terminal	\$25/sqft per month	<ul style="list-style-type: none"> Assume that ABC begins with 500 sqft, stated in the lease
Rental car facility occupied space	Based on rates and charges set annually	<ul style="list-style-type: none"> Assume that the lease contract contains no specific minimum quantities or rates. No payments are fixed in substance. Re-allocated annually if any rental car company’s market share changes by at least 3%
Rental car facility privilege fee	Greater of \$275,000/year (MAG) or 12.5% of gross receipts	<ul style="list-style-type: none"> MAG resets annually to 80% of prior year amount paid or first year MAG, whichever is greater.

CONSIDERATIONS

1) Number of sqft

- What if the agreement doesn't specify a starting number of sqft?
 - Add in a new lease when sqft is agreed to through a lease modification (p. 72)
- What if the sqft changes in the agreement?
 - Consider the guidance in p. 71-77 for lease amendments

Underlying Asset	Payments	Considerations
Counter space in terminal	\$25/sqft per month	<ul style="list-style-type: none"> • Assume that ABC begins with 500 sqft, stated in the lease

CONSIDERATIONS (CONTINUED)

Underlying Asset	Payments	Considerations
Rental car facility occupied space	Based on rates and charges set annually	<ul style="list-style-type: none"> Assume that the lease contract contains no specific minimum quantities or rates. No payments are fixed in substance. Reallocated annually if any rental car company's market share changes by at least 3%

1) Is this a lease?

- Consider first whether these meet the definition of a lease – Does ABC have control? Would preferential access allow ABC to have control?
- If control is present, what if the agreement specifies a set number of parking spaces, washing and/or maintenance bays, fueling areas? How are the rates set?
 - If they are established in the agreement and reset periodically, that should be view as an index/rate and thus are fixed in substance.
 - If they are established at the end of the year based on certain costs, these should be viewed as variable.

CONSIDERATIONS (CONTINUED)

Underlying Asset	Payments	Considerations
Rental car facility occupied space	Based on rates and charges set annually	<ul style="list-style-type: none"> Assume that the lease contract contains no specific minimum quantities or rates. No payments are fixed in substance. Reallocated annually if any rental car company’s market share changes by at least 3%

2) What is ABC being charged for?

- Consider if any of these lease elements include charges for nonlease components such as utilities, maintenance, etc.
 - If so, these would need to be excluded from any calculation of a lease receivable unless it is not practicable to determine a best estimate for price allocation.

CONSIDERATIONS (CONTINUED)

Underlying Asset	Payments	Considerations
Rental car facility occupied space	Based on rates and charges set annually	<ul style="list-style-type: none"> Assume that the lease contract contains no specific minimum quantities or rates. No payments are fixed in substance. Reallocated annually if any rental car company's market share changes by at least 3%

3) What happens if there is a reallocation based on market share?

- If there are no amounts included in the lease receivable, the reallocation would not have an effect on lease accounting.
- If there are amounts included in the lease receivable (for example, if an amount is determined to be fixed in substance), you should consider guidance for lease amendments.

CONSIDERATIONS (CONTINUED)

Underlying Asset	Payments	Considerations
Rental car facility privilege fee	Greater of \$275,000/year (MAG) or 12.5% of gross receipts	<ul style="list-style-type: none"> MAG resets annually to 80% of prior year amount paid or first year MAG, whichever is greater.

1) What is ABC being charged for?

- Consider if any of these lease elements include charges for nonlease components such as utilities, maintenance, etc.
 - If so, these would need to be excluded from any calculation of a lease receivable unless it is not practicable to determine a best estimate for price allocation.

CONSIDERATIONS (CONTINUED)

Underlying Asset	Payments	Considerations
Rental car facility privilege fee	Greater of \$275,000/year (MAG) or 12.5% of gross receipts	<ul style="list-style-type: none"> MAG resets annually to 80% of prior year amount paid or first year MAG, whichever is greater.

2) Treatment of the adjusting MAG

- Consider guidance in p. 49c around contingencies that have resolved such that variable payments are not fixed or fixed in substance
- Evaluate the significance to determine if remeasurement is necessary
- In this example, it would only affect the upcoming year. Any future year is still contingent and would be capped at the first year MAG.

LEASE EXAMPLE #6 – RENTAL CAR FACILITY

- The lease with ABC Company (“ABC”) begins on May 1, 2018 and has a noncancelable lease term of 5 years. Payments are made at the beginning of the month. Assume an interest rate of 5%.

Underlying Asset	Payments	Considerations
Counter space in terminal	\$25/sqft per month	<ul style="list-style-type: none"> Assume that ABC begins with 500 sqft, stated in the lease
Rental car facility occupied space	Based on rates and charges set annually	<ul style="list-style-type: none"> Assume that the lease contract contains no specific minimum quantities or rates. No payments are fixed in substance. Re-allocated annually if any rental car company’s market share changes by at least 3%
Rental car facility privilege fee	Greater of \$275,000/year (MAG) or 12.5% of gross receipts	<ul style="list-style-type: none"> MAG resets annually to 80% of prior year amount paid or first year MAG, whichever is greater.



