



**Lubbock County
Subscription-Based
Information Technology
Agreements Policy**

Adopted

By Lubbock County Commissioners Court

Effective Date: October 14, 2024

OVERVIEW

The Governmental Accounting Standards Board (GASB) issued Statement 96 which became effective for fiscal years beginning after June 15, 2022, to establish a single model for subscription-based information technology agreement (SBITA) accounting based on the principle that SBITAs are financings of the right to use an underlying asset. Throughout the remainder of this document, any mention of “subscription(s)” is in reference to “software subscription(s)”.

SCOPE

This Policy applies to all departments, agencies, and entities within Lubbock County that enter into a SBITA for software or other IT related services where the County has the right to use the underlying assets for a specified period of time.

Lubbock County implemented this Statement in the fiscal year ending 2023 as required by GASB 96 and prescribed by the County Auditor.

PURPOSE

The purpose of this Policy is to outline the accounting, financial reporting, and compliance requirements for Lubbock County regarding SBITAs in accordance with GASB 96. This Policy provides guidance on identifying, measuring, and disclosing SBITAs in Lubbock County’s financial reporting.

DEFINITION(S)

SBITA – A contract that conveys control of the right to use another entity’s information technology software, alone or in combination with tangible capital assets (underlying IT assets), as specified in the contract, for a period of time in an exchange or exchange-like transaction.

POLICY OBJECTIVES

Identification of SBITAs

Qualifying as a SBITA under GASB 96 – To determine whether a contract conveys control of the right to use another entity’s information technology software requires both of the following:

- The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract and;
- The right to determine that nature and manner of use of the underlying IT assets as specified in the contract

Disqualified as a SBITA under GASB 96:

- Short term SBITAs (less than 12 months including renewal options)
- Leases that fall under GASB 87
- Public-Private and Public-Public Partnership contracts that fall under GASB 94
- Perpetual licenses that fall under GASB 51

Application Parameters

The following information is required to properly record a GASB 96 SBITA.

Subscription Term

A subscription starts with the noncancellable period through periods covered by an option :

- Extend subscription, if reasonably certain of being extended
- Terminate subscription, if reasonably certain of not being exercised

Exclusions – cancellable periods for which either party have an option to terminate, or both must agree to extend (such as rolling month SBITA).

Subscription Asset and Liability and Amortization Schedules

Contracts are evaluated to determine the payment frequency (example monthly, semi-annual, yearly) and payment type (fixed and/or variable).

- Fixed payments – Payments established at specific amounts in the SBITA contract which are obligated to be made.
- Variable payments that depend on an index or rate – Initially measured using the index or rate as of the term's commencement and assumed to stay in effect throughout the subscription term.
- Variable payment fixed in substance

Materiality Threshold

Lubbock County's materiality threshold of the entire SBITA value is \$25,000.

Discount Rate

Following GASB 96, Paragraph 18, the future subscription payments will be discounted using the interest rate the SBITA vendor charges Lubbock County.

If the interest rate cannot be readily determined, Lubbock County's estimated incremental borrowing rate will be used. Lubbock County uses SBITA software incremental borrowing rate template which changes each quarter. The incremental borrowing rate initially assigned to the SBITA will remain in effect for the life of the SBITA.

Subscription Calculation

- Subscription Liability is calculated as the present value of remaining future subscription payments during the subscription term.
 - Using the term, annual discount rate, and the payment schedule, the present value of future subscription payments is automatically calculated by our SBITA software.

- The County records the amount due within one year as a short-term subscription liability and the remainder amount as a long-term subscription liability.
- Subscription liability is reduced by subscription payments (less amount for interest expense).
- Right to Use Asset Value = Subscription Liability + Prepaid – Subscription Incentives
- Amortization Expense and Accumulated Amortization – the subscription asset will be amortized, reported as an outflow of resources, in a straight-line method over the lesser of the subscription term or useful life of the underlying asset.
- Interest Expense – is calculated by multiplying the discount rate by the ending liability balance of the prior period.

RESPONSIBILITY AND CONTROL

The Lubbock County Auditor shall determine financial accounting requirements and whether subscriptions qualifies as a SBITA under GASB 96.

The Lubbock County Auditor is responsible for establishing and maintaining an internal control structure designed to ensure compliance with GASB 96.

REPORTING

In accordance with GASB 96, Lubbock County must disclose in the notes to financial statements.

POLICY ADOPTION AND REVIEW

The County's SBITA Policy shall be reiewed and adopted by the Lubbock County Commissioners Court. It is the County's intent to comply with GASB 96 and any other applicable standards.

**ORDER OF THE
LUBBOCK COUNTY COMMISSIONERS COURT**

This Lubbock County Subscription-Based Information Technology Agreements Policy is adopted during the regular session of the Lubbock County Commissioners Court on this the 14th day of October, 2024 and becomes a part of the official minutes of the County Commissioners Court.

MOTION BY: _____

SECONDED BY: _____

Entered in the official minutes of the Lubbock County Commissioners Court.

Terence Kovar, Precinct 1

Jason Corley, Precinct 2

Gilbert A. Flores, Precinct 3

Jordan Rackler, Precinct 4

Curtis Parrish, County Judge

ATTEST:

Kelly Pinion
COUNTY CLERK