



PRINCE WILLIAM COUNTY

Prince William County, Virginia Implementation Guidance: Governmental Accounting Standards Board Statement No. 96 *Subscription-Based Information Technology Agreements*

August 11, 2023

TRANSMITTAL LETTER



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The Board Audit Committee of
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Pursuant to the internal audit plan for calendar year ("CY") 2022 for Prince William County, Virginia ("County" / "PWC"), approved by the Board of County Supervisors ("BOCS"), we hereby present the implementation guidance of Governmental Accounting Standards Board Statement ("GASB") Statement No. 96 *Subscription-Based Information Technology Agreements ("SBITA")*, for which implementation is required for the June 15, 2022 financial statements. The County adopted GASB 96 on July 1, 2022 for its annual reporting period ending June 30, 2023 and all reporting periods thereafter. We will be presenting this report to the Board Audit Committee of Prince William County at the next scheduled meeting on October 24, 2023.

In May 2020, GASB issued Statement No. 96, SBITAs. GASB 96 establishes uniform accounting and financial reporting requirements for SBITAs; improves the comparability of government's financial statements; and enhances the understandability, reliability, relevance, and consistency of information about SBITAs.

GASB 96 applies to government agencies who are currently using information technology ("IT") software as specified in their contracts.

GASB 96 applies to all contracts meeting the definition of a SBITA, unless specifically excluded. As defined in GASB Statement No. 96, paragraph 6, a SBITA is a contract that conveys control of the right to use another party's (a SBITA vendor's) IT software, alone or in combination with tangible capital assets (with underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

GASB 96 specifically excludes the following arrangements:

- Contracts that convey control of the right to use another entity's combination of IT software and tangible capital assets that meet the definition of a lease¹ in GASB Statement No. 8, in which the software component is insignificant when compared to the cost of the underlying asset
- Governments that provide the right to use their IT software to other entities through SBITAs (as a passthrough and therefore not the end user)
- Contracts that meet the definition of Public-Private and Public-Public Partnerships² in GASB Statement No. 94.
- Licensing arrangements that provide a perpetual license (subject to GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets).

SBITAs also exclude contracts that only provide IT support services, but include contracts that contain both a right-to-use IT asset component and IT support services.

We would like to thank the staff and all those involved in assisting our firm with this implementation guidance.

Respectfully Submitted,

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