Lease Receivable

Month	Beginning Lease Receivable	Payments (Terminal Space)	Payments (MAG)	Total Payments	Interest	Reduction of Receivable	Ending Lease Receivable
5/1/2018	1,851,935.50	12,500.00	-	12,500.00	-	12,500.00	1,839,435.50
6/1/2018	1,839,435.50	12,500.00	-	12,500.00	7,664.31	4,835.69	1,834,599.81
7/1/2018	1,834,599.81	12,500.00	-	12,500.00	7,644.17	4,855.83	1,829,743.98
8/1/2018	1,829,743.98	12,500.00	-	12,500.00	7,623.93	4,876.07	1,824,867.91
9/1/2018	1,824,867.91	12,500.00	-	12,500.00	7,603.62	4,896.38	1,819,971.53
10/1/2018	1,819,971.53	12,500.00	-	12,500.00	7,583.21	4,916.79	1,815,054.74
11/1/2018	1,815,054.74	12,500.00	-	12,500.00	7,562.73	4,937.27	1,810,117.47
12/1/2018	1,810,117.47	12,500.00	-	12,500.00	7,542.16	4,957.84	1,805,159.63
1/1/2019	1,805,159.63	12,500.00	-	12,500.00	7,521.50	4,978.50	1,800,181.13
2/1/2019	1,800,181.13	12,500.00	-	12,500.00	7,500.75	4,999.25	1,795,181.88
3/1/2019	1,795,181.88	12,500.00	-	12,500.00	7,479.92	5,020.08	1,790,161.81
4/1/2019	1,790,161.81	12,500.00	-	12,500.00	7,459.01	5,040.99	1,785,120.81
5/1/2019	1,785,120.81	12,500.00	275,000.00	287,500.00	7,438.00	280,062.00	1,505,058.82
6/1/2019	1,505,058.82	12,500.00	-	12,500.00	6,271.08	6,228.92	1,498,829.89
7/1/2019	1,498,829.89	12,500.00	-	12,500.00	6,245.12	6,254.88	1,492,575.02

Formula is =NPV(int rate/12,table of total payment amounts except first payment)+first payment

275,000.00

Assumes MAG is only due annually by contract (though it may be billed monthly)



Lease Receivable

Month	Beginning Lease Receivable	Payments (Terminal Space)	Payments (MAG)	Total Payments	Interest	Reduction of Receivable	Ending Lease Receivable
8/1/2019	1,492,575.02	12,500.00	-	12,500.00	6,219.06	6,280.94	1,486,294.08
9/1/2019	1,486,294.08	12,500.00	-	12,500.00	6,192.89	6,307.11	1,479,986.97
10/1/2019	1,479,986.97	12,500.00	-	12,500.00	6,166.61	6,333.39	1,473,653.59
11/1/2019	1,473,653.59	12,500.00	-	12,500.00	6,140.22	6,359.78	1,467,293.81
12/1/2019	1,467,293.81	12,500.00	-	12,500.00	6,113.72	6,386.28	1,460,907.53
1/1/2020	1,460,907.53	12,500.00	-	12,500.00	6,087.11	6,412.89	1,454,494.65
2/1/2020	1,454,494.65	12,500.00	-	12,500.00	6,060.39	6,439.61	1,448,055.04
3/1/2020	1,448,055.04	12,500.00	-	12,500.00	6,033.56	6,466.44	1,441,588.61
4/1/2020	1,441,588.61	12,500.00	-	12,500.00	6,006.62	6,493.38	1,435,095.22
5/1/2020	1,435,095.22	12,500.00	275,000.00	287,500.00	5,979.56	281,520.44	1,153,574.79
6/1/2020	1,153,574.79	12,500.00	-	12,500.00	4,806.56	7,693.44	1,145,881.35
7/1/2020	1,145,881.35	12,500.00	-	12,500.00	4,774.51	7,725.49	1,138,155.86
8/1/2020	1,138,155.86	12,500.00	-	12,500.00	4,742.32	7,757.68	1,130,398.17
9/1/2020	1,130,398.17	12,500.00	-	12,500.00	4,709.99	7,790.01	1,122,608.16
10/1/2020	1,122,608.16	12,500.00	-	12,500.00	4,677.53	7,822.47	1,114,785.70



Lease Receivable

Month	Beginning Lease Receivable	Payments (Terminal Space)	Payments (MAG)	Total Payments	Interest	Reduction of Receivable	Ending Lease Receivable
11/1/2020	1,114,785.70	12,500.00	-	12,500.00	4,644.94	7,855.06	1,106,930.64
12/1/2020	1,106,930.64	12,500.00	-	12,500.00	4,612.21	7,887.79	1,099,042.85
1/1/2021	1,099,042.85	12,500.00	-	12,500.00	4,579.35	7,920.65	1,091,122.19
2/1/2021	1,091,122.19	12,500.00	-	12,500.00	4,546.34	7,953.66	1,083,168.54
3/1/2021	1,083,168.54	12,500.00	-	12,500.00	4,513.20	7,986.80	1,075,181.74
4/1/2021	1,075,181.74	12,500.00	-	12,500.00	4,479.92	8,020.08	1,067,161.66
5/1/2021	1,067,161.66	12,500.00	275,000.00	287,500.00	4,446.51	283,053.49	784,108.17
6/1/2021	784,108.17	12,500.00	-	12,500.00	3,267.12	9,232.88	774,875.29
7/1/2021	774,875.29	12,500.00	-	12,500.00	3,228.65	9,271.35	765,603.93
8/1/2021	765,603.93	12,500.00	-	12,500.00	3,190.02	9,309.98	756,293.95
9/1/2021	756,293.95	12,500.00	-	12,500.00	3,151.22	9,348.78	746,945.18
10/1/2021	746,945.18	12,500.00	-	12,500.00	3,112.27	9,387.73	737,557.45
11/1/2021	737,557.45	12,500.00	-	12,500.00	3,073.16	9,426.84	728,130.60
12/1/2021	728,130.60	12,500.00	-	12,500.00	3,033.88	9,466.12	718,664.48
1/1/2022	718,664.48	12,500.00	-	12,500.00	2,994.44	9,505.56	709,158.92



