

Coding & Tracking Data for Implementation of GASB 96

Michele McCay, CSFO Hoover City Schools
Amanda Moore, Assistant Director of Accounting
Laura Nance, CSFO Jefferson County Schools

GASB Statement No. 96

Overview

Goals of GASB 96

Implementation Dates

SBITA: Defined

District vs. Auditor Responsibilities

Decision Tree

Measurement of Subscription Period

Overview

The Government Accounting Standards Board (GASB) Statement No. 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users¹

•This statement:

- (1) defines a SBITA;
- (2) establishes that a SBITA results in a **right-to-use subscription asset** (an intangible asset) and a corresponding **subscription liability**;
- (3) provides criteria for capitalization of outlays other than subscription payments, including implementation costs of a SBITA; and
- (4) outlines the framework for additional note disclosures in financial statement audits

Goals of GASB 96

Transparency

- Better meet the information needs of financial statement users by disclosing right-to-use assets and future SBITA liabilities

Comparability

- Improve the comparability of financial statements by establishing uniform guidance for SBITA reporting

Consistency

- Apply consistent accounting practices from its counter-part, GASB 87, Leases

Implementation Date

GASB Statement No. 96 is effective for fiscal years ending **June 30, 2023**, and all reporting periods thereafter (i.e. September 30, 2023).

Subscription-based information technology arrangements should initially be recognized and measured using the facts and circumstances as of the beginning of the year of implementation.

What is SBITA?

Contract¹ that conveys **control of the right to use**² another party's **IT software**, alone or in combination with tangible capital assets as specified in the contract for a period of time in an **exchange or exchange-like transaction**³

To determine whether a contract conveys **control** of the right to use an asset, assess whether it has both of the following:

1. The right to the benefits generated from use of the underlying IT asset as specified in the contract, and
2. The right to determine the nature and manner of use of the underlying IT asset as specified in the contract.

What is not a SBITA?

Exclusions:

- Contracts that include a hardware component, where the software component is insignificant
- Contracts that have cancellation clauses at *any time* by both parties or contracts in which the “*non-cancellable*” period has already passed
- Contracts that solely provide IT *support* services
- Prepaid Subscription¹
- Perpetual Licensing Arrangements (considered a software purchase, not subscription)
- Short-term SBITAs²

Common SBITA's to Consider for School Districts

Remote Learning Platforms

Student Information Systems

Amazon Web Services (AWS)

Records Management Systems

Library Management Systems

Teacher Evaluation Systems

Career Planning Sites

Content Management Systems

Professional Development Tracking

Emergency Notification Systems

Server Hosting Services

Cloud Storage

Email Services

Data Backup

E-books

Accounting Software

District Responsibilities

“Gathering” Phase

Step 1: Prepare list of all subscription-based IT arrangements

- Relevant Information: Subscription terms, interest rates, payment information
- Work with IT Department and those responsible for tracking SBITAs
- Keep agreements and all subsequent amendments in a folder for auditors

Step 2: Rule out contracts that do not meet the necessary criteria

Step 3: Work with auditors on their preferred method of preparing necessary schedules

- Each firm may have their own template that will assist with present value calculation and amortization

Auditor Responsibilities

“Analyzing” Phase

Step 1: Review District’s list of potential SBITAs that they felt met SBITA requirements¹

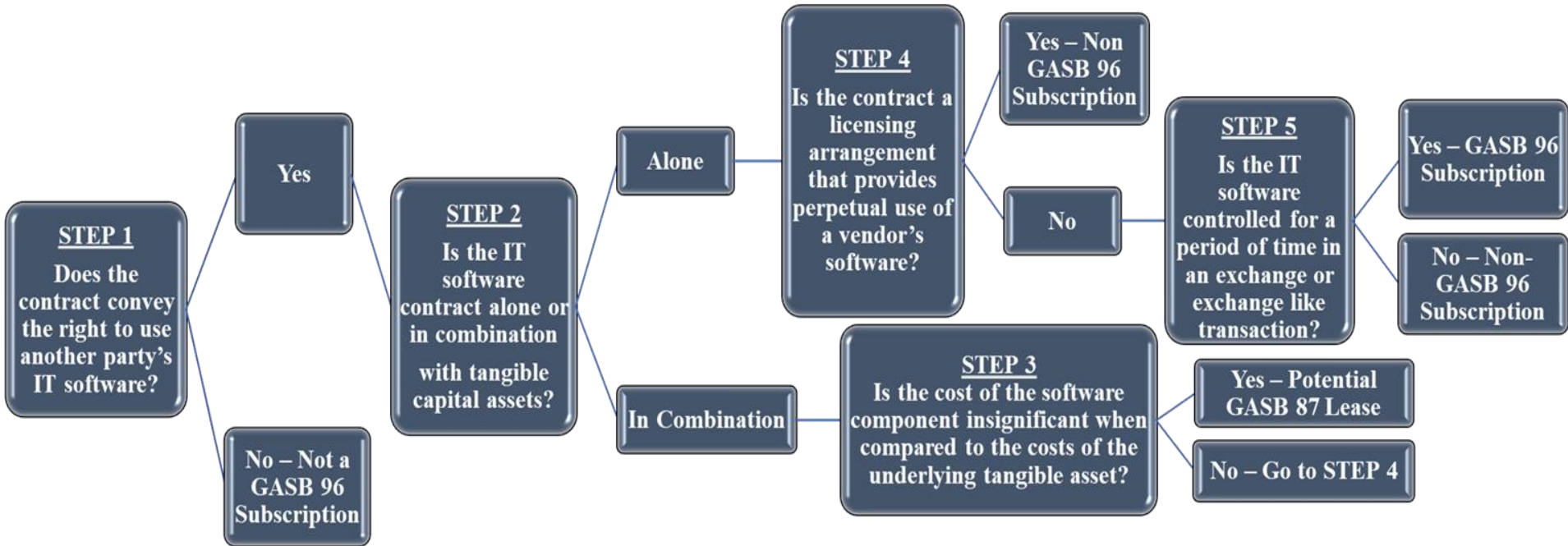
Step 2: Help interpret certain pieces of SBITA agreements that Districts are unsure on

