

**RESOLUTION OF THE GOVERNING BOARD OF
BUENA VISTA ELEMENTARY SCHOOL DISTRICT**

In the Matter of establishing
a School Facilities Fund – Full-Day Kinder
Facilities Program

)
)

RESOLUTION NUMBER 24.04

WHEREAS, the school district has a need to set up a new fund for the School Facilities Fund Construction project 70/71829-00-001 . The new county fund number will be Fund #356 using Resource Number 77100 for accounting;

WHEREAS, there is need for a separate accounting for the state facilities apportionments;

THEREFORE, BE IT RESOLVED that the County Treasurer be requested to establish a separate fund called the School Facilities for Full-Day Kinder Facilities Program.

THEREFORE, BE IT ALSO RESOLVED that the district superintendent is authorized to make temporary cash flow loans from other funds of the district to the School Facilities Fund to be repaid upon receipt of state apportionments.

THE FOREGOING RESOLUTION WAS ADOPTED upon the motion of _____, seconded by _____, at a regular meeting of the Governing Board on the 9th day of August 2023 by the following vote.

Ayes:

Noes:

Abstentions:

Absent:

Secretary/Clerk of said District Board

Buena Vista School District

GASB 96 Subscription-Based Information Technology Arrangement Capitalization Policy

Effective Date: Retroactive to July 1, 2022

Background

In recent years, subscription-based information technology arrangements (SBITAs) have become an increasingly common method for government entities to access and use software to perform their operations. SBITAs provide a flexible and cost-effective solution for governments without the upfront costs associated with traditional software licenses. Rather than purchasing software outright, government entities can subscribe to software services from vendors for a specified period, typically one year or more, paying for the service on a recurring basis.

SBITAs often include additional benefits like automatic software updates, data backup and recovery, and technical support. Given the increasing prevalence of SBITAs, it is important for governments to understand the accounting and reporting implications for these arrangements to ensure that they are accurately reflected in the financial statements.

The Government Accounting Standards Board (GASB) has issued Statement Number 96 (GASB 96, "the standard"), which is effective for fiscal years that begin after June 15, 2022. GASB 96 provides guidance on proper accounting for SBITAs while improving the comparability and consistency of financial reporting across governments that use these arrangements.

Purpose

This policy states the capitalization threshold Buena Vista School District has established for SBITAs, provides guidance to Buena Vista School District staff about when it is appropriate to capitalize SBITAs, and describes the measurement and accounting treatment of SBITAs under GASB Statement No. 96.

Definitions

Subscription-based information technology arrangement (SBITA): A contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone

or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Short-term SBITA: Subscription-based information technology arrangements that have a maximum possible term of 12 months or less, including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs are recognized as outflows of resources (e.g., expenditures).

Subscription term: The period during which Buena Vista School District has a noncancelable right to use the underlying IT assets (referred to as the non-cancelable period), plus the following periods, if applicable:

- Periods covered by Buena Vista School District's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that Buena Vista School District *will* exercise that option.
- Periods covered by Buena Vista School District's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that Buena Vista School District *will not* exercise that option.
- Periods covered by a SBITA vendor's option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor *will* exercise that option.
- Periods covered by a SBITA vendor's option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor *will not* exercise that option.

Cancelable periods: Periods in which both Buena Vista School District and the SBITA vendor have an option to terminate the SBITA without requiring the permission of the other party (or if both parties have to agree to extend).

Noncancelable period: The period of a contract during which the contract cannot be terminated without the consent of the other party.

General Policy

Buena Vista School District has established a capitalization threshold of \$_____ for SBITAs (SBITA capitalization threshold) that are subject to the requirements of GASB 96. SBITAs whose payments in aggregate during the subscription term are below this threshold will not be capitalized, as Buena Vista School District has determined that such IT arrangements are not material to its financial statements. The capitalization threshold will be reviewed regularly and adjusted as conditions warrant to ensure compliance with GASB 96 and any subsequent amendments. Changes to this policy shall be approved by the Chief Business Official (CBO).

Qualifying Criteria

If a contract meets all the following criteria, the contract is subject to the treatment of SBITAs described in GASB 96 and will be capitalized accordingly:

- The contract meets the definition of SBITA as defined in the standard.
- The contract is not a short-term SBITA, as defined.
- The contract is not subject to any exclusions listed in the standard.
- The payments in aggregate called for under the contract meet or exceed the Buena Vista School District SBITA capitalization threshold.

Exclusions

The provisions of GASB Statement 96 do not apply to the following:

- SBITAs that are not considered capital assets, such as short-term SBITAs with a maximum possible term of 12 months or less, including any options to extend.
- SBITAs that provide the government with ownership or indefinite use of the vendor's IT assets, arrangements for internally generated software, or commercially available software acquired through perpetual licensing agreements.
- SBITAs that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in *GASB Statement No. 87, Leases*.
- SBITAs that are not considered subscription-based, such as contracts that solely provide IT support services, which are excluded from the definition of a SBITA in paragraph 8 of the standard.
- Contracts in which Buena Vista School District provides the right to use its IT software and associated capital assets to other entities through SBITAs.
- Contracts that meet the definition of a public-private and public-public partnership in GASB 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.
- SBITAs that are not material to Buena Vista School District's financial statements, as the standard allows for materiality considerations in the application of its provisions.

Recognition and Measurement for SBITAs Other Than Short-Term

Under GASB 96, Buena Vista School District will recognize a right-to-use subscription asset and a corresponding subscription liability. The subscription liability should be recognized at the start of the subscription term when the subscription asset is placed into service; this occurs when the initial implementation phase is complete and Buena Vista School District obtains control of the right to use the underlying IT assets.

Subscription Liability

The subscription liability is initially measured as the present value of subscription payments expected to be made during the subscription term. Subscription payments are discounted at the implicit rate when known; if unknown, a reasonable incremental borrowing rate will be used.

The discount on the subscription liability is amortized over subsequent accounting periods. The amortization is calculated using the effective interest method, which results in a constant periodic interest rate applied to the outstanding balance of the subscription liability. The effective interest rate is calculated at the inception of the subscription liability and is based on the discount rate used to measure the liability, adjusted for any changes in the liability's expected cash flows.

Any subscription payments made should be allocated first to the accrued interest liability and then to the subscription liability. The financial statements should include disclosure of the amount of interest expense recognized during the reporting period and the amount of the discount on the subscription liability that has been amortized to date (i.e., accumulated amortization).

Subscription Asset

The subscription asset is measured at the commencement of the subscription term, which occurs when the initial implementation stage is completed, and Buena Vista School District has obtained control of the right to use the underlying IT assets.

The subscription asset is recognized and initially measured as follows:

The initial subscription liability amount
+ Payments made to the SBITA vendor at or before commencement of the subscription term
+ Capitalizable implementation costs
- Incentives received from the SBITA vendor at or before commencement of the subscription term
= Subscription Asset amount

The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets. The amortization of the subscription asset begins at the commencement of the subscription term and is reported as an outflow of resources (e.g., amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes. The amortization of the subscription asset is calculated using the straight-line method, which results in a constant periodic amortization amount over the subscription term.

The periodic amortization amount is calculated as the initial measurement of the subscription asset, less any residual value, divided by the shorter of the subscription term or the useful life of the underlying IT assets. The amount of the subscription asset recognized during the reporting period, the amount of accumulated amortization, and the remaining useful life of the subscription asset should be disclosed in the financial statements.

Reassessment of Subscription Term

Buena Vista School District will reassess the subscription term only if one or more of the following occur:

- Buena Vista School District or the SBITA vendor elects to exercise an option even though it was previously determined that it was reasonably certain that Buena Vista School District or the SBITA vendor would not exercise that option.
- Buena Vista School District or the SBITA vendor elects not to exercise an option even though it was previously determined that it was reasonably certain that Buena Vista School District or the SBITA vendor would exercise that option.
- An event specified in the SBITA contract that requires an extension or termination of the SBITA takes place.

Impairment

Impairment refers to the decline in value of an asset below its fair value. Under GASB 96, the impairment of a SBITA asset occurs when its carrying amount exceeds its recoverable amount.

Buena Vista School District will evaluate its SBITA assets at least annually for indications of impairment, such as a significant change in the fair value of SBITA assets or a change in the assets' intended use. If such indications are present, Buena Vista School District will take the following steps:

1. Identify the assets to be tested for impairment.
2. Determine, to the extent practicable, the fair value of the assets. If the fair value cannot be readily estimated, the present value of expected future cash flows may be used.
3. Determine the recoverable amount of the SBITA asset. The recoverable amount is the higher of its fair value less the costs to sell or the asset's value in use.
4. Compare the recoverable amount of the asset to its carrying value. If the carrying value exceeds its recoverable amount, the asset is considered impaired.
5. Determine if the impairment is temporary.
 - a. If the decline in value is believed to be temporary, the asset may continue to be held until the value recovers. No further action is required.

- b. If the decline in value is not temporary, adjust the carrying amount of the asset to agree with its fair value.
- 6. If an impairment is identified and it is determined to be other than temporary, calculate the impairment loss, and recognize the loss as an expense on the financial statements of the year in which the impairment occurred.
 - a. Document the method used to estimate the asset's fair value to support the calculation of the impairment loss.

