2022-23 GASB 96 Subscription Based Information Technology Arrangements (SBITAs)

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

GASB 96 SBITAs Table of Contents

1. Background, Implementation & Definitions
2. Identify Key Elements
3. SBITA Activity & Accounting
4. Financial Statement Disclosures & Documentation Considerations

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

GASB 96: What you need to know

Section 1

Background, Implementation & Definitions

Background and Implementation

- Effective for 2022-23 fiscal year
- Similar accounting treatment as GASB 87 Leases
  - Requires to recognize a right-to-use subscription asset and a corresponding subscription liability on the financial statements
- Apply to new SBITAs AND apply retro-actively to existing SBITAs

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

What is a SBITAs?

- **Definition** – A SBITA is a contract that conveys control of the "right-to-use" another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT asset), as specified in the contract for a period of time in exchange or exchange-like kind transaction.
- **Four Key Elements** (similar to GASB 87)**:**
  - Control
  - Underlying IT asset
  - Subscription term
  - Exchange or exchange-like transaction

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

What is a SBITAs?

SACS Forum November 2022

- All SBITAs meet the definition of lease (pursuant to GASB 87).
- GASB 87 vs GASB 96:
  - Tangible capital assets alone – GASB 87
  - IT software alone – GASB 96
  - IT software in combination with tangible capital assets:
    - Cost of the software component is insufficient when compared to cost of the underlying tangible capital asset – GASB 87
    - Otherwise – GASB 96

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Exclusions

The following are outside of the scope of GASB 96:

- SHORT-TERM SBITAs (maximum possible term of 12 months)
- Contracts that soley provide IT support services
  - However, includes contracts that contain **both** a right-to-use IT asset component and an IT support services component.
- Internally developed computer software
- Perpetual licensing agreement – a perpetual license to governments to use a vendor's computer software
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities though SBITAs (i.e. governments are software vendors)
- Contracts that convey control of the right of use another party's combination of IT software and tangible capital assets that meets the definition of a lease in GASB 87, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset
  - Example: a computer with operating software or a smart copier that is connected to an IT system

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Short-Term SBITAs

- Defined as a SBITA that, at the commencement of the subscription term, has a maximum possibly term under the contract of 12 months or less, including any options to extend, regardless of their probability of being exercised
- Excluded from GASB 96; no balance sheet reporting

Section 2

Identify Key items

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Where to Find Your SBITAs

- Some SBITAs that <u>may</u> qualify under GASB 96 (depending on the terms of the agreements), could possibly be:
  - Attendance Software, Instructional Software, Absence Management Software, Microsoft Office Suites/Adobe Sign
  - Establish a policy on LEAs capitalization threshold for these arrangements; should be in line with district's capitalization policy for capital assets and leases
  - Generally, most district's have a $5,000 capitalization policy threshold but may be higher dependent on district size and individual policy. Get buy-in from auditors for any changes to district's capitalization policy.
  - The aggregation of the liability for all subscription contracts should be evaluated for materiality.
  - Note: GASB 96 statement provisions does NOT apply to immaterial items

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Determine Key Elements

- Subscription Payment Provisions
- Costs for activities associated with SBITAs, other than making subscription payments
- Subscription Term (renewals/extensions/termination provisions)
- Determine discount rate
- Subscription Incentives
- Multiple components (i.e. subscription contract with an IT support services)
- Amortization of the subscription arrangements
- Determine present value of subscription payments
- Evaluate impairment indicators

Costs for Activities Associated with SBITAs

Costs for activities associated with SBITAs, other than making subscription payments, should be grouped into the following 3 stages, and their costs should be accounted for accordingly:

1. Preliminary Project Stage
   - Expensed as incurred
   - Examples: Evaluation of alternatives, determining needed technology, and selecting a SBITA vendor
2. Initial Implementation Stage
   - Capitalize as part of the subscription asset
   - Examples: All ancillary charges necessary to place the subscription asset into service
   - For short-term SBITA, should be expensed as incurred because of no subscription asset
3. Operation and Additional Implementation Stage
   - Expense as incurred (unless meet capitalization criteria)
   - Examples: Subsequent implementation activities, maintenance and other activities for an LEA's ongoing operations related to SBITAs.

