

Resolution 27-02

Wayne County Subscription Based Information Technology Agreements Policy

GASB Statement No. 96, "**Subscription Based Information Technology Agreements**" (**SBITA**), is effective **beginning July 1, 2022**. (FY2023). GASB 96 requires a right-to-use subscription assets and corresponding subscription liability to be recorded.

For counties reporting on the accrual basis of accounting, the cumulative effect, if any, may require a restatement of beginning net position, fund balance, or fund net position (as applicable). **This means SBITA in existence on June 30, 2022 will need to be reported as the beginning balance (July 1, 2022) for SBITA of FY2023.**

A Subscription Based Information Technology Agreements is an intangible capital asset. The asset represents the right to use an underlying asset identified in a SBITA, as specified for a period of time. The County will recognize the intangible Subscription Based Information Technology Agreements when:

- (a) The contract conveys control of the right to use another entity's IT software, alone or in combination with tangible capital assets, as specified in a contract for a period of time in an exchange or exchange like transaction.
- (b) The minimum noncancelable contract term is greater than twelve months.
- (c) The contract does not transfer ownership of the underlying asset.
- (d) The underlying asset is used to conduct county business. (This will not apply to custodial funds.)

The following SBITAs are not GASB 96 SBITAs and are excluded from this policy:

- (a) Governments acting as SBITA vendors (No lessors)
- (b) Contracts that meet the definition of a P3 in GASB Statement 94
- (c) Perpetual software licenses (If the software is paid up front for the license and can be used forever and updates don't have to be purchased).

Threshold for Capitalization of Right-To-Use Subscription Assets

The establishment of a right-to-use subscription asset capitalization threshold policy has been recommended. The policy should be approved by the Board of Supervisors. The threshold is to be consistently applied by all departments and offices of the County for financial reporting purposes and should overall capture most right-to-use subscription contracts. All right-to-use subscription assets at or above \$50,000 must be reported.

As a general rule, the threshold should be applied to individual SBITAs.

Right-to-use subscription asset classifications:

The lessee is required to disclose the amount of subscription assets (and the related amortization) separately from other capital assets.

The major class of underlying subscription assets will be disclosed by the County.

- Right-to-use subscription assets

Measurement and amortization:

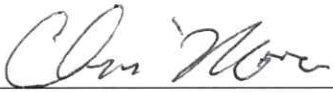
Measurement: A SBITA should initially measure the asset as the sum of the following:

- (a) The amount of the initial measurement of the subscription right-to-use asset. (A lessee should measure the subscription liability and right-to-use asset at the present value of payments expected to be made during the SBITA term. (For the year of implementation, the SBITA liability and right-to-use asset should be measured as of July 1, 2022.)
- (b) SBITA payments made to the lessor at or before the commencement of the SBITA term, less any incentives received from the lessor at or before the commencement of the SBITA term.
- (c) Initial direct costs that are ancillary charges necessary to place the subscription asset into service.

Amortization: A SBITA asset should be amortized using the straight-line method over the shorter of the SBITA term or the useful life of the underlying asset. The amortization of the SBITA asset should be reported as amortization expense. Useful life will range from 2-20 years.

At a minimum, amortization should be calculated on a monthly basis.

Resolution 26-02 approved and adopted this 21st day of July, 2026.



Chris Moore, Chair



Todd Wilson



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Attest: Michelle Dooley, Wayne County Auditor