Lease Receivable

Month	Beginning Lease Receivable	Payments (Terminal Space)	Payments (MAG)	Total Payments	Interest	Reduction of Receivable	Ending Lease Receivable
2/1/2022	709,158.92	12,500.00	-	12,500.00	2,954.83	9,545.17	699,613.74
3/1/2022	699,613.74	12,500.00	-	12,500.00	2,915.06	9,584.94	690,028.80
4/1/2022	690,028.80	12,500.00	-	12,500.00	2,875.12	9,624.88	680,403.92
5/1/2022	680,403.92	12,500.00	275,000.00	287,500.00	2,835.02	284,664.98	395,738.94
6/1/2022	395,738.94	12,500.00	-	12,500.00	1,648.91	10,851.09	384,887.85
7/1/2022	384,887.85	12,500.00	-	12,500.00	1,603.70	10,896.30	373,991.55
8/1/2022	373,991.55	12,500.00	-	12,500.00	1,558.30	10,941.70	363,049.85
9/1/2022	363,049.85	12,500.00	-	12,500.00	1,512.71	10,987.29	352,062.56
10/1/2022	352,062.56	12,500.00	-	12,500.00	1,466.93	11,033.07	341,029.48
11/1/2022	341,029.48	12,500.00	-	12,500.00	1,420.96	11,079.04	329,950.44
12/1/2022	329,950.44	12,500.00	-	12,500.00	1,374.79	11,125.21	318,825.23
1/1/2023	318,825.23	12,500.00	-	12,500.00	1,328.44	11,171.56	307,653.67
2/1/2023	307,653.67	12,500.00	-	12,500.00	1,281.89	11,218.11	296,435.56
3/1/2023	296,435.56	12,500.00	-	12,500.00	1,235.15	11,264.85	285,170.71
4/1/2023	285,170.71	12,500.00	-	12,500.00	1,188.21	11,311.79	273,858.92
5/1/2023	273,858.92	-	275,000.00	275,000.00	1,141.08	273,858.92	-



Month	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
5/1/2018	1,851,935.50	-	1,851,935.50	-	-	-
6/1/2018	1,851,935.50	30,865.59	1,821,069.91	30,865.59	7,664.31	38,529.91
7/1/2018	1,821,069.91	30,865.59	1,790,204.32	30,865.59	7,644.17	38,509.76
8/1/2018	1,790,204.32	30,865.59	1,759,338.72	30,865.59	7,623.93	38,489.52
9/1/2018	1,759,338.72	30,865.59	1,728,473.13	30,865.59	7,603.62	38,469.21
10/1/2018	1,728,473.13	30,865.59	1,697,607.54	30,865.59	7,583.21	38,448.81
11/1/2018	1,697,607.54	30,865.59	1,666,741.95	30,865.59	7,562.73	38,428.32
12/1/2018	1,666,741.95	30,865.59	1,635,876.36	30,865.59	7,542.16	38,407.75
1/1/2019	1,635,876.36	30,865.59	1,605,010.77	30,865.59	7,521.50	38,387.09
2/1/2019	1,605,010.77	30,865.59	1,574,145.17	30,865.59	7,500.75	38,366.35
3/1/2019	1,574,145.17	30,865.59	1,543,279.58	30,865.59	7,479.92	38,345.52
4/1/2019	1,543,279.58	30,865.59	1,512,413.99	30,865.59	7,459.01	38,324.60
5/1/2019	1,512,413.99	30,865.59	1,481,548.40	30,865.59	7,438.00	38,303.60
6/1/2019	1,481,548.40	30,865.59	1,450,682.81	30,865.59	6,271.08	37,136.67
7/1/2019	1,450,682.81	30,865.59	1,419,817.22	30,865.59	6,245.12	37,110.72



Month	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
8/1/2019	1,419,817.22	30,865.59	1,388,951.62	30,865.59	6,219.06	37,084.65
9/1/2019	1,388,951.62	30,865.59	1,358,086.03	30,865.59	6,192.89	37,058.48
10/1/2019	1,358,086.03	30,865.59	1,327,220.44	30,865.59	6,166.61	37,032.20
11/1/2019	1,327,220.44	30,865.59	1,296,354.85	30,865.59	6,140.22	37,005.81
12/1/2019	1,296,354.85	30,865.59	1,265,489.26	30,865.59	6,113.72	36,979.32
1/1/2020	1,265,489.26	30,865.59	1,234,623.67	30,865.59	6,087.11	36,952.71
2/1/2020	1,234,623.67	30,865.59	1,203,758.07	30,865.59	6,060.39	36,925.99
3/1/2020	1,203,758.07	30,865.59	1,172,892.48	30,865.59	6,033.56	36,899.15
4/1/2020	1,172,892.48	30,865.59	1,142,026.89	30,865.59	6,006.62	36,872.21
5/1/2020	1,142,026.89	30,865.59	1,111,161.30	30,865.59	5,979.56	36,845.16
6/1/2020	1,111,161.30	30,865.59	1,080,295.71	30,865.59	4,806.56	35,672.15
7/1/2020	1,080,295.71	30,865.59	1,049,430.12	30,865.59	4,774.51	35,640.10
8/1/2020	1,049,430.12	30,865.59	1,018,564.52	30,865.59	4,742.32	35,607.91
9/1/2020	1,018,564.52	30,865.59	987,698.93	30,865.59	4,709.99	35,575.58
10/1/2020	987,698.93	30,865.59	956,833.34	30,865.59	4,677.53	35,543.13