Costs for Activities Assoc w/ SBITAs		
1) Preliminary Project Stage - Expense as Incurred	2) Initital Implementation Stage - Capitalize as Part of the Subcription Asset	3) Operation & Additional Implem Stage - Expense as Incurred

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Key Information & Payment Provision

Identify Key Subscription Information						
Description of SBITAs	Subscription Start Date	Subscription End Date	Payment Term (Monthly, Semi-Annual, Annual)	Payment Amount	Fixed or Variable/ measurable	Total Yearly Payment Amount

Note: Make note if payments are made at Beginning of the Subscription Period vs End of the Subscription Period (needed to PV of subscription payments calculation)

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Term

Determine Subscription Term								
Noncancelable Period (Years)	Plus (+)	Period Covered by Options to *Terminate* when it's NOT Certain to be Exercised (in Years)	Plus (+)	Period Covered by *Option to Extend* when it's Reasonably Certain to be exercised	Equals (=)	Total Subscription Term (in Years)	Total Subscription Term (in Months)

- Starts with the noncancelable period, plus options to:
  - Extend the lease if option is reasonably certain of being exercised
  - Terminate the lease if option is reasonably certain of NOT being exercised
- Excludes "cancellable" periods
  - Periods of which either party have the option to terminate or both parties have to agree to extend without the permission of the other party
    - Rolling month-to-month subscriptions
    - A lease that continues into holdover period until a new lease contract is signed
- Fiscal funding/cancellation clauses ignored unless reasonably certain of being exercised

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Term

- GASB 99 Omnibus – Amendment that clarified that an option to terminate is an unconditional right that exists within the contract:
  - "An option to terminate is an unconditional right that exists with the SBITA contract. A provision that gives a party to the SBITA the right to terminate the SBITA contract only in certain circumstances or upon the occurrence of certain events, such as, the action or inaction of the other party to the SBITA contract, should not be considered as option to terminate the SBITA."
    - For example, a provision that allows the SBITA vendor to cancel the contract if an LEA fails to make payment. That is reliant on an action of the other party and, therefore, not considered an option to terminate.

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Term

- Lease term should be *reassessed* only if one of the following apply:
  - Either party elects to exercise an option even though it was previously determined that it was reasonably certain that the government or SBITA vendor would not exercise that option
  - Either party elects not to exercise that option even though it was previously determined that it was reasonably certain that the government or SBITA vendor would exercise that option
  - An event specified in the SBITA contract that requires an extension or termination of the lease takes place

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

SBITAs Modifications

Amendments may include a change in contract price, subscription term, adding or removing underlying IT assets, changing index or interest rate in which variable payments may depend on.

An LEA should account for an amendment during the reporting period resulting in a modification to a SBITA contract as a separate SBITA if both of the following conditions are present:

1. The modification gives the LEA an additional subscription asset by adding access to more underlying IT assets that were not included in the original contract
2. The increase in subscription payments for the additional subscription asset does not appear to be unreasonable based on a) the terms of the amended contract and b) professional judgement, maximizing the use of the observable information (for example, using available observable stand-alone prices).

Unless a modification is reported as a separate SBITA, account for the modification by remeasuring the subscription liability.

The subscription asset should be adjusted by the difference between the remeasured liability and the liability before the modification.

- If carrying value of asset reduces to zero, any remaining amount should be reported as a gain.

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

SBITA Terminations

Account for an amendment during the reporting period *resulting in a decrease* in the government's right to use the underlying IT asset as a partial for full SBITA termination

- For example: subscription term is shortened or the underlying IT assets are reduced
- Reduce the carrying value of the subscription asset and subscription liability AND
- Recognize any difference as a gain or loss

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Discount Rate

- LEAs should **discount payments** using the interest rate at which the transaction is made; the rate the SBITA vendor charges the LEA, which may be implicit in the subscription contract. If the interest rate implicit in the contract is not readily determinable, the LEA's **estimated incremental borrowing rate** should be used. Determining the incremental borrowing rate requires estimating the interest rate the LEA would be charged for borrowing the underlying leases IT asset during the term.

