



CITY OF HENDERSONVILLE AGENDA ITEM SUMMARY

SUBMITTER: John Buchanan

MEETING DATE: 4/12/23

AGENDA SECTION: CONSENT

DEPARTMENT: Finance

TITLE OF ITEM: Approval of Capitalization Threshold for Leases and Subscription-based Information Technology Agreements - *John Buchanan, Finance Director*

SUGGESTED MOTION(S):

I move that City Council approve the \$100,000 capitalization threshold for leases and subscription-based information technology agreements.

SUMMARY:

General Accounting Standards Board (“GASB”) Statements 87 and 96 provides guidance on the accounting and financial reporting for leases and subscription-based information technology arrangements (“SBITAs”). A lease, per the standard, 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. A 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 a tangible capital asset, as specified in the contract for a defined period of time.

For certain leases and SBITAs, present value of future payments will be immaterial to the total value of the assets and liabilities. Capitalization policies are used in preparing financial statements in accordance with generally accepted accounting principles and help to save costs and focus efforts on items that may be materially impacted. Staff is recommending a capitalization threshold of \$100,000 for liabilities and right-of-use assets for GASB 87 leases and GASB 96 SBITAs.

BUDGET IMPACT: N/A

Is this expenditure approved in the current fiscal year budget?

If no, describe how it will be funded.

ATTACHMENTS: