



Contact:

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TO: Board of Directors

FROM: Ruth Floyd, Executive Director of Business Services

SUBJECT: First Reading - Policy 6550 Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs)

DATE: September 5, 2023

TYPE: Board Discussion

This is the first reading of new Policy 6650 Capitalization Threshold for Leases and Subscription-Based Information Technology Arrangements (SBITAs). The district has recently implemented Governmental Accounting Standards Board (GASB) 87, Leases, and GASB 96, SBITAs. The objective of these GASB statements are to better meet the information needs of financial statement users by improving accounting and financial reporting by governments.

It is allowable for governmental entities to establish a capitalization threshold that is considered *de minimis* to the entity's financial statements. For capitalization purposes at Stanwood-Camano School District, staff recommend that individual leases and SBITAs with a value that equals or exceeds \$25,000, 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.

The policy is consistent with the Washington State School Directors Association (WSSDA) model policy. A second reading will occur at the September 19, 2023, board meeting. If you have any questions regarding the policy, please contact me.

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CAPITALIZATION THRESHOLD FOR LEASES AND SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITAs)

The Stanwood-Camano School Board acknowledges that the Governmental Accounting Standards Board (GASB) has issued 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 or SBITAs with a value that equals or exceeds \$25,000 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 this threshold, 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:

GASB Statement No. 87, Leases, Issued 06/17

GASB Statement No. 96, Subscription-Based Information Technology Arrangements, Issued 05/20

Adoption Date:

Stanwood-Camano School District