Other Modifications and Terminations

Modifications or terminations of SBITAs may require the re-measurement of the SBITA asset and liability. If the modification results in the addition of a new SBITA asset, as opposed to an addition to an existing asset, it will be treated as a new SBITA asset.

Account Coding

The California Department of Education has defined the following object code classifications to use in conjunction with GASB 96 accounting entries:

Subscription Assets – Object 6700

Proceeds from SBITAs – Object 8974

Other object codes used in recording the accounting entries required under GASB 96 may include, but are not necessarily limited to, the following:

Debt Service, Interest – Object 7438

Other Debt Service, Principal – Object 7439

Cash in County Treasury – Object 9110

Buena Vista School District

GASB 87 Lease Capitalization Policy

Effective Date: Retroactive to July 1, 2021

General Policy

Leases that are not classified as short-term (duration of 12 months or less) and whose aggregate payments made or received equal \$_____ or more will be capitalized ("Capitalization Threshold") in compliance with GASB 87, except as noted below:

- Leases that transfer ownership and do not contain termination options
- Short-term leases (12 months or less)
- Leases of assets that are investments
- Intangible assets (mineral rights, patents, software, copyrights)
- Biological assets (timber, living plants, living animals)
- Supply contracts
- \$1 Leases or similar, not an exchange/exchange-like transaction

This policy shall be reviewed annually and adjusted as conditions warrant.

Definitions

Lease: A contract that conveys control of the right to use another entity's nonfinancial asset (underlying asset) as specified by the contract for a period of time in an exchange or exchange-like transaction.

Short-term lease: A lease that, at the beginning of its term, has a maximum possible term under the contract, including any option to extend, of 12 months or less.

Financed purchase: If a contract (1) transfers ownership of the underlying asset to the lessee by the end of the contract and (2) does not contain termination options other than fiscal funding or cancellation clauses, the contract is not a lease and should be reported as a financed purchase.

Finance Lease: A leasing arrangement in which the lessee obtains ownership of the leased asset by the end of the lease term. With the implementation of GASB 87, there is no longer an operating vs. capital classification. Instead, all leases will be referred to as financing leases.

Measurement of a Finance Lease

As of the commencement date of a lease, the lessee measures the liability and the right-of-use asset associated with the lease. These measurements are derived as follows:

Lease Liability: The present value of the lease payments, discounted at the discount rate for the lease. This rate is the rate implicit in the lease when that rate is readily determinable. If not, the lessee instead uses its incremental borrowing rate.

Right-of-Use Asset: The initial amount of the lease liability, plus any lease payments made to the lessor before the lease commencement date, plus any initial direct costs incurred, minus any lease incentives received.

Process Steps

- District staff determines the need to enter into a lease or is currently party to a lease agreement.
- District determines that lease meets GASB 87 capitalization requirements.
- District creates/maintains a spreadsheet using the payment schedule specified in the contract. This will include coding to be used over the lease period.
- A copy of the spreadsheet will be printed and maintained, along with any future revisions, for 4 years after the end date of the contract unless a longer retention period is required.
- District reviews calculations for compliance with GASB 87 requirements.

Determining Lease Term

Noncancelable Period
+ Period covered by option to terminate when it is NOT certain to be exercised
+ Period covered by the option to extend when it is reasonably certain to be exercised
= Total Lease Term

District will reassess the lease term if one or more of the following occurs:

- Lessee or lessor elects to exercise an option even though originally determined that the lessee or lessor would not exercise that option; or vice-versa.
- An event specified in the contract that requires an extension or termination of the lease takes place.

Account Coding

District's Role	Coding Advice
Lessee	Object code 6600
Lessor	Object code 8650

SCOPE OF SERVICES - EXHIBIT A

1. RESPONSIBILITIES OF DISTRICT:

(Please provide a detailed description of services and deliverables to be provided by Buena Vista School District.)

- (1) Reimburse SUPERINTENDENT up to 5 percent, not to exceed \$5,000, of the district's final entitlement for the Con-App Programs, excluding carryover.
- (2) Provide information requested that is needed to complete the Con-App by specific dates.
- (3) Allow access to fiscal data via SACS.
- (4) Adhere to State and Federal programs' requirements.
- (5) Maintain accountability for equipment, facilities, and materials purchased with Con-App funds. Label all equipment purchased with categorical funds as required for audit purposes.
- (6) Remediate audit exceptions based on auditor's findings and recommendations.
- (7) Present budget revisions to the School Site Council and governing Board for adoption.
- (8) Comply with spending regulations, maintain internal controls, and monitor program expenditures to ensure funds are within the funding cycle.
- (9) Review district's planning documents annually for compliance with categorical program requirements and alignment with LCAP goals.
- (10) Maintain CALPADS enrollment data for all subgroups, especially for EL and low-income students.
- (11) Maintain Con-App accounting records in accordance with project year accounting outlined in Procedure 315 of CSAM and in accordance GAAP.

