

SUBJECT: Leases	Effective Date: July 1, 2011	Policy Number: 04-1-013
	Supersedes: Policy: Date:	Page 1 Of 2
	Responsible Authority: Fiscal	

I. Purpose and statement of operational policy underlying the procedure.

This policy is designed to provide a clear, consistent policy with regard to the college's treatment of leases.

II. Applicability/Scope

This applies to College accounting of capital and operating leases. A lease is considered a capital lease if it meets any one of the following criteria:

- The lease transfers ownership of property to the lessee by the end of the lease term.
- The lease contains an option to purchase the leased property at a bargain price.
- The lease term is equal to or greater than 75 percent of the estimated economic life of the leased property (e.g.) lease term six years, estimated life eight years).
- The present value of rental and other minimum lease payment equals or exceeds 90 percent of the fair value of the leased property less any investment tax credit retained by the Lessor (e.g. future minimum lease payment \$9,000, fair value \$10,000).

A lease is considered an operating lease if it does not meet the criteria for a capital lease. Neither an asset or obligation is recorded; however, note disclosure is required.

III. Process for Implementing Procedures

Responsibility	Action	Timeline
Originator	Provides lease document to Department Head/Cabinet member	At time of document receipt
Cabinet Member	Recommends approval of lease	At time of document receipt
Vice President/CFO	Reviews lease documentation and approves lease	Upon receipt
Controller	Determines if lease is capital or operating and determines appropriate general ledger account	Upon receipt
Controller	Provides lease documentation to Manager of Accounting	After determination of lease type

IV. Related policies/References for more information

Authorizing Official: <u>Jim Duggan</u>	Authorization Date: <u>10/6/11</u>
Title: <u>Vice President/Chief Financial Officer</u>	