

GASB 96 – SBITA training Q&A

1. Do agencies need to report Workday?
 - a. Agencies should record their time spent on the Next Gen ERP project using the excel templates provided by SAO. Agencies utilizing the HCM time and labor codes to track Next Gen time do not need to report anything to SAO. Refer to email sent to Next Gen point of contacts on February 16, 2023.
2. Is a domain name a SBITA?
 - a. Domain name is considered an intangible asset and therefore does not meet the definition of a SBITA. It also does not meet the definition of GASB 87, and therefore it would not be reported under either 87 or 96. For further guidance contact sao_reporting@sao.ga.gov.
3. Multi-year agreements where a one-time payment is made with a PO and no other payments are made?
 - a. If there is a contract, then yes this would meet the definition of a SBITA regardless of payment timing.
4. Are purchase orders considered contracts?
 - a. Purchase orders are considered contracts; however, the terms of the PO would still need to be considered to determine if the agreement met the definition of a SBITA.
5. Questions on subscription term:
 - a. GASB 96 states:
 - i. “9. The subscription term is the period during which a government has a **noncancellable right** to use the underlying IT assets (referred to as the noncancellable period), plus the following periods, if applicable:
 1. Periods covered by a government’s option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the government **will** exercise that option.
 2. Periods covered by a government’s option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the government will **not** exercise that option.
 3. Periods covered by a SBITA vendor’s option to extend the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor **will** exercise that option.
 4. Periods covered by a SBITA vendor’s option to terminate the SBITA if it is reasonably certain, based on all relevant factors, that the SBITA vendor will **not** exercise that option.
 - ii. Periods for which **both** the government and the SBITA vendor have an option to **terminate the SBITA without permission from the other party** (or if both parties have to agree to extend) are cancellable periods and are **excluded** from the subscription term.”
6. 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.

7. Are service contracts considered to be a SBITA?
 - a. No – exclude IT service contracts that are for service only (example: IT help desk). However, If IT contractor working on implementation of a new sbita then time should be tracked and capitalized. See “Stages of Implementation” slides for further explanation.
8. Would it be acceptable to provide estimates of the time by person if time is not tracked in detail by project?
 - a. Generally, the process would need to be auditable. So, if estimates are provided there would need to be a methodology or some rationale as to how those estimates were created.
9. Most of our software agreements are under a contract with Student Finance Authority, and not Student Finance Commission. The Authority is audited by Mauldin & Jenkins. Would the Commission NOT need to report these?
 - a. Interagency agreements are not to be included. Instead, the agency with the agreement with the vendor would be the one to report the SBITA.
10. If the start date of the agreement is before 7/1/22, do those payments need to be reported?
 - a. It is up to the agency. The implementation date of GASB 96 is 7/1/22 so we will only be using the amounts from that date going forward for calculation of asset and liability. If you provide information to SAO with the original start date of the contract, SAO will only use the life of the agreement from 7/1/22 through the end of the agreement in our calculations.
11. We were told that we cannot enter into multi-year renewals which would allow us some form of savings. So, for the last 3 years we have entered into 1 yr agreements although we have been using this product for more than 10 years.
 - a. While this presentation does not represent procurement processes for the State, here is a relevant code section for review:
 - b. <https://law.justia.com/codes/georgia/2010/title-50/chapter-5/article-3/part-1/50-5-64>
12. How should an agreement be treated that offers a discount for multi-year sign up (or a penalty for early cancellation)?
 - a. Paragraph 16 states that the following are to be included in the SBITA liability (note – not an all-inclusive list):
 - i. 16a: “Fixed payments” – so if the discounted amount is stated and that is what is paid that is what is to be reported.
 - ii. 16d: “Payments for penalties for terminating the SBITA, if the subscription term reflects the government exercising (1) an option to terminate the SBITA or (2) a fiscal funding or cancellation clause” should be included in the subscription liability.”. So, if the subscription term (per paragraph 9) determined that it was likely that the SBITA was to be terminated, then the penalty would be included in the calculation of the SBITA liability.
13. So, just the option to renew causes it to qualify?

- a. Per paragraph 13, "A short-term SBITA is a SBITA that, at the commencement of the subscription term, has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised." Therefore, any agreements that have options to extend beyond a period of 12 months are not excluded from being reported as a SBITA.
14. What if there is a weird clause that says after the first year it is renewed for 14 months and after that it is cancellable by either party with 30-day notice?
- a. Per paragraph 9 "Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term."
 - b. Therefore, the term of the agreement has a maximum term of 15 months (14 months plus 30 days), and the liability should be reported as a 15-month SBITA.
15. What if we have an IT contractor that charges a flat monthly rate for IT services? Do we need to capitalize a portion of the monthly rate? It doesn't change with any software implementation.
- a. If the IT contractor is working on implementing a SBITA, and the costs of their work is to be capitalized as part of the SBITA (paragraph 25c), then SAO would suggest that you allocate a portion of their time to be capitalized (keeping in mind there is a materiality concept in GASB)
16. Just to clarify, if the agreement requires both parties to agree to a renewal OR if either can cancel at any time, there is no SBITA beyond that point. If we choose to renew or cancel, we book based on the intended periods (over 12) to renew?
- a. Per paragraph 9, "Periods for which both the government and the SBITA vendor have an option to terminate the SBITA without permission from the other party (or if both parties have to agree to extend) are cancellable periods and are excluded from the subscription term." Therefore, the first statement listed above is true. If the agreement does not state that both parties have an option to terminate/extend, then the subscription term is the number of periods in the agreement for which you (or the vendor) are likely to exercise the option to renew.
17. Question, what if you have variable rates for SBITA's?
- a. Paragraph 60 discusses the notes to the financial statements for SBITA.
 - i. 60c. states to include "The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability."