

## **Capitalization of Assets, Leases, And SBITA's**

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### **Capital Assets**

Capital assets are defined as land, buildings, machinery, vehicles, furniture, and other equipment that the school district intends to hold or continue to use over a long period of time. “Capital” denotes probability or intent to continue to use or possess and does not indicate immobility of an asset.

Capital assets are defined as items having a unit value of \$5,000 or more. Expenditures for capital assets will be recorded to object 9 in the accounting system.

### **Leases**

In accordance with GASB 87, a lease is defined as 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. Any contract that meets this definition should be accounted for under the leases guidance, unless specifically excluded in this Statement.

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

Based on the above guidelines, the district has determined a lease liability threshold of \$70,000. This capitalization threshold applies to all leases with a maximum possible term of more than one year. Equipment leases of similar type will be aggregated together when evaluating if they meet the district threshold.

### **Subscription-Based Information Technology Arrangements (SBITA)**

In accordance with GASB 96, a SBITA is defined as a contract that conveys control of the right to use another party’s (a SBITA vendor’s) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

To the extent relevant, the accounting guidance for SBITAs is based on the standards established under GASB Statement 87—Leases and described in the previous section on Leases.

Based on the above guidelines, the district has determined a SBITA liability threshold of \$70,000. This capitalization threshold applies to all SBITA's with a maximum possible term of more than one year.

**CROSS REFERENCES:**

GASB 87      Accounting for Leases

[GASB 96](#)      [Subscription Based Information  
Technology Arrangements](#)

[Accounting Manual for Public School Districts in  
the State of Washington](#)

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