Adopted: October 13, 2023 *Sauk Centre Schools Policy 704-1*

Reviewed: October 19, 2026

704-1 Lease Accounting Policy for GASB 87 and GASB 96

Purpose: To set the policies and procedures needed to gain control and efficiencies in the lease process to ensure the district properly and accurately accounts for leases in the financial statements beginning with the fiscal year ending June 30, 2023, following GASB Statement No. 87 & 96.

Below are the policies that the district has put into place regarding the handling of leases. These policies are subject to change.

1. **Capitalization Threshold:** The district will capitalize any leases that have a present value of $5,000 or more at the commencement date of the lease or the implementation date of this GASB statement. This threshold will apply to leases of capital assets, including buildings, land, equipment under GASB 87 and subscription based information technology arrangements (SBITA's) GASB 96 where the district is a Lessor or a Lessee.

2. **Discount Rate:** Unless otherwise noted in the lease agreement, the discount rate used to calculate the present value of the lease payments should be the district's incremental borrowing rate at the commencement of the lease or the implementation date of this GASB statement.

3. **Compiling Lease Agreements:**
    a. Department Responsibility: District departments that maintain the information on the various leases should forward all lease agreements for their area to the District Office.
    b. Finance Responsibility: The district Business Manager should maintain a listing of the lease agreements received from departments for use in the lease reviews.

4. **Lease Reviews:** The district Business Manager will review the lease agreements and contracts to determine if they qualify as a lease under GASB Statement No. 87 and 96. *

5. **Lease Entries for Annual Financial Report (AFR):** The district Business Manager will review the details of each lease to determine and make the appropriate lease entries. The entries will be completed at the end of each fiscal year. *

* The contracted district auditor will complete a secondary review to confirm the determination and that leases are properly and accurately accounted for.