County Technical Assistance Service
INSTITUTE for PUBLIC SERVICE

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Financial Leases

Dear Reader:

The following document was created from the CTAS website (ctas.tennessee.edu). This website is maintained by CTAS staff and seeks to represent the most current information regarding issues relative to Tennessee county government.

We hope this information will be useful to you; reference to it will assist you with many of the questions that will arise in your tenure with county government. However, the *Tennessee Code Annotated* and other relevant laws or regulations should always be consulted before any action is taken based upon the contents of this document.

Please feel free to contact us if you have questions or comments regarding this information or any other CTAS website material.

Sincerely,

The University of Tennessee
County Technical Assistance Service
226 Anne Dallas Dudley Boulevard, Suite 400
Nashville, Tennessee 37219
615.532.3555 phone
615.532.3699 fax
www.ctas.tennessee.edu

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Financial Leases

Reference Number: CTAS-1785

Financing leases are another avenue in which a county can acquire a capital asset. This avenue is generally the least used and often the most expensive means of financing. Generally speaking, a county can issue capital outlay notes and purchase an asset, as opposed to the leasing of the asset. Interest rates are often higher in lease contracts than a county can receive via inter-fund loan or capital outlay notes issued to a local financial institution. A county should fully understand the cost of the asset and borrow cost imputed, as well as, whether they intend to use the asset through the end of it useful life. The county should also conduct an analysis of purchase versus lease cost. The Comptroller of the Treasury Division of Local Finance “Tennessee Debt Manual for Local Governments” set out various requirements for a county to enter into a lease agreement.

Source URL: *https://www.ctas.tennessee.edu/eli/financial-leases*