

BUTTE SCHOOLS SELF-FUNDED PROGRAMS

POLICIES & PROCEDURES MANUAL

Subject: **CAPITAL LEASES**

Section: **2.10**

BSSP will not enter into a Long-term Lease unless the Long-term Lease objectively provides the BSSP with preferred pricing or other material business advantage. Within the BSSP's financial records and accounts, and in conformity with GASB 87, Long Term Leases, leases having an aggregate payment schedule totaling more than 1% of the BSSP's net capital assets (or at least \$30,000) ("Capitalization Threshold") will be capitalized.

Long-term leases below the capitalization threshold, and short-term leases are not subject to capitalization. If GASB 87 is amended or modified in the future, this Policy will be deemed automatically reformed to comply with such changes, in order to ensure that the BSSP is always timely in compliance with these standards.

Definitions

Lease: A contract that conveys control of the right to use another entity's nonfinancial asset for a defined period of time, as specified in a duly authorized contract, in exchange for consideration of a type permitted by public agencies in California.

Short-term Lease: A lease that has a maximum noncancelable term of less than 12 months, including leases having option periods not reasonably expected to be exercised by the Lessee for a time period in excess of 12 months.

Long-term Lease: A lease having a minimum, noncancelable term exceeding 12 months, without regard to potential options to extend the lease period, or a short-term lease that includes an option period beyond 12 months that is reasonably expected to be exercised by the Lessee.

Depending upon later developments, a lease categorized as either Long-term or Short-term may be transferred from their original designation to the alternate designation based on later developed objective facts or circumstances. The reason for any recategorization should be identified in the BSSP's financial records.