

PROPOSED NEW POLICY



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MANAGEMENT SUPPORT

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

The Everett Public Schools 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 (1) 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 \$40,000 and has a maximum possible term in excess of one (1) 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 (1) year, will not be reported as a liability on the district's financial statements.

Legal references: [GASB Statement No. 87](#)
[GASB Statement No. 96](#)

Leases, Issued 06/17
Subscription-Based Information Technology Arrangements, Issued 05/20

PROPOSED: July 2023