- Examples may include measurement of the agreement period, termination clauses, optional renewal periods

Step 3: Assisting Districts with government-wide journal entries for audit reporting¹

Step 4: Preparation of related footnote disclosures

GASB 96: Decision Tree



Measurement of Subscription Period

- If there is a cancellation clause that gives both parties the right to terminate the contract, the period beyond the optional cancellation is excluded from the measurement period
- If it is reasonably certain that a your district or the vendor will extend or terminate the contract, you need to ensure that the measurement period is adjusted to increase or decrease the term, respectively¹

When to Remeasure the Liability

- There is a change in the subscription term
- There is a change in the estimated amounts for subscription payments already included in the measurement
- There is a change in the interest rate the SBITA vendor charges
- An event occurs that causes variable payments that were contingent on the performance or use of the underlying IT assets to become fixed for the remainder of the subscription term

Accounting for SBITAs Under GASB 96

Initial Liability Recognition

- Present value of subscription payments expected to be made during the term
- Discounted using the interest rate the SBITA vendor charges the government. If the interest rate cannot be readily determined, estimated incremental borrowing rate should be used.

Initial Asset Recognition

- Initial Subscription Liability *plus*
- Payments made to vendor before the commencement of the subscription *plus*
- Capitalizable implementation costs* *less*
- Incentives received by the vendor

Annual Amortization

- Amortization of the discount on the subscription liability as an outflow of resources (i.e., interest expense)
- Asset amortized in a systematic and rational manner over shorter of subscription term or useful life of IT asset

Footnote Disclosures

General Description of SBITAs

- Include basis, terms, and conditions on which variable payments not included in the measurement are determined

Total Amount of subscription assets and related amortization

- Disclosed Separate from other Capital Assets

Amount of Outflows recognized in the current year

- Variable payments not previously included
- Other payments such as termination penalties not previously included

Footnote Disclosures – Continued

Principal and Interest Requirements to Maturity

- Separately for each of the subsequent five years
- Five-year increments thereafter

Commitments under SBITAs before the commencement of the subscription term

- Ex: Significant contract entered into prior to year-end, but subscription term has not started at the financial statement date

Impairment losses, if applicable

- Very unlikely

Monthly Procedures

We incorporate this procedure into our monthly inventory and fixed assets reconciliation.

It serves as our checklist for these reconciliations.

We annotate our progress as we reconcile, noting any discrepancies or lack thereof when generating reports for the month.

Fixed Assets/Inventory		
Month:		
	Report Run	Notes
Obj. 324, 329, 363		
Obj. 333		
Obj. 491-499		
Obj. 511-519		
Obj. 520-589		
Obj. 702-704		
LSA Obj. 333		
LSA Obj. 520-589		

Nextgen Reports

For the Central Office Purchases:

In Nextgen we run the AP- IJNR

Accounts Payable> Invoice Reports> Invoice by Journal #Report

Search by Check= Previous Month

Select By GL Component= Obj Code 333 to 333

AP/IJNR: Invoice by Account # Report (v3.07)

Report Type: Invoice By Status (Selected)

Select By: Vendor Number (Selected)

Invoice Status: Paid Cr Card, Paid Not Posted, Paid Posted

Select By GL Component

Include Invoices Created for Credit Card Vendor Payments

Vendor Number: All To All Print Account Number Totals

Merged Posting Date: 03/18/2023 To 03/18/2024

Search by Check Date: 02/01/2024 To 02/29/2024

Report Destination: To Report Viewer, To Grid, To File, To Printer (Finance HP LaserJet M607 Printer on cops12-1 (redirected) Setup)

