Resolution 2024-39

O'Brien County Right-To-Use Subscription Asset Policy

GASB Statement No. 96, "Subscription-Based Information Technology Arrangements", is effective beginning July 1, 2022 (FY2023). GASB 96 requires a government end user (government) to recognize a subscription liability and an intangible right-to-use subscription asset.

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 subscription-based information technology arrangements (SBITA or subscription) in existence on June 30, 2022, will need to be reported as the beginning balance (July 1, 2022) for leases of FY2023.

A right-to-use subscription asset is an intangible capital asset. The asset represents the right to use an underlying asset identified in a subscription contract, as specified for a period of time. The County will recognize the intangible right-to-use subscription asset when:

a) The contract 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.
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.)

Threshold for Capitalization of Right-To-Use SBITA 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 $100,000.00 must be reported.

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

Right-to-use lease asset classifications:

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

Measurement and amortization:

Measurement: A government should initially measure the subscription 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 lease term.) (For the year of implementation, the subscription liability and right-to-use asset should be measured as of July 1, 2022.)

b) Subscription payments made to the vendor at or before the commencement of the subscription term, less any subscription incentives received from the vendor at or before the commencement of the subscription term.
c) Initial direct costs that are ancillary charges necessary to place the subscription asset into service.

Amortization: A subscription asset should be amortized using the straight-line method over the shorter of the subscription term or the useful life of the underlying asset. The amortization of the lease asset should be reported as an amortization expense.

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

The above and foregoing resolution was adopted by the Board of Supervisors of O'Brien County Iowa, on the 1st day of October 2024, the vote thereon being as follows:

Ayes: Nays:

O'BRIEN COUNTY BOARD OF SUPERVISORS

Tim Overmire, Chairman

ATTEST: Barbara Rohwer

Barbara Rohwer, Auditor