Month	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
11/1/2020	956,833.34	30,865.59	925,967.75	30,865.59	4,644.94	35,510.53
12/1/2020	925,967.75	30,865.59	895,102.16	30,865.59	4,612.21	35,477.80
1/1/2021	895,102.16	30,865.59	864,236.57	30,865.59	4,579.35	35,444.94
2/1/2021	864,236.57	30,865.59	833,370.97	30,865.59	4,546.34	35,411.93
3/1/2021	833,370.97	30,865.59	802,505.38	30,865.59	4,513.20	35,378.79
4/1/2021	802,505.38	30,865.59	771,639.79	30,865.59	4,479.92	35,345.52
5/1/2021	771,639.79	30,865.59	740,774.20	30,865.59	4,446.51	35,312.10
6/1/2021	740,774.20	30,865.59	709,908.61	30,865.59	3,267.12	34,132.71
7/1/2021	709,908.61	30,865.59	679,043.02	30,865.59	3,228.65	34,094.24
8/1/2021	679,043.02	30,865.59	648,177.42	30,865.59	3,190.02	34,055.61
9/1/2021	648,177.42	30,865.59	617,311.83	30,865.59	3,151.22	34,016.82
10/1/2021	617,311.83	30,865.59	586,446.24	30,865.59	3,112.27	33,977.86
11/1/2021	586,446.24	30,865.59	555,580.65	30,865.59	3,073.16	33,938.75
12/1/2021	555,580.65	30,865.59	524,715.06	30,865.59	3,033.88	33,899.47
1/1/2022	524,715.06	30,865.59	493,849.47	30,865.59	2,994.44	33,860.03



Month	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
2/1/2022	493,849.47	30,865.59	462,983.87	30,865.59	2,954.83	33,820.42
3/1/2022	462,983.87	30,865.59	432,118.28	30,865.59	2,915.06	33,780.65
4/1/2022	432,118.28	30,865.59	401,252.69	30,865.59	2,875.12	33,740.71
5/1/2022	401,252.69	30,865.59	370,387.10	30,865.59	2,835.02	33,700.61
6/1/2022	370,387.10	30,865.59	339,521.51	30,865.59	1,648.91	32,514.50
7/1/2022	339,521.51	30,865.59	308,655.92	30,865.59	1,603.70	32,469.29
8/1/2022	308,655.92	30,865.59	277,790.32	30,865.59	1,558.30	32,423.89
9/1/2022	277,790.32	30,865.59	246,924.73	30,865.59	1,512.71	32,378.30
10/1/2022	246,924.73	30,865.59	216,059.14	30,865.59	1,466.93	32,332.52
11/1/2022	216,059.14	30,865.59	185,193.55	30,865.59	1,420.96	32,286.55
12/1/2022	185,193.55	30,865.59	154,327.96	30,865.59	1,374.79	32,240.39
1/1/2023	154,327.96	30,865.59	123,462.37	30,865.59	1,328.44	32,194.03
2/1/2023	123,462.37	30,865.59	92,596.77	30,865.59	1,281.89	32,147.48
3/1/2023	92,596.77	30,865.59	61,731.18	30,865.59	1,235.15	32,100.74
4/1/2023	61,731.18	30,865.59	30,865.59	30,865.59	1,188.21	32,053.80
5/1/2023	30,865.59	30,865.59	(0.00)	30,865.59	1,141.08	32,006.67

JOURNAL ENTRIES

The journal entries at the inception of the lease would be:

Dr. Lease receivable	\$1,839,435.50	
Dr. Cash	12,500.00	
Cr. Deferred inflow of resources		(\$1,851.935.50)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2018** would be:

Dr. Deferred inflow of resources	\$246,924.73	
Cr. Lease revenue		(\$246,924.73)
Dr. Cash	87,500.00	
Dr. Accrued lease interest receivable	7,521.50	
Cr. Lease receivable		(34,275.87)
Cr. Interest revenue		(60,745.63)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2019** would be:

Dr. Deferred inflow of resources	\$370,387.10	
Cr. Lease revenue		(\$370,387.10)
Dr. Cash	425,000.00	
Cr. Accrued lease interest receivable		(1,434.39)
Cr. Lease receivable		(344,252.09)
Cr. Interest revenue		(79,313.52)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2020** would be:

Dr. Deferred inflow of resources	\$370,387.10	
Cr. Lease revenue		(\$370,387.10)
Dr. Cash	425,000.00	
Cr. Accrued lease interest receivable		(1,507.77)
Cr. Lease receivable		(361,864.68)
Cr. Interest revenue		(61,627.55)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2021** would be:

Dr. Deferred inflow of resources	\$370,387.10	
Cr. Lease revenue		(\$370,387.10)
Dr. Cash	425,000.00	
Cr. Accrued lease interest receivable		(1,584.91)
Cr. Lease receivable		(380,378.37)
Cr. Interest revenue		(43,036.72)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2022** would be:

Dr. Deferred inflow of resources	\$370,387.10	
Cr. Lease revenue		(\$370,387.10)
Dr. Cash	425,000.00	
Cr. Accrued lease interest receivable		(1,665.99)
Cr. Lease receivable		(399,839.25)
Cr. Interest revenue		(23,494.76)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended **December 31, 2023** would be:

Dr. Deferred inflow of resources	\$123,462.37	
Cr. Lease revenue		(\$123,462.37)
Dr. Cash	325,000.00	
Cr. Accrued lease interest receivable		(1,328.44)
Cr. Lease receivable		(318,825.23)
Cr. Interest revenue		(4,846.33)



LEASE EXAMPLE #7 CARGO SORTING FACILITY

Presented By:
Blake Rodgers, Partner
Deloitte & Touche LLP

THE
VOICE
OF
AIRPORTS®

LEASE EXAMPLE #7 – CARGO SORTING FACILITY

Airport enters into an agreement with Cargo-R-Us (“Cargo”) on January 1, 2016 with a 40-year noncancelable term.

- Cargo will build and operate a cargo sorting facility on airport land
- Cargo finances the construction using conduit debt issued by the airport
- After 40 years, the risks and rights of ownership revert to the airport
- Cargo leases 3.5M sqft of land from the airport
- Payments will be made annually at the beginning of the year on the following schedule

Years	Price per sqft per year
Years 1 – 10	\$0.09
Years 11 – 25	\$0.099
Years 26 – 40	\$0.1089
Option years	\$0.11979

On June 1, 2021, the lease is amended.

- Two five-year options are added giving Cargo the ability to extend the lease
- An additional 1.5M sqft of land is leased from the airport

CONSIDERATIONS

What asset is the airport leasing to Cargo?

- The airport is leasing land. What about the cargo sorting facility?
- The cargo sorting facility (and its reversion to the airport), the conduit debt, and payments related to conduit debt should follow guidance in GASB Statement No. 91, *Conduit Debt Obligations*.

What effect would the amendment have on the lease accounting?

- The additional option periods would need to be assessed to determine if it is reasonably certain that the lessee will exercise each option.
- The additional land would qualify under p. 72 as a lease modification and would be accounted for as a separate lease.

PRE-AMENDMENT ACCOUNTING

Year	Lease Receivable				
	Beginning Lease Receivable	Payments	Interest	Reduction of Receivable	Ending Lease Receivable
1/1/2016	7,562,153.26	315,000.00	-	315,000.00	7,247,153.26
1/1/2017	7,247,153.26	315,000.00	253,650.36	61,349.64	7,185,803.63
1/1/2018	7,185,803.63	315,000.00	251,503.13	63,496.87	7,122,306.75
1/1/2019	7,122,306.75	315,000.00	249,280.74	65,719.26	7,056,587.49
1/1/2020	7,056,587.49	315,000.00	246,980.56	68,019.44	6,988,568.05
1/1/2021	6,988,568.05	315,000.00	244,599.88	70,400.12	6,918,167.93
1/1/2022	6,918,167.93	315,000.00	242,135.88	72,864.12	6,845,303.81
1/1/2023	6,845,303.81	315,000.00	239,585.63	75,414.37	6,769,889.45
1/1/2024	6,769,889.45	315,000.00	236,946.13	78,053.87	6,691,835.58
1/1/2025	6,691,835.58	315,000.00	234,214.25	80,785.75	6,611,049.82
1/1/2026	6,611,049.82	346,500.00	231,386.74	115,113.26	6,495,936.56
1/1/2027	6,495,936.56	346,500.00	227,357.78	119,142.22	6,376,794.34
1/1/2028	6,376,794.34	346,500.00	223,187.80	123,312.20	6,253,482.15
1/1/2029	6,253,482.15	346,500.00	218,871.88	127,628.12	6,125,854.02
1/1/2030	6,125,854.02	346,500.00	214,404.89	132,095.11	5,993,758.91

Lease Receivable					
Year	Beginning Lease			Reduction of Receivable	Ending Lease Receivable
	Receivable	Payments	Interest		
1/1/2031	5,993,758.91	346,500.00	209,781.56	136,718.44	5,857,040.47
1/1/2032	5,857,040.47	346,500.00	204,996.42	141,503.58	5,715,536.89
1/1/2033	5,715,536.89	346,500.00	200,043.79	146,456.21	5,569,080.68
1/1/2034	5,569,080.68	346,500.00	194,917.82	151,582.18	5,417,498.51
1/1/2035	5,417,498.51	346,500.00	189,612.45	156,887.55	5,260,610.95
1/1/2036	5,260,610.95	346,500.00	184,121.38	162,378.62	5,098,232.34
1/1/2037	5,098,232.34	346,500.00	178,438.13	168,061.87	4,930,170.47
1/1/2038	4,930,170.47	346,500.00	172,555.97	173,944.03	4,756,226.44
1/1/2039	4,756,226.44	346,500.00	166,467.93	180,032.07	4,576,194.36
1/1/2040	4,576,194.36	346,500.00	160,166.80	186,333.20	4,389,861.16
1/1/2041	4,389,861.16	381,150.00	153,645.14	227,504.86	4,162,356.30
1/1/2042	4,162,356.30	381,150.00	145,682.47	235,467.53	3,926,888.77
1/1/2043	3,926,888.77	381,150.00	137,441.11	243,708.89	3,683,179.88
1/1/2044	3,683,179.88	381,150.00	128,911.30	252,238.70	3,430,941.18
1/1/2045	3,430,941.18	381,150.00	120,082.94	261,067.06	3,169,874.12

