

Appendix B:

Fixed Asset System Guidance (for Primary Government Agencies) Journal Entries Examples (for Primary Government Agencies/Component Units)

The concepts of GASB 96 are similar to that of GASB 87 therefore, the guidance in this appendix will resemble Appendix E in the Financial Reporting Update for GASB 87. Account numbers and terminology were changed to reflect subscription-based information technology agreements (SBITAs).

In the examples below it has been determined that the criteria in GASB Statement 96 and the OSC [capitalization threshold](#) have been met so a subscription asset and subscription liability will be reported in FY 2023 based on the GASB 96 requirements. *(Primary Government agencies with standalone financial statements/audits and/or Component units may have a different capitalization threshold.)*

1) Agreements Already Underway

Date	Lease Liability Opening Balance	Payments	Interest Expense	Principal	Lease Liability Closing Balance
7/1/2022	\$ 831,893	\$ 15,000		\$ 15,000	\$ 816,893
8/1/2022	7/1/2022 Balance 831,893	\$ 15,000	2,212	\$ 12,788	804,105
9/1/2022	804,105	\$ 15,000	2,178	\$ 12,822	791,283
10/1/2022	791,283	\$ 15,000	2,143	\$ 12,857	778,426
11/1/2022	778,426	\$ 15,000	2,108	\$ 12,892	765,534
12/1/2022	765,534	\$ 15,000	2,073	\$ 12,927	752,608
1/1/2023	752,608	\$ 15,000	2,038	\$ 12,962	2023 principal pmts \$ 157,584
2/1/2023	739,646	\$ 15,000	2,003	\$ 12,997	726,649
3/1/2023	726,649	2023 interest pmts \$ 22,416	1,968	\$ 13,032	713,617
4/1/2023	713,617	\$ 15,000	1,933	\$ 13,067	700,550
5/1/2023	700,550	\$ 15,000	1,897	\$ 13,103	687,447
6/1/2023	687,447	\$ 15,000	1,862	\$ 13,138	674,309
7/1/2023	674,309	\$ 15,000	1,826	\$ 13,174	6/30/2023 Balance
8/1/2023	661,135	\$ 15,000	1,791	\$ 13,209	647,926
9/1/2023	647,926	\$ 15,000	1,755	\$ 13,245	634,681
10/1/2023	634,681	\$ 15,000	1,719	\$ 13,281	621,400
11/1/2023	621,400	\$ 15,000	1,683	\$ 13,317	608,083
12/1/2023	608,083	2024 interest pmts \$ 19,539	1,647	\$ 13,353	2024 principal pmts \$ 160,461
1/1/2024	594,729	\$ 15,000	1,611	\$ 13,389	581,340
2/1/2024	581,340	\$ 15,000	1,574	\$ 13,426	567,915
3/1/2024	567,915	\$ 15,000	1,538	\$ 13,462	554,453
4/1/2024	554,453	\$ 15,000	1,502	\$ 13,498	540,954
5/1/2024	540,954	\$ 15,000	1,465	\$ 13,535	527,420
6/1/2024	527,420	\$ 15,000	1,428	\$ 13,572	513,848

Remaining agreement term: 5 years

Subscription Liability measured per GASB 96 \$831,893

Subscription Asset - \$831,893

Principal payment: \$15,000 Monthly, \$157,584 total in FY 23; \$160,461 total in FY 24

Interest payment: Varies Monthly, \$22,416 total in FY 23; \$19,539 total in FY 24

Fixed Asset System State Agency:

- Add the subscription asset to the fixed asset system manually with a June 2022 acquisition date. (There will be no 534xxx accounts recorded in NCAS for this transaction). The asset will be added in FAS using the 534xxx account that maps to the 127xxx account. This account will be entered as the object code using the last four digits of the expenditure account beginning with 4xxx and not the asset account. See the subscription expenditure and asset accounts in the NCAS Accounts chart below for applicable accounts. The subscription asset is equal to the subscription liability since this is an existing agreement.

Add Subscription Asset by entering the following:

- New FAS Asset number
 - Enter object code: 4716
 - Acquisition date: 202212
 - Cost of asset: \$831,893
 - Depreciable asset
 - Input the shorter the subscription agreement term or useful life as of July 1, 2022, for amortization/depreciation to begin in FY 2023. A full year's depreciation will be taken beginning in FY 2023 based on the number of years input by the agency.
- The FAS should not catch-up depreciation; no depreciation prior to July 1, 2022. Depreciation will be calculated by the OSC technical team based on the information input by the agency. OSC will know not to catch-up depreciation based on the object code and the term Subscription asset in the title. No restatement will need to be done for accumulated depreciation. Just a full year depreciation taken in the current year.

Note: The OSC Statewide Accounting Financial Reporting team emailed a spreadsheet to agency contacts during the GASB 96 implementation. It should be completed and submitted to OSC by June 30, 2023. This spreadsheet should only include the information for agreements that existed as of July 1, 2022, and met the requirements to be reported as a SBITA. If this spreadsheet is submitted to OSC, the agency should not manually enter these subscription assets in FAS. The OSC technical team will programmatically load this information in the Fixed Asset System.

SBITA Expenditure/Expense Accounts to be keyed in FAS	Intangible Subscription Asset Accounts (mapped based on the related 534xxx account)
534716 SBITA Outlay	127540 Subscription (SBITA) Asset

Primary Government - Governmental Funds (General, Special Revenue, Permanent, and Capital Projects Funds):

Journal Entries:

The entries below were prepared using OSC-generated data from sample entries in the amortization template spreadsheet (this was used for the GASB 87 implementation and has been modified for GASB 96).

- 1) To book the subscription liability as of July 1, beginning balance of the subscription liability. This liability should be measured at the present value of future payments.

Entry in NCAS in GASB 5200, July 1, 2022 balance (Post with a June 30th date if the budget code is certified on a monthly basis so recertification is not required):

Debit 128100 Amount available and to be provided	\$831,893	
Credit 224200 Subscription liability – Noncurrent		\$831,893

- 2) Cash basis entries:

To record periodic payments. Make this entry for the frequency of payments required to be made based on your contractual obligation (i.e., monthly, quarterly, annually, etc.). In this example payments will be made monthly.

July 1, 2022 principal payment (no interest component for the first month's payment in the fiscal year):

Debit 535315 SBITA Principal Payments expenditure	\$15,000	
Credit Cash		\$15,000

August 1, 2022 principal and interest payments:

Debit 535315 SBITA Principal Payments expenditure	\$12,788	
Debit 535327 SBITA Interest Payments expenditure	\$ 2,212	
Credit Cash		\$15,000

Total Principal Payments recorded to account 535315 SBITA Principal Payments expenditure at June 30, 2023: \$157,584

Total interest payments recorded to account 535327 SBITA Interest expenditure at June 30, 2023: \$22,416

If any payments on the agreement were recorded as an expenditure other than SBITA principal/interest during the 2023 fiscal year, these expenditures will need to be reclassified to SBITA principal and interest payments.

Debit 535315 SBITA Principal Payments expenditure		
Debit 535327 SBITA Interest Payments expenditure		
Credit 53XXXX expenditure account previously charged		

3) To reduce the subscription liability by the principal payments made during the year in GASB 5200. Entries can be made each month as principal payments are made or they can be done at year-end.

- If choose to reduce subscription liability as principal payments are made:

Entry in NCAS in GASB 5200, July 2022:

Debit 224200 Subscription liability – Noncurrent	\$15,000
Credit 128100 Amount available and to be provided	\$15,000

Entry in NCAS in GASB 5200, August 2022:

Debit 224200 Subscription liability – Noncurrent	\$12,788
Credit 128100 Amount available and to be provided	\$12,788

Entries continue in NCAS in GASB 5200 for each month as payments are made.

- If choose to reduce subscription liability for total principal payments made during year:

Entry in NCAS in GASB 5200, June 30, 2023:

Debit 224200 Subscription liability – Noncurrent	\$157,584
Credit 128100 Amount available and to be provided	\$157,584

Primary Government - Proprietary Funds (Enterprise and Internal Service Funds):

Component Units - Universities/Community Colleges/Other Component Units:

Journal Entries:

The entries below were prepared using OSC-generated data from sample entries in the amortization template spreadsheet (this was used for the GASB 87 implementation and has been modified for GASB 96).

1) To book the subscription liability and subscription asset as of July 1, beginning balance. This liability should be measured at the present value of future payments. Since this is an existing agreement, the subscription asset is equal to the subscription liability.

Entry in NCAS as of July 1, 2022, beginning balance, to be posted with a June 30th date/13th period entry:

Debit 127540 Subscription (SBITA) Asset	\$891,893
Credit 214200 Subscription liability – Current	\$157,584
Credit 224200 Subscription liability – Noncurrent	\$674,309

2) Cash basis entries:

To record periodic payments. Make this entry for the frequency of payments required to be made based on your contractual obligation (i.e., monthly, quarterly, annually, etc.). In this example payments will be made monthly. Enterprise and Internal Service Funds must zero out the SBITA Principal Payments at 6/30 by reducing the SBITA Liability for the principal payments made during the year.

July 1, 2022 principal payment (no interest component for the first month's payment in the fiscal year):

Debit 535315 SBITA Principal Payments expense	\$15,000
Credit Cash	\$15,000

August 1, 2022 principal and interest payments:

Debit 535315 SBITA Principal Payments expense	\$12,788
Debit 535327 SBITA Interest Payments expense	\$ 2,212
Credit Cash	\$15,000

Total Principal Payments recorded to account 535315 SBITA Principal Payments expense at June 30, 2023: \$157,584

Total interest payments recorded to account 535327 SBITA Interest expense at June 30, 2023: \$22,416

If any payments on the agreement were recorded as an expenditure other than SBITA principal/interest during the 2023 fiscal year, these expenditures will need to be reclassified to SBITA principal and interest payments.

Debit 535315 SBITA Principal Payments expense	
Debit 535327 SBITA Interest Payments expense	
Credit 53XXXX expenditure account previously charged	

- 3) To reduce the SBITA liability by the principal payments made during the year and reduce SBITA principal payments expense to zero.

13th period, June 30, 2023 entry:

Debit 214200 SBITA liability – current	\$157,584
Credit 535315 SBITA Principal Payments expense	\$157,584

- 4) Establish the current/noncurrent portions of SBITA liability for next fiscal year. 13th period, June 30, 2023 entry:

Debit 224200 SBITA liability – Noncurrent	\$160,461
Credit 214200 SBITA liability – current	\$160,461

- 5) Record current year depreciation expense and Accumulated Depreciation:
13th period, June 30, 2023 entry:

Debit 535430 Depreciation expense

\$Straight-line over shorter useful life or agmt term

Credit 127974 Accumulated Depr SBITA Asset

\$Straight-line over shorter useful life or agmt term

2) New Agreements

Date	Lease Liability Opening Balance	Payments	Interest Expense	Principal	Lease Liability Closing Balance
2/1/2023	\$ 752,430	\$ 10,000		\$ 10,000	\$ 742,430
3/1/2023	742,430	\$ 10,000	2,011	\$ 7,989	734,440
4/1/2023	734,440	\$ 10,000	1,989	\$ 8,011	724,429
5/1/2023	726,429	2023 interest pmts \$ 7,913	1,967	\$ 8,033	718,397
6/1/2023	718,397		1,946	\$ 8,054	710,343
7/1/2023	710,343	\$ 10,000	1,924	\$ 8,076	694,168
8/1/2023	702,266	\$ 10,000	1,902	\$ 8,098	686,048
9/1/2023	694,168	\$ 10,000	1,880	\$ 8,120	677,906
10/1/2023	686,048	\$ 10,000	1,858	\$ 8,142	669,742
11/1/2023	677,906	\$ 10,000	1,836	\$ 8,164	661,556
12/1/2023	669,742	2024 interest pmts \$ 21,629	1,814	\$ 8,186	661,556
1/1/2024	661,556		1,792	\$ 8,208	653,348
2/1/2024	653,348	\$ 10,000	1,769	\$ 8,231	645,118
3/1/2024	645,118	\$ 10,000	1,747	\$ 8,253	636,865
4/1/2024	636,865	\$ 10,000	1,725	\$ 8,275	628,590
5/1/2024	628,590	\$ 10,000	1,702	\$ 8,298	620,292
6/1/2024	620,292	\$ 10,000	1,680	\$ 8,320	611,972
7/1/2024	611,972	\$ 10,000	1,657	\$ 8,343	603,629
8/1/2024	603,629	\$ 10,000	1,635	\$ 8,365	595,264
9/1/2024	595,264	\$ 10,000	1,612	\$ 8,388	586,876
10/1/2024	586,876	\$ 10,000	1,589	\$ 8,411	578,466
11/1/2024	578,466	\$ 10,000	1,567	\$ 8,433	570,033
12/1/2024	570,033	\$ 10,000	1,544	\$ 8,456	561,576
1/1/2025	561,576	\$ 10,000	1,521	\$ 8,479	553,097

Agreement term: 7 years, starting 2/1/2023

Subscription Liability measured per GASB 96 \$752,430

Subscription Asset \$752,430*

* Capitalizable initial implementation costs including ancillary charges necessary to place the subscription asset into service should be capitalized and added to the value of the subscription asset. See OSC policy [102.1 Statewide Accounting Policy – Capitalization/Classification](#) for examples of ancillary charges.

* Payments associated with the SBITA contract made to the SBITA vendor at the commencement of the subscription term, less any SBITA vendor incentives should be capitalized and added to the value of the asset.

Principal payment: \$10,000 Monthly, \$42,087 total in FY 23; \$98,371 total in FY 24; continues through December 2029 or FY 2030

Interest payment: Varies Monthly, \$7,913 total in FY 23; \$21,629 total in FY 24; continues through December 2029 or FY 2030

Fixed Asset System State Agency:

- Add the subscription asset to the fixed asset system manually with the date the agreement began as the acquisition date, February 1, 2023, in this example. The asset will be added in FAS using the 534xxx account that maps to the 127xxx account. This account will be entered as the object code using the last four digits of the expense account beginning with 4xxx and not the asset account. See the subscription expenditure and asset accounts in the chart in the governmental fund section for applicable accounts. The subscription asset cost may not equal the subscription liability. If payments are made at the commencement of the agreement or capitalizable implementation costs are incurred, these will be recorded in NCAS in the 534xxx expenditure accounts and should be capitalized as part of the cost of the subscription asset. These costs will interface with FAS from Accounts Payable. If the asset is added without including these costs, a cost adjustment can be done in FAS to capitalize these costs.

Add subscription asset - software by entering the following:

- New FAS Asset number
 - Enter object code: 4716
 - Acquisition date: 202308 (this is the current year's month, year of agreement start)
 - Cost of asset: \$752,430
 - Depreciable asset
- Input the shorter of the subscription agreement term or useful life for amortization/depreciation to begin in the FY the lease began. A half year depreciation will be taken in the first and last year and a full year's depreciation will be taken in all other years based on the number of years input by the agency.
 - Depreciation will be calculated by the OSC technical team based on the information input by the agency. OSC will know to use the useful life input by the agency based on the object code and subscription asset in the title.

Primary Government - Governmental Funds (General, Special Revenue, Permanent, and Capital Projects Funds):

Journal Entries:

The entries below were prepared using OSC-generated data from sample entries in the amortization template spreadsheet (this was used for the GASB 87 implementation and has been modified for GASB 96).

- 1) If any payments associated with the SBITA are made before the commencement of the subscription term or if capitalizable implementation costs are paid at the commencement of the subscription term that are necessary to place the asset in service, the following entry will be made on a cash basis:

Debit 534716 SBITA Outlay
Credit Cash

If vendor incentives are received at or before the commencement of the agreement, contact OSC for assistance, if needed.

- 2) To book the subscription liability at the commencement of the agreement term, February 1, 2023. This liability should be measured at the present value of future payments. Entry in NCAS in GASB 5200, February 1, 2023:

Debit 128100 Amount available and to be provided \$752,430
Credit 224200 Subscription liability – Noncurrent \$752,430

- 3) Cash basis entries:

To record periodic payments. Make this entry for the frequency of payments required to be made based on your contractual obligation (i.e., monthly, quarterly, annually, etc.). In this example payments will be made monthly.

February 1, 2023 principal payment (no interest component for the first month's payment in the fiscal year):

Debit 535315 SBITA Principal Payments expenditure \$10,000
Credit Cash \$10,000

March 1, 2023 principal and interest payments:

Debit 535315 SBITA Principal Payments expenditure \$7,989
Debit 535327 SBITA Interest Payments expenditure \$ 2,011
Credit Cash \$10,000

Total Principal Payments recorded to account 535314 SBITA Principal Payments expenditure at June 30, 2023: \$42,087

Total interest payments recorded to account 535327 SBITA Interest expenditure at June 30, 2023: \$7,913

4) To reduce the SBITA liability by the principal payments made during the year in GASB 5200. Entries can be made each month as principal payments are made or they can be done at year-end.

- If choose to reduce liability as principal payments are made:
Entry in NCAS in GASB 5200, February 2023:

Debit 224200 SBITA liability – Noncurrent	\$10,000
Credit 128100 Amount available and to be provided	\$10,000

Entry in NCAS in GASB 5200, March 2023:

Debit 224200 SBITA liability – Noncurrent	\$7,989
Credit 128100 Amount available and to be provided	\$7,989

Entries continue in NCAS in GASB 5200 for each month as payments are made.

- If choose to reduce liability for total principal payments made during year:
Entry in NCAS in GASB 5200, June 30, 2023:

Debit 224200 SBITA liability – Noncurrent	\$42,087
Credit 128100 Amount available and to be provided	\$42,087

5) To record the new agreement in the period the agreement is initially recognized as an expenditure and other financing source. The expenditure and other financing source should be measured in accordance with the SBITA liability guidance, i.e., the other financing source should equal the SBITA liability at the commencement of the lease.

Entry in NCAS, June 30, 2023 (13th period entry):

Debit 534716 SBITA Outlay	\$752,430
Credit 437221 Proceeds – SBITAs (OFS)	\$752,430

New Agreements, continued

Primary Government - Proprietary Funds (Enterprise and Internal Service Funds):

Component Units - Universities/Community Colleges/Other Component Units:

Journal Entries:

- 1) If any payments associated with the SBITA are made before the commencement of the subscription term or if capitalizable implementation costs are paid at the commencement of the subscription term that are necessary to place the asset in service, the following entry will be made on a cash basis:

Debit 534716 SBITA Outlay
Credit Cash

If vendor incentives are received at or before the commencement of the agreement, contact OSC for assistance, if needed.

- 2) To book the subscription liability at the commencement of the lease term, February 1, 2023. This liability should be measured at the present value of future payments. Entry in NCAS as of February 1, 2023 to be posted with a June 30th date/13th period entry:

Debit 127540 SBITA Asset	\$752,430*
Credit 214200 SBITA liability – current	\$42,087
Credit 224200 SBITA liability – Noncurrent	\$710,343
Credit 534716 SBITA Outlay expense*	

*If payments are made before the commencement of the subscription term or if capitalizable implementation costs are paid at the commencement of the subscription term as noted in entry 1, the subscription asset will be increased by that amount and the SBITA Outlay expense will be credited for that amount.

- 3) Cash basis entries:

To record periodic payments. Make this entry for the frequency of payments required to be made based on your contractual obligation (i.e., monthly, quarterly, annually, etc.). In this example payments will be made monthly. Enterprise and Internal Service Funds must zero out the SBITA Principal Payments at 6/30 by reducing the Subscription Liability for the principal payments made during the year.

February 1, 2023 principal payment (no interest component for the first month's payment in the fiscal year):

Debit 535315 SBITA Principal Payments expense	\$10,000
Credit Cash	\$10,000

March 1, 2023 principal and interest payments:

Debit 535315 SBITA Principal Payments expense	\$7,989
Debit 535327 SBITA Interest Payments expense	\$2,011
Credit Cash	\$10,000

Total Principal Payments recorded to account 535315 SBITA Principal Payments expense at June 30, 2023: \$42,087

Total interest payments recorded to account 535327 SBITA Interest expense at June 30, 2023: \$7,913

- 4) To reduce the SBITA liability by the principal payments made during the year and reduce SBITA principal payments expense to zero.

13th period, June 30, 2023 entry:

Debit 214200 SBITA liability – current	\$42,087
Credit 535315 SBITA Principal Payments expense	\$42,087

- 5) Establish the current/noncurrent portions of SBITA liability for next fiscal year.

13th period, June 30, 2023 entry:

Debit 224200 SBITA liability – noncurrent	\$98,371
Credit 214200 SBITA liability – current	\$98,371

- 6) Record current year depreciation expense (1/2 year) and Accumulated Depreciation:

13th period, June 30, 2023 entry:

Debit 535430 Depreciation expense	\$Straight-line over shorter useful life or agmt term/2
Credit 127974 Accumulated Depr SBITA Asset	\$Straight-line over shorter useful life or agmt term/2

An accrued interest liability, account 216220, may need to be recorded in the financial statements depending on the timing and frequency of payments. In this example, payments are due monthly at the beginning of the month, so most likely there will be no accrued interest liability at year-end.