



GASB 96 Overview

PRESENTED BY
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Meet Your Presenter



Jennifer M. Watkins, CPA
Principal

Experience

17 years Experience
Education Team Leader
Single Audit Team Member

Specialty Areas

Audits under Government Auditing Standards
Audit of local school districts
Audit of not-for-profit organizations
Audit of for-profit businesses
Single Audit under 2 CFR 200

Professional Memberships

AICPA, MICPA, MSBO, MASB, Regional SBOs, MDE 1022
Committee, & MDE Audit Referent Committee

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YEO & YEO

LET'S THRIVE

Goals – Implementation GASB 96

- IT Director/Business Office
 - Preparation
 - Collect Information
- Accounting
 - Schedules
 - Journal Entries
 - Note Disclosures

Preparation

- Fully understand the new requirements
 - <https://www.gasb.org/page/pageContent?pageId=/standards-guidance/pronouncements/summary--statement-no-96.html>
- Determine who will be primarily responsible for each step of implementation
 - Technology Directors (department)
 - Business Office/accountant/business manager

Collect Information

- Obtain Your Subscription-Based IT Arrangements (SBITAs)
- What is an SBITA?
 - As technology evolves and cloud-based software becomes the norm, licenses and agreements have increasingly become available online. With such agreements, organizations can enter subscription-based **contracts that provide governments access to a vendors' IT software over a specified period of time.**
 - These new types of licenses have created the need for governments to track and report their subscription-based IT arrangements (SBITAs)

Collect Information

- What DATA to obtain?
 - (1)Length of the subscription term
 - Including extension options & termination options
 - (2)Subscription payment amounts
 - Related to Subscription Liability
 - (3)Payments made, or incentives received at commencement
 - Related to the subscription asset
 - (4)Expenses other than subscription payment

Collect Information

- **(1)Length of the subscription term**
 - The subscription term includes (a) the period during which a government has a non-cancellable right to use the underlying IT assets, and (b) the subscription term also includes periods covered by an option to extend (if it is reasonably certain that the government or SBITA vendor will exercise that option) or to terminate (if it is reasonably certain that the government or SBITA vendor will not exercise that option).
 - If SBITA is 12 months or less it is not subject to GASB 96 rules

Collect Information

- (2)Subscription payment amounts
 - Includes - fixed payments, variable payments based on an index or rate, variable payments that are fixed in substance, residual value guarantees, purchase options, incentives or prepayments made after the commencement date, deposits, and other payments that are reasonably certain of being required

Collect Information

- (3) Payments made, or incentives received at commencement
 - Identify any incentives or prepayments that were made at or before the commencement date.
 - The subscription asset should be initially measured as the sum of the initial subscription liability amount, payments made to the SBITA vendor before commencement of the subscription term, and capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.

Collect Information

- (4)Expenses other than subscription payment
 - Identify project expenses
 - Expenses outside of just recurring subscription fees that need to be considered.
 - Ensure all of the expenses are represented
 - Identify each expense associated with each SBITA project and
 - Determine which stage of implementation each expense falls under

Collect Information

3 stages of implementation used to categorize each expense

1. Preliminary Project Stage

- Examples: conceptual formulation and evaluation of alternatives, the determination of the existence of needed technology, and the final selection of alternatives for the SBITA.

2. Initial Implementation Stage

- Examples: ancillary charges related to designing the chosen path (configuration, coding, testing, and installation) Other ancillary charges necessary to place the subscription asset into service should also be included in the stage. (The initial implementation stage for the SBITA is completed when the subscription asset is placed into service)

3. Operation and Additional Implementation Stage

- Examples: maintenance, troubleshooting, and other activities associated with the government's ongoing access to the underlying IT assets

**** Don't overlook the expenses that start before paying the annual fee or any additional expenses for implementing the system or adding additional modules at a later date.

When Does it NOT Apply

1. Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that **meets the definition of a lease in Statement No. 87, Leases**, in which the software component is **insignificant** when compared to the cost of the underlying tangible capital asset *(For example, a computer with operating software or a smart copier that is connected to an IT system)*
2. Licensing arrangements that provide a **perpetual license** to governments to use a vendor's computer software, which are subject to *Statement No. 51, Accounting and Financial Reporting for Intangible Assets, as amended*

GASB 51 vs 96

- GASB 51 is for the **one-time** purchase of an intangible asset. The total cost, including any applicable development costs, is capitalized and depreciated over the useful life of the asset.
- GASB 96 is for **subscription arrangements**, which by nature are contracts requiring periodic payments, much like a lease agreement.