Lease Receivable					
Year	Beginning Lease Receivable	Payments	Interest	Reduction of Receivable	Ending Lease Receivable
1/1/2046	3,169,874.12	381,150.00	110,945.59	270,204.41	2,899,669.71
1/1/2047	2,899,669.71	381,150.00	101,488.44	279,661.56	2,620,008.15
1/1/2048	2,620,008.15	381,150.00	91,700.29	289,449.71	2,330,558.44
1/1/2049	2,330,558.44	381,150.00	81,569.55	299,580.45	2,030,977.98
1/1/2050	2,030,977.98	381,150.00	71,084.23	310,065.77	1,720,912.21
1/1/2051	1,720,912.21	381,150.00	60,231.93	320,918.07	1,399,994.14
1/1/2052	1,399,994.14	381,150.00	48,999.79	332,150.21	1,067,843.94
1/1/2053	1,067,843.94	381,150.00	37,374.54	343,775.46	724,068.47
1/1/2054	724,068.47	381,150.00	25,342.40	355,807.60	368,260.87
1/1/2055	368,260.87	381,150.00	12,889.13	368,260.87	0.00
1/1/2056	0.00	-	0.00	(0.00)	0.00



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
1/1/2016	7,562,153.26	-	7,562,153.26	-	-	-
1/1/2017	7,562,153.26	189,053.83	7,373,099.43	189,053.83	253,650.36	442,704.20
1/1/2018	7,373,099.43	189,053.83	7,184,045.60	189,053.83	251,503.13	440,556.96
1/1/2019	7,184,045.60	189,053.83	6,994,991.77	189,053.83	249,280.74	438,334.57
1/1/2020	6,994,991.77	189,053.83	6,805,937.94	189,053.83	246,980.56	436,034.39
1/1/2021	6,805,937.94	189,053.83	6,616,884.10	189,053.83	244,599.88	433,653.71
1/1/2022	6,616,884.10	189,053.83	6,427,830.27	189,053.83	242,135.88	431,189.71
1/1/2023	6,427,830.27	189,053.83	6,238,776.44	189,053.83	239,585.63	428,639.46
1/1/2024	6,238,776.44	189,053.83	6,049,722.61	189,053.83	236,946.13	425,999.96
1/1/2025	6,049,722.61	189,053.83	5,860,668.78	189,053.83	234,214.25	423,268.08
1/1/2026	5,860,668.78	189,053.83	5,671,614.95	189,053.83	231,386.74	420,440.58
1/1/2027	5,671,614.95	189,053.83	5,482,561.12	189,053.83	227,357.78	416,411.61
1/1/2028	5,482,561.12	189,053.83	5,293,507.28	189,053.83	223,187.80	412,241.63
1/1/2029	5,293,507.28	189,053.83	5,104,453.45	189,053.83	218,871.88	407,925.71
1/1/2030	5,104,453.45	189,053.83	4,915,399.62	189,053.83	214,404.89	403,458.72



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
1/1/2031	4,915,399.62	189,053.83	4,726,345.79	189,053.83	209,781.56	398,835.39
1/1/2032	4,726,345.79	189,053.83	4,537,291.96	189,053.83	204,996.42	394,050.25
1/1/2033	4,537,291.96	189,053.83	4,348,238.13	189,053.83	200,043.79	389,097.62
1/1/2034	4,348,238.13	189,053.83	4,159,184.29	189,053.83	194,917.82	383,971.66
1/1/2035	4,159,184.29	189,053.83	3,970,130.46	189,053.83	189,612.45	378,666.28
1/1/2036	3,970,130.46	189,053.83	3,781,076.63	189,053.83	184,121.38	373,175.21
1/1/2037	3,781,076.63	189,053.83	3,592,022.80	189,053.83	178,438.13	367,491.96
1/1/2038	3,592,022.80	189,053.83	3,402,968.97	189,053.83	172,555.97	361,609.80
1/1/2039	3,402,968.97	189,053.83	3,213,915.14	189,053.83	166,467.93	355,521.76
1/1/2040	3,213,915.14	189,053.83	3,024,861.31	189,053.83	160,166.80	349,220.63
1/1/2041	3,024,861.31	189,053.83	2,835,807.47	189,053.83	153,645.14	342,698.97
1/1/2042	2,835,807.47	189,053.83	2,646,753.64	189,053.83	145,682.47	334,736.30
1/1/2043	2,646,753.64	189,053.83	2,457,699.81	189,053.83	137,441.11	326,494.94
1/1/2044	2,457,699.81	189,053.83	2,268,645.98	189,053.83	128,911.30	317,965.13
1/1/2045	2,268,645.98	189,053.83	2,079,592.15	189,053.83	120,082.94	309,136.77



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
1/1/2046	2,079,592.15	189,053.83	1,890,538.32	189,053.83	110,945.59	299,999.43
1/1/2047	1,890,538.32	189,053.83	1,701,484.48	189,053.83	101,488.44	290,542.27
1/1/2048	1,701,484.48	189,053.83	1,512,430.65	189,053.83	91,700.29	280,754.12
1/1/2049	1,512,430.65	189,053.83	1,323,376.82	189,053.83	81,569.55	270,623.38
1/1/2050	1,323,376.82	189,053.83	1,134,322.99	189,053.83	71,084.23	260,138.06
1/1/2051	1,134,322.99	189,053.83	945,269.16	189,053.83	60,231.93	249,285.76
1/1/2052	945,269.16	189,053.83	756,215.33	189,053.83	48,999.79	238,053.63
1/1/2053	756,215.33	189,053.83	567,161.49	189,053.83	37,374.54	226,428.37
1/1/2054	567,161.49	189,053.83	378,107.66	189,053.83	25,342.40	214,396.23
1/1/2055	378,107.66	189,053.83	189,053.83	189,053.83	12,889.13	201,942.96
1/1/2056	189,053.83	189,053.83	0.00	189,053.83	0.00	189,053.83

