Instructions for Completing the
GASB 96 SBITA Template Workbook

I. Background

Under Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs),* a government is required to recognize a subscription liability and an intangible asset representing the government's right to use the SBITA asset.

GASB 96 defines a SBITA as 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 (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

Since there are specific criteria under GASB 96 that must first be evaluated before a contract's information is entered into the workbook, the SCO strongly encourages departments to gain an understanding of the GASB 96 accounting and reporting requirements for SBITAs.

For further guidance, we strongly encourage departments to use the "GASB 96 SBITA Implementation - Part I GASB 96 Overview" and "GASB 96 SBITA Implementation - Part II Business Process" documents published on the SCO website: https://sco.ca.gov/sard_gasb_96_reporting_instructions.html before completing this template. Also, utilize the GASB 96 Accounting Decision Tree document to determine the correct treatment for a SBITA contract.

The "GASB 96 SBITA Template" is an Excel workbook developed by the SCO to provide non-FI$Cal departments with a tool that will help them generate the information for the journal entries and note disclosures required under GASB 96. This document outlines the steps a department will need to take and information it will need to consider in order to complete the "GASB 96 SBITA Template."

Departments that are using FI$Cal refer to Job Aid FI$Cal.533 Entering Subscription-Based Information Technology Arrangement (SBITA) Contracts to input their SBITAs into the Lease Administration module.

II. Template Scope and Applicability

Contract type:

The template's use and application are limited to SBITAs other than short-term SBITAs. A short-term SBITA is a SBITA that has a maximum possible term of 12 months or less at the commencement of the subscription, including any options extend, regardless of their probability of being exercised. Departments must retain a copy of completed payment tables generated by the template alongside the contracts when they qualify as SBITAs. These tables will be required to submit to the California State Auditor (CSA) if your department is selected for an audit.

Threshold:

Departments should complete templates for qualified SBITA contracts that exceed $50,000 or more in total upfront or future payments from July 1, 2022, through the end of the subscription term. To determine the subscription term, refer to "Subscription Term Calculation" published on the SCO's website.

III. Template Worksheets

A. Example Worksheets

The yellow-tabbed worksheets in this file are example contracts to use as references while completing the "Contract" worksheets of this workbook. The examples make certain assumptions, such as a 2.40% annual interest rate, which may not apply to your contracts.

The "Example 1 Input" worksheet is a five-year contract from July 5, 2022, to June 30, 2027 (60 months) for the right to use Microsoft 365 with no options to extend or terminate. The fixed payments are $85,000 semi-annually at the beginning of the subscription term and an increase of $5,000 per payment, annually. The contract does not specify any interest rate; therefore, the incremental borrowing rate of 2.40% (based on this contract's commencement date and term) is used to calculate the present value. There were no payments made before or at the commencement of the subscription term, nor any initial implementation costs to calculate.

The "Example 2 Input" worksheet is a three-year contract from July 1, 2022, to June 30, 2025 (36 months) for the right to use Windows Azure with no options to extend or terminate. The fixed payment of $350,000 was fully paid on July 1, 2022. As the payment was fully paid at lease commencement, there will be a SBITA asset but no SBITA liability to be reported.

B. Contract Worksheets

The "GASB_96_SBITA_Template" Excel workbook should only be used for new SBITA contracts or existing SBITA contracts without modifications (changes in payment, payment term, or number of underlying IT assets).

For each contract, populate the following tabs:

1. Contract (No.) Input tab

This tab serves as the input worksheet to capture all relevant information on the contract that is needed to calculate the present value of future payments and the amortization of the SBITA asset.

Red font with yellow highlighting in the "Contract Input" worksheet indicates cells where information is entered to yield results from the template. After completing the "Contract Input" tab in its entirety, please print a copy (physically or electronically) to store along with the contract. You will be required to submit these if the CSA selects your department for audit.

Please do not attempt to make any changes to the cells that are not highlighted in yellow. These fields are automatically populated based on information entered in the yellow highlighted cells.

a. Contract Information

Enter the following information related to the contract:

- **Asset Description**—provide a description identifying the type of SBITA asset in the contract.

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- **Annual Interest Rate**—If the implicit interest rate on the SBITA is unknown (not provided by the SBITA vendor or not explicitly stated in the SBITA contract), use the "GASB 96 Incremental Borrowing Rate" for the applicable subscription term published on the SCO website.

- **Business Unit Name**—enter your department's name.

- **Business Unit (Organization Code)**—enter your department's UCM organization code.

- **Fund Paying Contract**—enter the fund number paying the contract. If multiple funds pay for the contract, write all the funds.

- **Is this a proprietary fund?** —select "Yes" if the fund paying the contract is an enterprise or internal service fund.

- **Fund Type**—from the dropdown menu, select if the fund paying the contract payment is a governmental fund, internal service fund, or enterprise fund.

- **Commencement Date** —enter the commencement date of the SBITA. For this cell, enter the true commencement date, even if it is before the GASB 96 implementation date of July 1, 2022. This cell is to assist in your tracking of the SBITA.

  Entering the commencement date also helps determine the appropriate entry. The SBITA contract that started on or before July 1, 2022, will be recorded in entry #0 to establish the beginning balance for fiscal reporting year 2022-2023. Any contract that starts on or after July 2, 2022, will be recorded in entries #1 and #2 as new SBITAs.

- **Is the payment at the beginning or the end of the month?** — Select "beginning" for payments made in the first half of the month or "end" for payments made in the latter half of the month.

- **Payments before or at the commencement of the subscription term** —enter the payments made to the SBITA vendor before commencement (being signed) or upfront payments at commencement of the subscription term to obtain the right to use the asset. A prepayment to a SBITA vendor should be reduced by any cash incentives received from the same SBITA vendor before the commencement of the subscription term.

  Note: If upfront payments were made prior to the implementation date of July 1, 2022, only enter the non-amortized amount as of July 1, 2022. For example, $150,000 is paid on July 1, 2021, for a three-year SBITA contract from July 1, 2021 to June 30, 2024, with no options to extend or terminate and no other costs incurred. The non-amortized amount related to the asset to be entered to this field in the template is $100,000 ($150,000 x 2/3 years) from July 1, 2022, to June 30, 2024.

- **Capitalizable initial implementation costs**—enter any capitalizable initial implementation costs (e.g., configuration, coding, testing, installation, and all other ancillary charges necessary to place the asset into service) that are paid to the SBITA vendor at the beginning of the subscription term to obtain the right to use the SBITA asset. Refer to SAM section 8635 for modification of software.

b. Contract Monthly Payment Information

Enter the payments for the noncancelable months of the contract. Please review the GASB 96 Overview and Business Process documents available on the SCO's website to determine which months qualify as noncancelable. If the first payment was made in July 2022 for the SBITA that commenced in July 2022, record the payment in July 2022. Record any subscription payments made before July 2022 in the "payments before or at the commencement of the subscription term" under the contract information. During the subscription term, enter in zeros for any months without payments. After the subscription term ends, leave the payment amounts blank – do NOT enter zeros after the subscription term ends or before the subscription term begins.

2. Contract (No.) Output tab

Enter the following information related to the contract, using its related contract information:

- **Fiscal Reporting Year**—select the fiscal year for which you intend to report.

- **Was this SBITA included in your 20XX-20XX Annual Reporting Submission Workbook?—**this question is asking if the contract was reported to SCO (via the Annual Reporting Submission Workbook ["ARSW"]) in the prior fiscal year. Select "N/A" if this is a new contract which did not exist in the prior year or a contract started before July 1, 2022, GASB 96 adoption. Select "Yes" if the contract did exist last year and was properly submitted to SCO via the ARSW. Select "No" if the contract did exist last year, but the contract was accidentally/erroneously excluded from the ARSW last year, or if your department did not submit the ARSW before the deadline last year.

The journal entries are automatically generated based on the selections made above. Function Expense code is automatically added based on agency's GAAP function. Review the journal entries and verify their correctness.

- Entry #0 will only populate if the SBITA existed in the prior fiscal year or started on or before July 1, 2022.

- Entries #1 and #2 will only populate if the SBITA is new in the current fiscal year.

- Entries #3, #4, #5, and #6 will always populate, until the subscription term ends.

- Entry #7 will only populate in the year that the subscription term ends.

3. Contract (No.) Note Disclosure tab

Review contract terms and select "yes" or "no" for each question as appropriate.

Enter dollar amounts as needed.

The schedule of future interest and principal payments will populate in the worksheet with information calculated from the "Contract (No.) Input" tab according to the year selected by you in "Contract (No.) Output" tab.

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IMPORTANT NOTE: This template has tabs for only Contract 1, and Contract 2. However, your department may have more than two contracts. These tabs have formulas linked to one another. To copy the tabs, you must first select all three tabs which include: Contract (No.) Input, Contract (No.) Output, and Contract (No.) Note Disclosure. Right click on the mouse and select Move or Copy from the context menu. This will open the Move or Copy dialog box. Keep the copy in the same workbook, GASB 96 SBITA Template. Put a tick in the Create a copy box and click OK. Rename all the copied tabs as appropriate; for example, Contract 3 Input, Contract 3 Output, and Contract 3 Note Disclosure.

After you have completed the SBITA template workbook, keeping a copy handy will assist you in completing the annual reporting submission workbook. Remember to retain copies of the template and SBITA contracts in case the CSA selects your department for audit.

Please keep note of those contracts that commenced on or before 07/01/2022, as they are the basis for a beginning balance restatement in the fiscal year 2022-2023. Any contracts that are paid from multiple funds will require manual allocation.