GASB 51 vs 96

- **Perpetual license – does not apply**
 - One time fee
 - Can use the software after expiration date, but
 - No maintenance
 - No security patches and updates
 - Example - Internally developed or commercially purchased *like Microsoft office*
- **Subscription based - applies**
 - Yearly or monthly fee
 - Right to use expires after certain amount of time
 - After expiration software cannot be used until it is renewed
 - Example: ZOOM

Example - SBITAs

- 1 Cloud based software
 - Docusign
 - Adobe Creative
- 2 Cloud based conferencing system
 - ZOOM
 - TEAMS
- 3 Cloud based data storage
 - Google cloud
 - One Drive
- **Other common examples of SBITAs include cloud-based accounting, gaming, remote learning platforms in schools, & data backup/storage for records.**

Schedules

- Use Data to Populate Schedules
- This can be done by the Tech Director or by accounting department (Tip – Working in tandem with both departments to ensure accuracy)

GASB 96 - SBITAs

	Vendor	Description	Building	Acct #	Contract Date	Total Costs*	Options**
1							
2							
3							
4							

* include all costs - implentation, subscription payments, ongoing maintence - see guidance

** consider option to extend, purchase, and or terminate

Schedules

- Yeo & Yeo has a schedule for its clients
- Your auditor may as well
- **See Example**

Business Office/accounting side

- **Accounting- next steps**
 - Journal entries
 - Footnotes
 - FS

Journal Entries (Accounting)

- Restatement entry is required for any prior periods that are being presented.
- See Journal Entry Examples – next 2 slides for fund level (included in 1022 Accounting manual – Section II E.20)
- Your Auditor can assist you as a non-attest service for District-wide entries (included in 1022 Accounting manual – Section II E.20)
- <https://www.michigan.gov/mde/-/media/Project/Websites/mde/OFM/State-Aid/Bulletin-1022/SEC-II---Requirements.pdf>

Journal Entries (Accounting)

Governmental Fund - Initial Journal Entry – New SBITA		Debit	Credit
11-1-111-6940-xxx-0000-xxxxx-xxxx	Instruction – Capital Outlay – Subscription-Based Information Technology Arrangement (SBITA)	100,000	
11-0-597-0000-000-0000-xxxxx-xxxx	Other Financing Sources – SBITAs		100,000
<i>To record the other financing sources and capital outlay expense associated with a new SBITA (note – this is only for SBITAs entered into after 7/1/22)</i>			

Journal Entries (Accounting)

Governmental Fund – SBITA Payment		Debit	Credit
11-1-511-7170-xxx-0000-xxxxx-xxxx	Principal - SBITA Payment	30,000	
11-1-511-7270-xxx-0000-xxxxx-xxxx	Interest Expense – Interest on SBITA	1,000	
11-2-101-xxx-xxxx-xxxx-xxxxx-xxxx	Cash		31,000
<i>To record first payment on right to use SBITA asset</i>			

Note Disclosures (Accounting)

- Majority of districts will utilize their Auditor for preparation of Note Disclosures
- You must supply the necessary information
- AND, you must be able to Review and Approve the Disclosures
- Items to disclose:
 - terms and subscription values
 - Information about contracts that include both SBITA and non-SBITA components and how the contract price was allocated between the two
 - Accumulated amortization for each right-to-use subscription asset
 - Principal and interest split for subscription payments
 - Payments to be made to the vendor not already reflected in the subscription liability

Resources

- [GASB 96](#)
- [1022 manual](#)
- [Yeo & Yeo article](#)
 - https://www.yeoandyeo.com/wp-content/uploads/YYCPA-Education-GASB-96-2023.pdf?utm_source=hs_email&utm_medium=email&hsenc=p2ANqtz-oFje4QbtKkpBrak-Y4NLyVwGil52vGBjg_vbr_ClrUflGNYwGw7QFfLMmSwEreDzLRUGX

Questions?

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