Determine Rate	
Rate LEA Being Charged by SBITA Vendor (If Available)	Incremental Borrowing Rate

- Use rate included in agreement
- If no rate provided, inquire with vendor
- Use professional judgement to determine rate if none can be provided

SCO GASB Resources: https://www.sco.ca.gov/sard_gaap_basis_reporting.html

Note: Discount rate not required to be updated annually, however, update rate as part of the remeasurement if there is a change in the subscription term and that change is expected to significantly affect the amount of the subscription liability.

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Contract Combinations

- Contracts that are entered into at or near the same time with the same SBITA vender should be considered part of the same contract if either of the following criteria is met:
  - The contracts are negotiated as a package with a single objective
  - The amount of consideration to be paid in one contract depends on the price or performance of the other contract
- If multiple contracts are determined to be part of the same contract, that contract should be evaluated in accordance with the guidance for contracts with multiple components.

Contracts with Multiple Components

Evaluate contracts with multiple components:

- May contain both a subscription component and a non-subscription component
- May contain multiple underlying IT assets

Contracts with Multiple Components			
Does the Subscription include Supplies or Services, Separate from Subscription Asset	Portion of the Subscription Cost related to Supplies	Portion of the Cost Related to a Non-Subscription Component	Does the contract involve multiple underlying IT assets?

Note: Use professional judgement to determine best estimate to allocate the contract price to those components. If not practical, account for those components as a single SBITA using the primary subscription component's terms if components have different terms.

- If a contract contains both a subscription component and a non-subscription component, evaluate as separate contracts
- If a contract involves multiple underlying IT assets components and they have different subscription terms, account for each underlying IT asset component as separate subscription component

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Incentives

Subscription Incentives are:

- Payments made to, or on behalf of, the LEA, for which the LEA has the right to offset with its obligation to the SBITA vendor
- Other concessions granted to the LEA

Examples:

- Rebate/discount and includes assumption of LEA's preexisting subscription obligations to a 3rd party
- Other reimbursement of user end costs
- Free subscription periods
- Reductions of interest or principal charges by the SBITA vendor

- Payments provided at or before inception of the subscription: report as a direct reduction of a LEA's subscription IT asset
- Payments provided after inception of the subscription: report as a reduction of payments for period provided and reduce PV of subscription liability

Incentives
Incentives Received or Due from SBITA Vendor

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Impairment

- The presence of impairment indicators with respect to the underlying IT assets may result in a change in the manner or duration of use of the subscription asset.
- The length of time during which the LEA cannot use the underlying IT assets, or is limited to using them in a different manner, should be compared to their previously expected manner and duration of use to determine whether there is a significant decline in the service utility of the subscription asset.
- If a subscription asset is impaired, the amount reported for the subscription asset should be reduced first for any change in the corresponding subscription liability. Any remaining amount should be recognized as an impairment.

Impairment Any Impairment Indicators that May Result in a Change in Subscr Asset

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Liability

Plus (+)		Plus (+)		Plus (+)	Plus (+)	Plus (+)	Less (-)	Equals (=)
Subscription Payments (Meaured at PV)					Total Subscription Liability (Measured at PV)			
Fixed Payments (discounted by the vendor rate or discount rate)	OR	Variable Payments that Depend on an Index or Rate	OR	Variable Payments that are Fixed in Substance	Penalty Payments for Terminating the Subscr, if the Subscr Term Reflects the LEA Exercising Option to Terminate or Fiscal Funding Clause	Other Payments that are Reasonably Certain of Being Required Based on An Assessment of All Relevant Factors	Subscription Incentive(s) Receivable from the SBITA Vendor	Total Subscription Liability

Measure the subscription liability at the PV of the subscription payments expected to be made during the subscription term and should include the following:

- Fixed payments
- Variable payments that depend on an index or rate (such as, CPI or a market interest rate), measured using the index or rate at commencement
  - NOTE: variable payments based on future performance of the LEA, usage of the underlying IT assets or number of seats, should NOT be included in the measurement of the subscription liability (expense). However, any component of those variable payments that is fixed in substance should be included in the measurement of the subscription liability.
- Payments for penalties for terminating the SBITAs, if the term reflects the LEA terminating SBITA
- Other payments expected to be made
- Note: subscription incentive receivables reduce the liability

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Subscription Asset

Equals (=)	Plus (+)	Plus (+)	Less (-)	Equals (=)
	Total Subscription Asset (Measure at PV)			
Total Subscription Liability	2) Initial Implem Stage Costs Necessasry to Place Subscr Asset into Service	Prepayments at or before Beginning of Subscription	Subscription Incentive(s) Received from SBITA Vendor at or before the Beginning of Subscription	Total Subscription Asset

Measure the subscription asset at the amount of the initial measurement of the subscription liability, and should include the following:

- Capitalize and include Stage 2 initial implementation costs
- Prepayments associated with the SBITA contract made to the vendor made before or at commencement of the subscription term
    - Note: A prepayment to a vendor should be reduced by any incentives received from the same vendor before the commencement of the subscription term, if the right of offset exists. The prepayment should be reclassed as an addition to the initial measurement of the subscription asset at the commencement of the subscription term. If the vendor incentives are greater than the vendor prepayments made to the vendor, the difference should be reported as a liability until the commencement of the subscription term, at which at that time should reduce the initial measurement of the subscription asset.

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Determine PV of Lease Payment

Example: 5-year subscription period is signed on 6/30/2022, and beginning on this date, 5 annual payments of $50,000 will be made. Implicit interest rate = 10%.

Calculating PV using sample PV Calculator

Sample PV calculator:
https://leasequery.com/project/present-value-calculation-tool/

Number of Periods:	5

Refresh

Annual Rate:	10.00%

Periods in: Years

Payments Made at: Beginning of Period

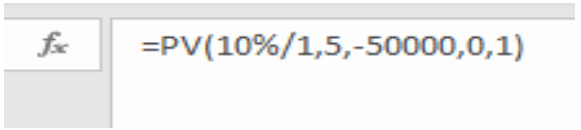
Period	Cash	Present Value
0	$50,000.00	$50,000.00
1	$50,000.00	$45,454.55
2	$50,000.00	$41,322.31
3	$50,000.00	$37,565.74
4	$50,000.00	$34,150.67
5		$0.00
	TOTAL	$208,493.27

Present Value is $208,493

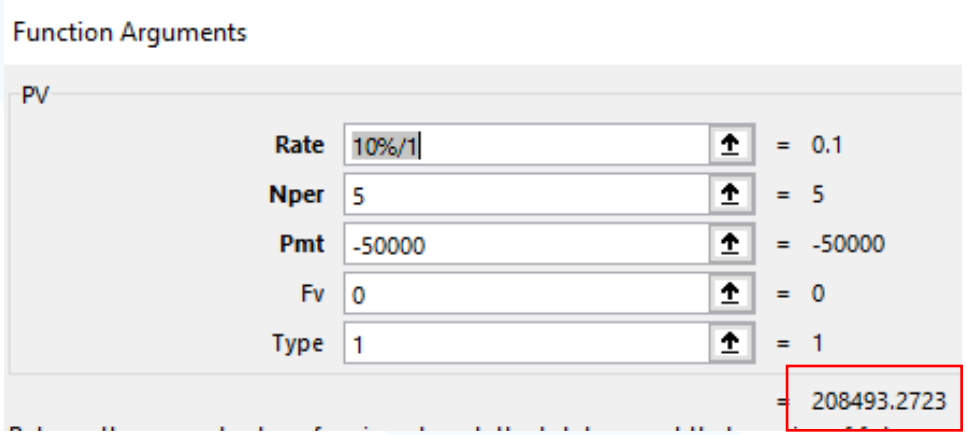
Note: See Slide 33 for continuing example

Determine PV of Lease Payment

Example: 5-year subscription period is signed on 6/30/2022, and beginning on this date, 5 annual payments of $50,000 will be made. Implicit interest rate = 10%.



Calculating PV using Excel PV Formula



- Rate = Interest rate per period. For example, use 10%/1 for annual payments at 10% APR.
  - Note: If payments were to call for monthly payments divide rate/12 to get annual rate
- Nper = Number of payment periods
- Payment = Payment made each period (enter as a negative, represents negative cash flow)
- FV = Future value (residual value)
- Type = payment at the beginning of the period = 1; payment at the end of the period = 0

Note: See Slide 33 for continuing example

Section 3

SBITA Activity and Accounting

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

New SACS Object Codes

SACS Forum November 2022

With the new reporting requirement of "Subscription Assets" and "Subscription Liability, the following object codes will be added to allow LEAs to report SBITAs separately from other capital assets:

1. Expenditures – Capital Outlay (Objects 6000 – 6999)
   - Object 6700, Subscription Assets
   - Object 6920, Amortization Expense—Subscription Assets (for proprietary and fiduciary funds only)
2. All Other Financing Sources (Objects 8930 – 8979)
   - Object 8974, Proceeds from SBITAs
3. Capital Assets (Objects 9400 – 9489)
   - Object 9470, Subscription Assets*
   - Object 9475, Accumulated Amortization—Subscription Assets*
4. Long-Term Liabilities (Objects 9660 – 9669)
   - Object 9660, Subscription Liability*

*For proprietary and fiduciary funds only

SACS Web System – new object codes will be added for:

- 2022-23 Estimated Actuals
- 2023-24 Budget

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

SBITA Activity and Reporting

- Will report the following:
  - Subscription Asset (and offset to Proceeds from SBITA)
    - Record to Fund Statements
    - Also recognize on SACS Form ASSET
  - Subscription Liability
    - Recognize on SACS Form DEBT
  - Interest/Principal Expense
    - Record subscription payments to Fund Statements
  - Amortization of Right to Use IT Asset (over the subscription term)
    - Recognize in SACS CE & Form ASSET
    - Note: Only Proprietary and Fiduciary Funds record amortization in fund statements; for Governmental Funds, it is recorded in SACS

Recognition and Measurement

- Initial recognition and measurement (**at the commencement of the subscription**)

Initial Recognition & Measurement
Recognize a subscription liability and an underlying right-to-use asset at commencement of the subscription term.
Recognize the right-to-use of the IT subscription asset under Subscription Asset - Object 6700
Other Financing Sources recognized under Proceeds from SBITAs - Object 8974

- Subsequent recognition and measurement of subscription payments

Subsequent Recognition & Measurement
Subsequent subscription payments are accounted for consistent with principles for debt service pament on long-term debt
Object 7439, Other Debt Service - Principal Object 7438, Debt Service - Interest

Apply Retroactively to SBITAs

- **Apply Retroactively to SBITAs**
- Calculate the initial ***Subscription Liability***: the PV of future ***remaining*** *subscription payments* as of the transition date.
- ***Subscription Assets*** – generally measured at the amount of the liability but may not be the same.
- **Record initial JE at Transition Date (July 1, 2022)**:
    - DR. Object 6700 Subscription Asset
    - CR. Object 8974 Proceeds from SBITAs
- Apply subsequent recognition per GASB 96

Example - Amortization Table for SBITA Liability

Example: 5-year subscription period is signed on 6/30/2022, and beginning on this date, 5 annual payments of $50,000 will be made. Implicit interest rate = 10%.

Date	Subscription Payment	Interest Expenditure @ 10%	Principal Expenditure	Principal Balance of Subscription Liability
6/30/2022	$0	$0	$0	$208,493
6/30/2022	$50,000	$0	$50,000	$158,493
6/30/2023	$50,000	$15,849	$34,151	$124,342
6/30/2024	$50,000	$12,434	$37,566	$86,776
6/30/2025	$50,000	$8,678	$41,322	$45,454
6/30/2026	$50,000	$4,545	$45,454	$0
Total	$250,000	$41,507	$208,493	--

At the subscription commencement date (that is, 6/30/2022 is the date on which the SBITA vendor makes the underlying IT asset available for use by the LEA)

Dr. Subscription Assets (Object 6700)	$208,493	
Cr. Proceed from SBITAs (Object 8974)		$208,493

Note: see slide 25 & 26 on how to calculate PV of Liability

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Example - Amortization Table for SBITA Liability & Asset

PV of the subscription payments: =PV(6%/12,36,-10000,0,0) $328,710.16

Amortization Schedule

		(1)	(2)	(3)	(4)	(5)	(6)
Year	Month	Cash	Interest Expense	Liab. Reduction	Subsciption Liability	Amort. Expense	Net Subscr Asset
					328,710		328,710
						Plus: prepymts or stage 2 costs	-
						Less: Incentives	-
					328,710		328,710
2022	July	10,000	1,644	8,356	320,354	9,131	319,579
2022	August	10,000	1,602	8,398	311,955	9,131	310,448
2022	September	10,000	1,560	8,440	303,515	9,131	301,318
2022	October	10,000	1,518	8,482	295,033	9,131	292,187
2022	November	10,000	1,475	8,525	286,508	9,131	283,056
2022	December	10,000	1,433	8,567	277,941	9,131	273,925
2023	January - June	$$	$$	$$	$$	$$	$$
			9,230	50,770		54,785	

Example:

3 year term

Monthly payments of $10K

Discount rate of 6%

Payments made at the end of the period

Sample formula to calculate interest on the first 3 payments: see next slide

$1,644	=IPMT(6%/12,1,36,-328710.16,0)
$1,602	=IPMT(6%/12,2,36,-328710.16,0)
$1,560	=IPMT(6%/12,3,36,-328710.16,0)

Subscription Liab = Measure at the "PV of payments expected to be made during the subscription term"

Subscription Asset = Measure at the subscription liability value plus prepayments plus stage 2 costs made less incentives received

(1) Payment Frequency
(2) Object 7438 Debt Service Interest
(3) Object 7439 Debt Service Principal. Reduces Total Subscription Liabilitiy on Form DEBT.
(4) Subscription Liability - Reconcile to Form DEBT
(5) Amortize over the shorter of subscription term or useful life. Decreases the Subscription Asset Net Balance on Form ASSET
(6) Subscription Asset - Reconcile to Form ASSET

Initial Recording at Commencement	DR	CR
Object 6700 Subscription Asset	328,710	
Object 8974 Proceeds from SBITAs		328,710

Subsquent Recording	July Sample Entry DR	CR
Object 7438 Debt Service Interest	1,644	
Object 7439 Debt Service Principal	8,356	
Object 9110 CASH		10,000

How do I allocate interest?

- Per debt payment schedule, if provided
- Excel formulas in excel:
  - https://support.microsoft.com/en-us/office/ipmt-function-5cce0ad6-8402-4a41-8d29-61a0b054cb6f

IPMT(rate, per, nper, pv, [fv], [type])

The IPMT function syntax has the following arguments:

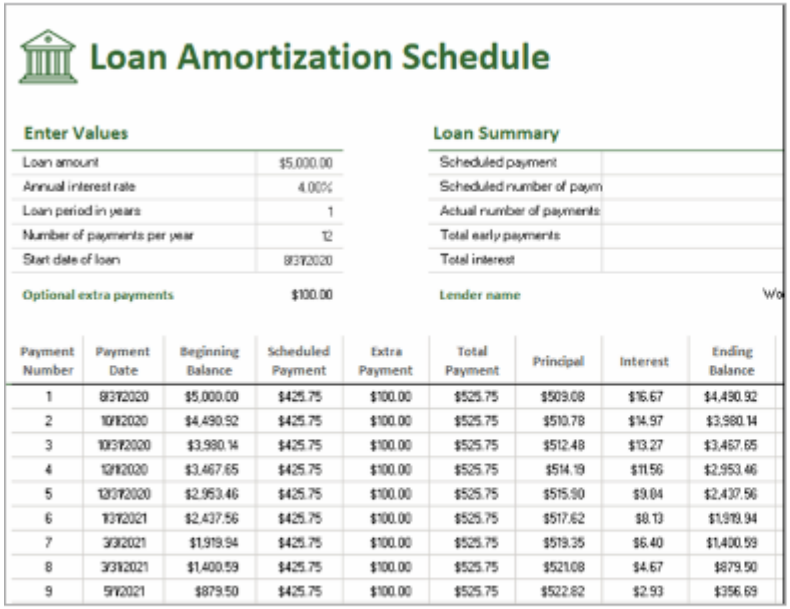
- **Rate** Required. The interest rate per period.
- **Per** Required. The period for which you want to find the interest and must be in the range 1 to nper.
- **Nper** Required. The total number of payment periods in an annuity.
- **Pv** Required. The present value, or the lump-sum amount that a series of future payments is worth right now.
- **Fv** Optional. The future value, or a cash balance you want to attain after the last payment is made. If fv is omitted, it is assumed to be 0 (the future value of a loan, for example, is 0).

Example: reflects calculated interest on the first 3 payments using example from the previous slide. Note: payment number is updated for each payment period

Interest Payment #1	$1,644	=IPMT(6%/12,1,36,-328710.16,0)
Interest Payment #2	$1,602	=IPMT(6%/12,2,36,-328710.16,0)
Interest Payment #3	$1,560	=IPMT(6%/12,3,36,-328710.16,0)

How do I allocate interest?

- Can allocate using Excel's loan amortization schedule
  - Excel < Home < Search
  - Adjust criteria per district's individual subscription terms
    - Loan Amount = PV of Total Payments
  - May need to round and ensure that total ending balance (liability) nets to zero at end of payment term



Loan Amortization Schedule

Enter Values

Loan amount	$5,000.00
Annual interest rate	4.00%
Loan period in years	1
Number of payments per year	12
Start date of loan	8/3/2020
Optional extra payments	$100.00

Loan Summary

Scheduled payment	
Scheduled number of paym	
Actual number of payments	
Total early payments	
Total interest	
Lender name	Wo

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	8/3/2020	$5,000.00	$425.75	$100.00	$525.75	$509.08	$16.67	$4,490.92
2	10/1/2020	$4,490.92	$425.75	$100.00	$525.75	$510.78	$14.97	$3,980.14
3	10/31/2020	$3,980.14	$425.75	$100.00	$525.75	$512.48	$13.27	$3,467.65
4	12/1/2020	$3,467.65	$425.75	$100.00	$525.75	$514.19	$11.56	$2,953.46
5	12/31/2020	$2,953.46	$425.75	$100.00	$525.75	$515.90	$9.84	$2,437.56
6	1/30/2021	$2,437.56	$425.75	$100.00	$525.75	$517.62	$8.13	$1,919.94
7	3/3/2021	$1,919.94	$425.75	$100.00	$525.75	$519.35	$6.40	$1,400.59
8	3/31/2021	$1,400.59	$425.75	$100.00	$525.75	$521.08	$4.67	$879.50
9	5/1/2021	$879.50	$425.75	$100.00	$525.75	$522.82	$2.93	$356.69

Loan amortization schedule

Provided by: Microsoft Corporation

Stay on top of a mortgage, home improvement, student, or other loans with this Excel amortization schedule. Use it to create an amortization schedule that calculates total interest and total payments and includes the option to add extra payments. Make amortization calculation easy with this loan amortization schedule in Excel that organizes payments by date, showing the beginning and ending balance with each payment, as well as an overall loan summary. Download and keep your loan amortization information close at hand. This is an accessible template.

Create

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

How do I allocate interest?

Excel Amortization Schedule

Enter Values

Loan Amount (PV of total payments)	$328,710.16
Annual interest rate	6.00%
Loan period in years	3
Number of payments per year	12
Start date of loan	7/1/2022

Loan Summary

Scheduled payment	$10,000.00
Scheduled number of payments	36
Actual number of payments	36
Total early payments	$0.00
Total interest	$31,289.84

Optional extra payments **Description**

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	7/1/2022	$328,710	$10,000	$0	$10,000	$8,356	$1,644	$320,354	$1,644
2	8/1/2022	$320,354	$10,000	$0	$10,000	$8,398	$1,602	$311,955	$3,245
3	9/1/2022	$311,955	$10,000	$0	$10,000	$8,440	$1,560	$303,515	$4,805
4	10/1/2022	$303,515	$10,000	$0	$10,000	$8,482	$1,518	$295,033	$6,323
5	11/1/2022	$295,033	$10,000	$0	$10,000	$8,525	$1,475	$286,508	$7,798
6	12/1/2022	$286,508	$10,000	$0	$10,000	$8,567	$1,433	$277,941	$9,230

Note: Total ending balance at the end of the payment term should net to zero

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Section 4

Financial Statement Disclosures & Documentation Considerations

Financial Statement Disclosures

- Requires similar disclosures as GASB 87 Leases
- Description of SBITA
- Total amount of subscription assets and related accumulated amortization
- Amount of outflows of resources recognized for variable payments and other payments not previously included in the measurement of the subscription liability
- The total subscription liability for all of an LEA's SBITAs is required to be disclosed in the form of principal and interest requirements to maturity; at the aggregate level, not to each individual SBITA
- Components of any impairment loss recognized on the subscription asset during the period

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

Documentation Considerations

- Establish a capitalization policy for SBITAs, similar to capital assets & leases
- Document your process and review for compliance with GASB 96
- Items to consider:
  - Who is reviewing your agreements to see if they qualify as a SBITA?
  - How is your purchasing & IT department working with your accounting department to review and record SBITAs?
  - What is the district's process for reviewing for any future SBITAs modifications?
  - Ensure to document your review procedures and district determinations

GASB Exposure Draft for Implementation Guidance Update - Q&A

4.7. Q—Is a licensing agreement for a vendor's computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?

A—No. A provision under which a licensing agreement automatically renews until cancelled is an option to terminate the agreement at each renewal date. An agreement that includes an option to terminate is not a purchase, whereas a perpetual license is a purchase in which a government is granted a permanent right to use the vendor's computer software. Therefore, a licensing agreement for a vendor's computer software that automatically renews until cancelled does not provide a perpetual license.

4.8. Q—A government enters into a six-year subscription-based information technology arrangement (SBITA) contract with no options to extend or terminate the contract and begins making semiannual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. What is the subscription term?

A—The subscription term is four years. The initial implementation stage is completed at the end of the second year of the contract. Therefore, in accordance with paragraphs 9 and 15 of Statement 96, the subscription term commences at the beginning of the third year and ends at the conclusion of the sixth year when the SBITA contract ends.

san diego county office of EDUCATION
FUTURE WITHOUT BOUNDARIES

GASB Exposure Draft for Implementation Guidance Update - Q&A

4.10. Q—Does a cloud computing arrangement meet the definition of a subscription-based information technology arrangement (SBITA)?

A—A cloud computing arrangement may or may not meet the definition of a SBITA in paragraph 6 of Statement 96. Cloud computing arrangements have three common deployment models: Software as a Service, Platform as a Service, and Infrastructure as a Service. All three deployment models provide the customer with the right to use a combination of another party's IT software and tangible capital assets. The definition of a SBITA requires, in part, that a contract convey *control* of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets). Therefore, as part of its determination of whether a cloud computing arrangement meets the definition of a SBITA, a government should evaluate whether the contract conveys control of the right to use the underlying IT assets in accordance with paragraph 7 of Statement 96.

Thank you!