Enter Selection Criteria, Click Enter(F1) To Generate Report

Enter Account Selection Criteria

Accept Selection Criteria

Component Name: Fund, Sort Order: 2, Beginning Value: , Ending Value: zz, Add Item

Component Contain

Sort Order Must Be Major to Minor (0 Sort Order = Selection Criteria only - Do Not Sort or Total)

Component Name	Sort Order	From Value	To Value
Object	1	333	333

Use the Add Item Button to Accept Components and Values
Click on the List to Change the Component, Double Click to Remove

Nextgen Reports

For the LSA Reports: (HCS uses TES at Local Schools)

In Nextgen we run the GL- **JEDR**

General Ledger > GL Reports & Queries > GL Journal Entry Reports > Journal Entry Detail Report

Search by Check= Previous Month

Select By GL Component= Obj Code 333 to 333

GL/JEDR: Journal Entry Detail Report (v3.05)

Select By GL Component

Journal Code: All

Status: All

Account Description:
 Internal Description
 State/Auditor Description

Page Break on Primary Component

Select by Posting Date: 02/01/2024 To 02/29/2024

Summarize Encumbrance Accounts Summarize Enc Accts by Journal Code

Select Transaction Number Select Transaction Number Range

Report Destination:
 To Report Viewer To Grid To File
 To Printer Finance HP LaserJet M607 Printer on cop: Setup

No Records Selected to Report

Enter Account Selection Criteria

Accept Selection Criteria

Fiscal Year: 2024 Fiscal Period: February

Ending Fiscal Year: 2024 Ending Fiscal Period: February

Component Name	Sort Order	Beginning Value	Ending Value	
Fund	2		zz	Add Item

Component Contains: Fd
Sort Order Must Be Major to Minor (0 Sort Order = Selection Criteria only - Do Not Sort or Total)

Component Name	Sort Order	From Value	To Value	
SFund	0	7101	7101	
SFund	0	7501	7501	
Object	1	333	333	

Enter the Desired Fiscal Year(s) and Fiscal Period(s)
Use the Add Item Button to Accept Components and Values
Click on the List to Change the Component, Double Click to Remove

SBITA Checklist

- What is included in the total cost.
 - *Professional development, training and implementation cost from the total (exclude)
 - *In the total were there any equipment cost (exclude)
- When does the subscription start
- When does the subscription end
- Are there any prepayments required upfront
- Frequency of payments (monthly, quarterly, annually)
- What is the length of the subscription
- Does the subscription automatically renew
- What are the policies on cancellation of the subscription
 - *Time restrictions on cancellation
 - *Cancellation cost
- Availability after subscription
- Any discount rate

Data To Put In The Spreadsheet

- 1.Transaction Date
- 2.Check Number
- 3.Software Subscription
- 4.Vendor Name
- 5.Description
- 6.Subscription Start Date
- 7.Subscription Expiration Date
- 8.Future Intentions to Purchase
- 9.Terms of Subscription
- 10.Useful Life
- 11.Availability of Software After Subscription
- 12.Ownerships Transfer
- 13.Payment Frequency
- 14.Payment Timing (Beginning of Period or Ending)
- 15.Discount Rate
- 16.Subscription Asset (Liability+Prepayments+Allowable Implementation Cost-Discounts or Incentives)
- 17.Number of Payments

Jefferson County GASB 96 Procedures

SBITA'S (SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS)

Laura Nance, CSFO Jefferson County
Schools

COLLECTING THE SBITA DOCUMENTATION

- Jefferson County started the process of collecting SBITA data the first part of September 2023.
- We developed an electronic form that all departments and schools were required to complete.
- Departments/Schools were required to submit a form for each software subscription they entered into during fiscal year 2023.
- The electronic form combined the data for us into a single spreadsheet.
- For Jefferson County, we had a total of 167 software subscriptions for FY 2023.

INFORMATION REQUIRED FROM DEPARTMENTS/SCHOOLS

Name of Person Entering Software Information	School/partment	Schools	Departments (Central Office Only)
Blake Frazier	Department (Central Office Only)		Federal Programs
Stephanie Robinson	School	Fultondale High School	
Sara Fenn	Department (Central Office Only)		Technology
Sara Fenn	Department (Central Office Only)		Technology
Sara Fenn	Department (Central Office Only)		Technology
Blake Frazier	Department (Central Office Only)		Federal Programs
Blake Frazier	Department (Central Office Only)		Federal Programs

INFORMATION REQUIRED FROM DEPARTMENTS/SCHOOLS (CONTINUED)

Software Subscription Name	Vendor Name	Description of the Software
Interactive Webinar Essentials - Unique Learning System	n2Y	Unique Learning System (Ex Ed) Fund Source 4298
Hudl	Agile Sports Technologies, Inc	Sports software
Lightspeed	CDW-G	Content filtering as required for CIPA compliance
Cisco EA Bundle	CSpire	Cisco security bundle - end point software, Cloudlock, secure email client, identity services engine (ISE), & Umbrella,
VMWare	Dell	Netowrk security: Virtual servers
Partnership Proposal from Discovery Education	Discovery Education	Provides teaching and assessment tools by tech books Fund Source 4296
PowerSchool Unified Insights	PowerSchool Group	Comprehensive K-12 student data analytics platform designed to aggregate disparate data Fund Source 4296

INFORMATION REQUIRED FROM DEPARTMENTS/SCHOOLS (CONTINUED)

Start Date of Software Contract Period	End Date of Software Contract Period	Term of Software Subscription (# of months)	Is the software accessible after the end of the subscription term?	Payment Frequency
1-Jan-22	30-Jun-25	42	No	Yearly
30-Oct-21	29-Oct-24	36	No	Yearly
15-Oct-23	14-Oct-26	36	No	Yearly
2-Sep-23	1-Sep-26	36	No	Yearly
29-Dec-21	21-Jan-25	36	No	Yearly
1-Jul-22	30-Jun-25	36	No	Yearly
6-May-22	5-May-25	36	No	Yearly

INFORMATION REQUIRED FROM DEPARTMENTS/SCHOOLS (CONTINUED)

Payment due at the start or end of the contract period?	Total Cost of the Software	Number of Payments	Does the payment amount change from year to year?	Is there a reasonable expectation that you will renew this software?	Do you have a contract or quote/invoice?
Start	39,251.92	1	Yes	No	Quote/Invoice
Start	24,100.00	3	Yes	Yes	Quote/Invoice
Start	425,250.00	3	No	Yes	Quote/Invoice
Start	490,509.39	3	No	Yes	Quote/Invoice
Start	52,086.78	3	No	Yes	Quote/Invoice
Start	243,000.00	1	No	Yes	Contract
Start	392,000.00	1	No	Yes	Contract

INFORMATION REQUIRED FROM DEPARTMENTS/SCHOOLS (CONTINUED)

Do you have a contract or quote/invoice?	Contract File	Quote/Invoice File	Why is there no contract attached?
Quote/Invoice		https://www.formstack.com/admin/download/file/15258821264	
Quote/Invoice		https://www.formstack.com/admin/download/file/15259690374	
Quote/Invoice		https://www.formstack.com/admin/download/file/15372976087	
Quote/Invoice		https://www.formstack.com/admin/download/file/15371392419	
Quote/Invoice		https://www.formstack.com/admin/download/file/15373005584	
Contract	https://www.formstack.com/admin/download/file/15258673706		
Contract	https://www.formstack.com/admin/download/file/15258699254		

EXAMINERS OF PUBLIC ACCOUNTS – REQUESTED DOCUMENTATION

- Listing of all SBITA's – Separated by short-term and long-term contracts
- They selected a random assortment of SBITA's to test. The total number of SBITA's they selected was approximately 10 for our system
- Once they had their selection, we were required to produce the contract

MATERIALITY

- GASB No. 96 carries the typical GASB disclaimer that “the provisions of this Statement need not be applied to immaterial items”
- GASB 96 does not provide an explicit materiality threshold for governmental entities to apply to their SBITA portfolio, but it does allow for the exemption of immaterial SBITAS
- The materiality threshold was not met for Jefferson County. The level of materiality will differ depending on the risk factor of the LEA.

TOTALS FOR EACH TYPE OF SBITA

- The SBITA's were subtotaled by type of SBITA (long-term or short-term).
- This amount of long-term SBITA's was used to determine if the SBITA's were material to the financial statements.
- Total amount of SBITA's in FY 2023 that had a contract term greater than 12 months for Jefferson County totaled \$9.8 million.

GOING FORWARD – CODING

- All SBITA's are coded using object code 333
- Create a special use code for any SBITA that has a contract term over 12 months
- All Requisitions that are for a SBITA must have the contract attached to the requisition

GOING FORWARD

- We had a meeting with Harris to determine if they had a way to identify SBITA's within the software:
 - The request was made to have an option that would identify a SBITA when entering a requisition
 - If the option is "Yes" then you would be prompted to select whether the SBITA is more "greater than 12 months" or "12 months or less"
 - If you select that it is a SBITA, then you would be prompted to enter beginning and ending contract dates
 - We also requested that a report could be generated that had information required by the Examiners of Public Account

QUESTIONS?

Laura Nance, Chief School Financial Officer
Jefferson County Board of Education
lnance@jefcoed.com
205-379-2001