

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

The Ephrata 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.

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.

For capitalization purposes, those leases or SBITAs with total payments that equal or exceeds 1% of prior year expenditures/budgeted expenditures and have a maximum possible term in excess of one year will be capitalized and recorded as a liability on the district's Schedule of Long-Term Liabilities in accordance with the Accounting Manual for School Districts in the State of Washington. 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 on the district's Schedule of Long-Term Liabilities.

Legal References:	GASB Statement No. 87, Leases, Issued 06/17 GASB Statement No. 96, Subscription-Based Information Technology Arrangements, Issued 05/20
-------------------	--------------------------------------------------------------------------------------------------------------------------------------------

Management Resources:	2023 – December Issue
-----------------------	-----------------------