OPERATIONAL STRATEGIES

Subscription Based Information Technology Arrangements (SBITAs) Capitalization Threshold

In accordance with GASB 96, a subscription-based information technology arrangement (SBITA) is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of SBITAs include licenses for online curriculum, accounting software, payroll software, library software, time clock software, entry system software, lunchroom account software, etc. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this in GASB Statement 96.

School Districts may establish a lease liability threshold for SBITAs that are clearly insignificant individually and in the aggregate. This threshold defines the dollar amount at which a SBITA with a maximum possible term of more than one year will be classified as a lease liability. The threshold should be established at a small enough level such that the SBITA excluded would be clearly insignificant to financial reporting in aggregate. In establishing a threshold, districts should consider the different types of SBITAs they have, and management information needs.

Based on the above guidelines, the district has determined a lease liability threshold of $150,000. This capitalization threshold applies to all SBITAs with a maximum possible term of more than one year. If no explicit rate is stated in an existing SBITA, the borrowing rate of the Montana Board of Investments as June 30, 2023, will be used to calculate the lease liability. For future SBITAs with no stated explicit rate, the borrowing rate of the Montana Board of Investments at the time of execution will be used to calculate the lease liability.

The capitalization threshold will be reviewed periodically to ensure that it remains appropriate for the District's financial stability and operational needs. The Business Services Director or designee is responsible for evaluating and monitoring SBITAs to determine their financial impact and compliance with this policy.

Legal References: GASB 96 Subscription-Based Information Technology Arrangements

Cross Reference:

Policy History:
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