AMENDMENT – LEASE MODIFICATION

Lease Receivable					
Year	Beginning Lease			Reduction of Receivable	Ending Lease Receivable
	Receivable	Payments	Interest		
6/1/2021	3,083,422.98	67,500.00	-	67,500.00	3,015,922.98
1/1/2022	3,015,922.98	135,000.00	52,778.65	82,221.35	2,933,701.63
1/1/2023	2,933,701.63	135,000.00	102,679.56	32,320.44	2,901,381.19
1/1/2024	2,901,381.19	135,000.00	101,548.34	33,451.66	2,867,929.53
1/1/2025	2,867,929.53	135,000.00	100,377.53	34,622.47	2,833,307.07
1/1/2026	2,833,307.07	148,500.00	99,165.75	49,334.25	2,783,972.81
1/1/2027	2,783,972.81	148,500.00	97,439.05	51,060.95	2,732,911.86
1/1/2028	2,732,911.86	148,500.00	95,651.92	52,848.08	2,680,063.78
1/1/2029	2,680,063.78	148,500.00	93,802.23	54,697.77	2,625,366.01
1/1/2030	2,625,366.01	148,500.00	91,887.81	56,612.19	2,568,753.82
1/1/2031	2,568,753.82	148,500.00	89,906.38	58,593.62	2,510,160.20
1/1/2032	2,510,160.20	148,500.00	87,855.61	60,644.39	2,449,515.81
1/1/2033	2,449,515.81	148,500.00	85,733.05	62,766.95	2,386,748.87
1/1/2034	2,386,748.87	148,500.00	83,536.21	64,963.79	2,321,785.08
1/1/2035	2,321,785.08	148,500.00	81,262.48	67,237.52	2,254,547.55

Lease Receivable					
Year	Beginning Lease Receivable	Payments	Interest	Reduction of Receivable	Ending Lease Receivable
1/1/2036	2,254,547.55	148,500.00	78,909.16	69,590.84	2,184,956.72
1/1/2037	2,184,956.72	148,500.00	76,473.49	72,026.51	2,112,930.20
1/1/2038	2,112,930.20	148,500.00	73,952.56	74,547.44	2,038,382.76
1/1/2039	2,038,382.76	148,500.00	71,343.40	77,156.60	1,961,226.16
1/1/2040	1,961,226.16	148,500.00	68,642.92	79,857.08	1,881,369.07
1/1/2041	1,881,369.07	163,350.00	65,847.92	97,502.08	1,783,866.99
1/1/2042	1,783,866.99	163,350.00	62,435.34	100,914.66	1,682,952.33
1/1/2043	1,682,952.33	163,350.00	58,903.33	104,446.67	1,578,505.67
1/1/2044	1,578,505.67	163,350.00	55,247.70	108,102.30	1,470,403.36
1/1/2045	1,470,403.36	163,350.00	51,464.12	111,885.88	1,358,517.48
1/1/2046	1,358,517.48	163,350.00	47,548.11	115,801.89	1,242,715.59
1/1/2047	1,242,715.59	163,350.00	43,495.05	119,854.95	1,122,860.64
1/1/2048	1,122,860.64	163,350.00	39,300.12	124,049.88	998,810.76
1/1/2049	998,810.76	163,350.00	34,958.38	128,391.62	870,419.14
1/1/2050	870,419.14	163,350.00	30,464.67	132,885.33	737,533.81

Lease Receivable					
Year	Beginning Lease Receivable	Payments	Interest	Reduction of Receivable	Ending Lease Receivable
1/1/2051	737,533.81	163,350.00	25,813.68	137,536.32	599,997.49
1/1/2052	599,997.49	163,350.00	20,999.91	142,350.09	457,647.40
1/1/2053	457,647.40	163,350.00	16,017.66	147,332.34	310,315.06
1/1/2054	310,315.06	163,350.00	10,861.03	152,488.97	157,826.09
1/1/2055	157,826.09	163,350.00	5,523.91	157,826.09	0.00
1/1/2056	0.00	-	0.00	(0.00)	0.00



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
6/1/2021	3,083,422.98	-	3,083,422.98	-	-	-
1/1/2022	3,083,422.98	44,687.29	3,038,735.69	44,687.29	52,778.65	97,465.94
1/1/2023	3,038,735.69	89,374.58	2,949,361.11	89,374.58	102,679.56	192,054.14
1/1/2024	2,949,361.11	89,374.58	2,859,986.53	89,374.58	101,548.34	190,922.92
1/1/2025	2,859,986.53	89,374.58	2,770,611.96	89,374.58	100,377.53	189,752.11
1/1/2026	2,770,611.96	89,374.58	2,681,237.38	89,374.58	99,165.75	188,540.33
1/1/2027	2,681,237.38	89,374.58	2,591,862.80	89,374.58	97,439.05	186,813.63
1/1/2028	2,591,862.80	89,374.58	2,502,488.22	89,374.58	95,651.92	185,026.49
1/1/2029	2,502,488.22	89,374.58	2,413,113.64	89,374.58	93,802.23	183,176.81
1/1/2030	2,413,113.64	89,374.58	2,323,739.06	89,374.58	91,887.81	181,262.39
1/1/2031	2,323,739.06	89,374.58	2,234,364.48	89,374.58	89,906.38	179,280.96
1/1/2032	2,234,364.48	89,374.58	2,144,989.90	89,374.58	87,855.61	177,230.19
1/1/2033	2,144,989.90	89,374.58	2,055,615.32	89,374.58	85,733.05	175,107.63
1/1/2034	2,055,615.32	89,374.58	1,966,240.74	89,374.58	83,536.21	172,910.79
1/1/2035	1,966,240.74	89,374.58	1,876,866.16	89,374.58	81,262.48	170,637.06



