

Walla Walla Public Schools

BOARD POLICY

Policy No. 6550

Page 1 of 1

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

The Walla Walla 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 purposes of this policy, the following definitions are used, in accordance with the Statement referenced above:

- A *lease* is a contract that conveys control of the right to use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Examples of nonfinancial assets include buildings, land, vehicles and equipment.
- A *subscription-based information technology arrangement (SBITA)* is a contract that conveys control of the right to use another entity's software, alone or in combination with tangible capital assets (the underlying IT asset) as specified in the contract for a period of time in an exchange or exchange-like transaction. Software that is insignificant to the cost of the underlying asset is excluded. Examples of underlying IT assets include printers, devices, and equipment.

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 current year expenditure value that equals or exceeds .25% of prior year expenditures and have a maximum possible term of more than one year will be capitalized and recorded as a liability on the district's financial statements.

Legal References:

GASB 87 – Leases, Issued 06/17

GASB 96- Subscription-Based Information Technology Arrangements, Issued 05/20

Adopted: September 20, 2022

Revised: August 15, 2023

Revised: December 12, 2023