

District Entering into Rental, Lease or Subscription Agreements

Accounting requirements for school districts in the state of Washington are in significant compliance with generally accepted accounting principles (GAAP). Governmental accounting principles are not a complete and separate body of accounting principles, but are part of the whole body of GAAP. The hierarchy of specific sources of GAAP that are applicable to state and local governments are:

- Statements and interpretations issued by the Governmental Accounting Standards Board (GASB), plus statements and interpretations issued by the American Institute of Certified Public Accountants (AICPA), or the Financial Accounting Standards Board (FASB) if they have been made applicable to state and local governments by a GASB statement or interpretation.
- Technical bulletins issued by the GASB and AICPA pronouncements made specifically applicable to state and local governments and cleared by the GASB.
- Consensus positions of the GASB Emerging Issues Task Force and practice bulletins issued by the AICPA if they have been made specifically applicable to state and local governments and cleared by the GASB.
- Questions and answers published by the GASB staff and widely recognized and prevalent industry practices.
- GASB concept statements, pronouncements by FASB or the AICPA when not made applicable to state and local governments, FASB concept statements, AICPA issues papers, International Accounting Standards Committee statements, pronouncements of other professional associations or regulatory agencies, AICPA technical practice aids, and accounting textbooks and handbooks.

GASB Statements No. 87 and 96 outline new accounting standards for Leases and Subscription-Based Information Technology Arrangements. Attached is a revision to our current lease policy to fall in line with those updated standards.

A. Rental or Lease of District Real Property

When real property of the Mabton School District (the “District”) is not needed, the Mabton School District’s Board of Directors (the “Board”) has the authority to call for bids to rent or lease any surplus real property. A notice of the intent to rent or lease property will be published in a newspaper of general circulation in the District at least 45 days before the rental or lease takes effect, if the value of the rental or lease is \$10,000.00 or more. The District may establish a minimum acceptable bid based upon the fair market value, provided that such minimum bid is non-discriminatory within classes of users.

Such property will be rented or leased for lawful purposes. The rental or lease will be in the best interests of the District and not interfere with the conduct of the District's educational program and related activities. The lease or rental agreement shall permit the recapture of the leased or rented surplus property should such property be needed for school purposes in the future unless proximity to an international airport precludes the possible or appropriate use of the property for a school, or the property is leased or rented for affordable housing purposes.

Proceeds from rental or lease of district property which are in excess of the operational costs incurred for such rental or lease will be deposited in the capital projects fund or debt service fund.

At the option of the Board, after evaluating the sufficiency of the District’s capital projects fund for purposes of meeting demands for new construction and improvements, moneys derived from the lease or rental of real property may be deposited into the District’s general fund to be used exclusively for nonrecurring costs related to operating school facilities, including but not limited to, expenses for maintenance.

B. Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs)

In accordance with the Governmental Accounting Standards Board (GASB) Statements 87 and 96, covering Leases and Subscription-Based Information Technology Arrangements (SBITAs). Within the guidelines of these Statements, the district may establish a liability threshold for reporting either a lease or a SBITA that are considered to be de minimis when compared to the district's financial capacity. These leases or SBITAs must have a maximum possible term of greater than one year to be included.

For the purpose of this policy, the following definitions are used, in accordance with the Statements referenced above:

1. A lease is a contract which conveys control of the right to use another entity's nonfinancial asset for the time specified in the contract for an exchange or exchange-like transaction.
2. A subscription-based information technology arrangement (SBITA) is a contract that conveys the right to use another entity's software, alone or in combination with tangible capital assets, for the time specified in the contract for an exchange or exchange-like transaction. Software that is insignificant to the cost of the underlying asset is excluded.

The value of leases or SBITAs under this policy will be determined using the methodology outlined in the original Statements and current accepted industry practice. Each lease or SBITA will be considered individually.

For capitalization purposes, those leases with a value that equals or exceeds \$160,000 (One hundred sixty thousand dollars, approximately 1% of budgeted expenditures) and has a maximum possible term in excess of one year will be capitalized and recorded as a liability on the district's financial statements in accordance with the Statements referenced above.

For capitalization purposes, those SBITA's with a value that equals or exceeds \$160,000 (One hundred sixty thousand dollars, approximately 1% of budgeted expenditures) and has a maximum possible term in excess of one year will be capitalized and recorded as a liability on the district's financial statements in accordance with the Statements referenced above.

Any lease or SBITA that does not meet these thresholds, or which has a maximum term of less than one year, will not be reported as a liability on the district's financial statements.

Legal References: W28A.335.040 Surplus school property, rental, lease or use of
— Authorized – Limitations

RCW28A.335.050 Surplus school property, rental, lease or use of
— Joint use—Compensation—Conditions generally

RCW28A.335.060 Surplus school property, rental lease or use of — Disposition of moneys received from

RCW28A.335.070 Surplus school property, rental, lease or use of — Existing contracts not impaired

RCW28A.335.080 Surplus school property, rental, lease or use of — Community use not impaired

RCW28A.335.090 Conveyance and acquisition of property — Management— Appraisal

RCW28A.335.130 Real property — Sale — Use of proceeds

Governmental Accounting Standards Board 87 – Accounting for Leases

Governmental Accounting Standards Board 96 – Subscription-
Based Technology Arrangements

Accounting Manual for Public School Districts Chapter 3

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Mabton School District

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