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
1/1/2036	1,876,866.16	89,374.58	1,787,491.58	89,374.58	78,909.16	168,283.74
1/1/2037	1,787,491.58	89,374.58	1,698,117.00	89,374.58	76,473.49	165,848.06
1/1/2038	1,698,117.00	89,374.58	1,608,742.43	89,374.58	73,952.56	163,327.14
1/1/2039	1,608,742.43	89,374.58	1,519,367.85	89,374.58	71,343.40	160,717.98
1/1/2040	1,519,367.85	89,374.58	1,429,993.27	89,374.58	68,642.92	158,017.49
1/1/2041	1,429,993.27	89,374.58	1,340,618.69	89,374.58	65,847.92	155,222.50
1/1/2042	1,340,618.69	89,374.58	1,251,244.11	89,374.58	62,435.34	151,809.92
1/1/2043	1,251,244.11	89,374.58	1,161,869.53	89,374.58	58,903.33	148,277.91
1/1/2044	1,161,869.53	89,374.58	1,072,494.95	89,374.58	55,247.70	144,622.28
1/1/2045	1,072,494.95	89,374.58	983,120.37	89,374.58	51,464.12	140,838.70
1/1/2046	983,120.37	89,374.58	893,745.79	89,374.58	47,548.11	136,922.69
1/1/2047	893,745.79	89,374.58	804,371.21	89,374.58	43,495.05	132,869.62
1/1/2048	804,371.21	89,374.58	714,996.63	89,374.58	39,300.12	128,674.70
1/1/2049	714,996.63	89,374.58	625,622.05	89,374.58	34,958.38	124,332.96
1/1/2050	625,622.05	89,374.58	536,247.48	89,374.58	30,464.67	119,839.25



Year	Deferred Inflow of Resources			Period Revenues		
	Beginning Deferred Inflow	Amortization	Ending Deferred Inflow	Amortization of Deferred Inflow (Operating)	Interest (Nonoperating)	Total Revenue
1/1/2051	536,247.48	89,374.58	446,872.90	89,374.58	25,813.68	115,188.26
1/1/2052	446,872.90	89,374.58	357,498.32	89,374.58	20,999.91	110,374.49
1/1/2053	357,498.32	89,374.58	268,123.74	89,374.58	16,017.66	105,392.24
1/1/2054	268,123.74	89,374.58	178,749.16	89,374.58	10,861.03	100,235.61
1/1/2055	178,749.16	89,374.58	89,374.58	89,374.58	5,523.91	94,898.49
1/1/2056	89,374.58	89,374.58	0.00	89,374.58	0.00	89,374.58

JOURNAL ENTRIES

The journal entries at the inception of the lease would be:

Dr. Lease receivable	\$7,247,153.26	
Dr. Cash	315,000.00	
Cr. Deferred inflow of resources		(\$7,562,153.26)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended December 31, 2016 would be:

Dr. Deferred inflow of resources	\$189,053.83	
Cr. Lease revenue		(\$189,053.83)
Dr. Accrued lease interest receivable	253,650.36	
Cr. Interest revenue		(253,650.36)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended December 31, 2017 would be:

Dr. Deferred inflow of resources	\$189,053.83	
Cr. Lease revenue		(\$189,053.83)
Dr. Cash	315,000.00	
Cr. Accrued lease interest receivable		(2,147.23)
Cr. Lease receivable		(61,349.64)
Cr. Interest revenue		(251,503.13)

JOURNAL ENTRIES (CONTINUED)

At the inception of the amendment to add on the additional 1.5M sqft of land, no changes to the pattern of recognition of the original agreement will occur. Instead, a new lease is added on for the additional leased land. The entry for the inception of the amendment on June 1, 2021 would be:

Dr. Lease receivable	\$3,015,922.98	
Dr. Cash	67,500.00	
Cr. Deferred inflow of resources		(\$3,083,422.98)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity for the amended lease (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended December 31, 2021 would be:

Dr. Deferred inflow of resources	\$233,741.12	
Cr. Lease revenue		(\$233,741.12)
Dr. Cash	315,000.00	
Dr. Accrued lease interest receivable	50,314.65	
Cr. Lease receivable		(70,400.12)
Cr. Interest revenue		(294,914.53)

JOURNAL ENTRIES (CONTINUED)

The summation of journal entry activity for the amended lease (assuming a December year-end) after the journal entry to recorded at inception for the fiscal year ended December 31, 2022 would be:

Dr. Deferred inflow of resources	\$278,428.41	
Cr. Lease revenue		(\$278,428.41)
Dr. Cash	450,000.00	
Dr. Accrued lease interest receivable	47,350.66	
Cr. Lease receivable		(155,085.47)
Cr. Interest revenue		(342,265.19)