2. RESPONSIBILITIES OF SUPERINTENDENT:

(Please provide a list of items The Tulare County Superintendent of Schools will furnish.)

- (1) Assist DISTRICT with the preparation, amendment, and submission of the Con-App.
- (2) Disseminate information for the successful operation of Con-App programs.
- (3) Assist DISTRICT with on-site program reviews in accordance with rules, regulations, and provisions for Con-App programs.
- (4) Provide assistance to remediate compliance discrepancies related to Con-App programs.
- (5) Assist DISTRICT with accounting of Con-App program activity in accordance with project year accounting outlined in Procedure 315 of the California School Accounting Manual (CSAM) and in accordance with Generally Accepted Accounting Principles (GAAP).
- (6) Assist district with fiscal year-end close-out of Con-App programs by project year.
- (7) Comply with all laws, rules and regulations applicable to such work.
- (8) SUPERINTENDENT acknowledges that the services provided by its employees may involve limited contact with students and, as such, each employee will have background checks pursuant to the Education Code.

FEE SCHEDULE

The contract total for services to be provided are estimated to be

The Contract Total for Services to be provided shall not exceed \$5,000.00

including travel or other expenses.

Payment will be by the job or day unless specified otherwise in a fee schedule attached to this document.

Exhibit (A)

Exhibit (B)

Exhibit (C)

Exhibit (D)

AGENCY AGREEMENT 240200

THIS AGREEMENT, is entered into between the **Tulare County Superintendent of Schools**, referred to as **SUPERINTENDENT** and **Buena Vista School District**, referred to as **DISTRICT**.

ACCORDINGLY, IT IS AGREED:

1. TERM: This Agreement shall become

effective as

7/1/2023

and shall expire on .

6/30/2024

2. **SERVICES:** DISTRICT shall provide services as set forth: (See attached Scope of Services - Exhibit A for details. The Exhibit A is made part of this Agreement by reference.)

3. **COST OF SERVICES:** DISTRICT shall pay SUPERINTENDENT for the actual cost of such services to the extent they are allowable not to exceed the sum of

sum of \$ 5,000.00

4. METHOD OF PAYMENT:

- a. **SUPERINTENDENT** must submit itemized invoices to **DISTRICT** for the cost of the services.
- b. **SUPERINTENDENT** is responsible for maintaining verifiable records for all expenditures.

5. **INDEMNIFICATION:** SUPERINTENDENT and DISTRICT shall hold each other harmless, defend and indemnify their respective agents, officers and employees from and against any liability, claims, actions, costs, damages or losses of any kind, including death or injury to any person and/or damage to property, arising out of the activities of SUPERINTENDENT or DISTRICT or their agents, officers and employees under this Agreement. This indemnification shall be provided by each party to the other party regarding its own activities undertaken pursuant to this Agreement, or as a result of the relationship thereby created, including any claims that may be made against either party by any taxing authority asserting that an employer-employee relationship exists by reason of this Agreement, or any claims made against either party alleging civil rights violations by such party under Government Code section 12920 et seq. (California Fair Employment and Housing Act). This indemnification obligation shall continue beyond the term of this Agreement as to any acts or omissions occurring under this Agreement or any extension of this Agreement.

6. **TERMINATION:** Either party may terminate this Agreement without cause by giving thirty (30) calendar days advance written notice to the other party.

THE PARTIES, having read and considered the above provisions indicate their agreement by their authorized signatures below.

DISTRICT

Carole Mederos
Buena Vista School District
21660 Road 60
Tulare, CA 93274

SUPERINTENDENT

Tim A. Hire, Superintendent
Tulare County Superintendent of
Schools
Tulare County Office of Education
P.O. Box 5091
Visalia CA 93278-5091

SUPERINTENDENT

Signature

Tim A. Hiro

Date

6/16/2023

DISTRICT

Signature

Sign

Date

TCOE Program Information

Contact Person: Diana Hernandez

Telephone: 559-302-3677

Department/Program: Leadership Support Services

Please return an original copy to:

Tulare County Office of Education
ATTN: Internal Business Services Secretary
P.O. Box 5091
Visalia, CA 93278-5091