



Volume No. 1—Policies and Procedures	TOPIC NO	31310-SBITAs
Section No. 31300—SBITA Accounting	TOPIC	Reporting
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Overview


Introduction

This topic provides guidance for the proper accounting and reporting of all subscription-based information technology arrangements (SBITA) transactions.

Individual users will enter all SBITA information for all new SBITAs directly into the online Lease Accounting System (LAS Plus).

The web-enabled LAS Plus provides online reports for all financial reporting and disclosure requirements promulgated by the Governmental Accounting Standards Board (GASB) **Statement No. 96**, *Subscription-Based Information Technology Arrangements (GASB 96)*.

Proper accounting for SBITA contracts is important because of the required GAAP basis financial statements disclosures for SBITAs. Bond rating firms review this information and determine the Commonwealth's borrowing rate. The Commonwealth currently enjoys an AAA bond rating which saves millions of dollars in interest payments each year. Also, knowledge of SBITA payment obligations provides improved control over outstanding SBITA-related liabilities of each agency.

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Policy

Authoritative Guidelines

All agencies and higher education institutions must follow guidelines as required by **GASB 96**.

Required SBITA Transactions for LAS Plus

Agencies input all required SBITA transactions directly into LAS Plus. This applies to all new or remeasured SBITAs. Please note that short-term SBITAs and long-term SBITAs should not be recorded in FAACS.

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Procedures

Accounting for SBITAs

RECORDING AND DISCLOSURE OF SUBSCRIPTION ASSETS


LAS Plus provides a tool for agencies to classify and record SBITA information properly. From the government’s standpoint, SBITA payments associated with short-term SBITAs are recorded as current period expenses. No long-term debt is recorded for short-term SBITAs and the subscription asset under a short-term SBITA is not recorded as an asset on the Statement of Net Position at year-end.

Long-term SBITAs, on the other hand, are recorded as long-term debt on the financial statements. The payments are recorded as a retirement of debt and interest expense, and the subscription asset is recorded on the Statement of Net Position as an intangible asset at year end. Relevant conditions for recording the SBITA as a short-term SBITA or long-term SBITA, as well as the method of disclosure in financial statements, are covered below.

SBITAs are classified as short-term or long-term as outlined in **GASB 96**. (See CAPP Topic No. 31305-LAS Plus, *Introduction*). The following procedures apply for entering SBITA information into LAS Plus.

SBITA implementation takes place in three stages:

- Preliminary Project Stage. These are initial costs related to initial activities that include the conceptual need, evaluation of all alternatives, determination if technology exists, and choosing the SBITA. These costs **should not be capitalized**, but should be expensed as incurred.
- Initial Implementation Stage. Ancillary costs incurred, including configuration, coding, testing, and installation for the use of the underlying IT assets once the asset is chosen. This stage ends once the asset is placed into service. Costs associated with the initial implementation stage **should be capitalized** as part of the subscription asset. This stage does not include the Preliminary Project Stage costs.
- Operation and Additional Implementation Stage. Activities that include maintenance, troubleshooting, and other costs related to the government’s continued use of the underlying IT asset. This stage can also include additional implementations (i.e. new modules) added to the original asset. Costs associated with this stage **should be expensed** as incurred unless they result in an increase in functionality of the IT asset or an increase in efficiency of the IT asset. In these cases, the costs **should be capitalized**. For implementations of additional modules at different times, the nature and timing of the activity should be considered when deciding whether or not to capitalize expenses.

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Procedures, Continued

Accounting for SBITAs, continued

Complete the SBITA information input screen and payment stream screen in LAS Plus. The system will determine the appropriate SBITA classification based upon the information entered in each screen.

Agencies should input the SBITA and payment stream information based upon terms set forth in the actual contract within a timely manner. Payments should be entered for the entire contract term including any periods covered under an extension option that are “reasonably certain to be exercised.” Do not enter just the current fiscal year payments based upon a payment voucher or invoice.

Agencies have 30 days from the inception of the subscription term (first SBITA payment) to input the SBITA information into LAS Plus except at year-end when all SBITAs with payments beginning during the month of June or earlier must be entered into LAS Plus on or before the fiscal year-end system close date. This date is communicated annually in the Fiscal Year End Closing Instructions.

Any changes to an existing SBITA for error correction purposes also need to be entered before the fiscal year-end system close date. Please contact DOA when correcting original SBITA input from a prior fiscal year.

Required SBITA data includes the beginning or ending of period timing selection, the beginning payment date, other required fields as applicable, and the payment stream information.

The payment stream is comprised of the number of payments, the frequency of payments, the payment amount and the interest rate. For example, a SBITA might have 24 payments with one month between each payment. In this case, the SBITA will run for two years.


The SBITA automatically expires when the payment stream has run its course from the beginning payment date, including all renewal options reasonably expected to be exercised

If there are changes in the SBITA terms, discount rate or likelihood that another factor used in the original valuation that significantly impact the previous subscription liability, then a remeasurement of the SBITA is required. This will require updating LAS Plus or the agency’s internal system to incorporate the revised information.

Expenditure and revenue activity for all SBITAs must be processed through Cardinal as either rental expense or rental revenue, respectively. Capitalized initial development costs should be coded separately from the rental expense.


LAS Plus automatically provides the appropriate accounting information for governments, including classification as a short-term SBITA or long-term SBITA.

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Procedures, Continued

Types of Reports	<p>LAS Plus provides a number of online reports for both short-term and long-term SBITAs. These can be accessed directly within LAS Plus using the specific menu button for each report on the “View SBITA Screen” or the “Reporting” menu button and then selecting the specific report from the listing. (See CAPP Topic No. 70625-LAS Plus, <i>SBITA Reports</i>, for details on the various online reports available.)</p>
DOA Support	<p>DOA provides telephone assistance when needed. DOA also provides online LAS Plus training in the Learning Center. This training is required for anyone wishing to have access to LAS Plus. Refer to the Contact section of this topic.</p>
Preparation of Financial Statements Using LAS Plus Reports	<p>To prepare financial statements, agencies with SBITAs should use the requirements outlined in GASB Statement No. 96, paragraphs 60-61. The following provides a high-level overview:</p> <p><u>Short-term SBITAs</u></p> <p>No balance sheet accounts are presented as neither the subscription asset nor the subscription obligation is recognized. The Statement of Revenues, Expenditures and Changes in Fund Balance (governmental fund types) or Statement of Revenues, Expenses, and changes in Fund Net Position (proprietary fund types) present program expenditures/expenses that include rental expenditures/expenses for short-term SBITAs. These amounts should be included in expenditure amounts recorded in Cardinal and summarized functionally in the Cardinal expenditure reports.</p> <p><u>Long-term SBITAs</u></p> <p>For governmental fund types, long-term subscription assets and subscription obligations are shown in the corresponding asset and liability schedules and footnotes. For non-governmental fund types, presentation will be in the relevant fund.</p> <p>The online reports available in LAS Plus provide all the relevant financial information necessary to prepare the appropriate financial information and footnotes for long-term SBITAs.</p>

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Internal Control

General

Each agency and institution should implement cost beneficial internal control procedures to ensure that:

- All SBITAs are properly classified and included in LAS Plus.
 - All rental expense and income transactions are posted in Cardinal.
 - Rent expense is reviewed and reconciled for proper disclosure.
 - Familiarity with the GASB statements is maintained and compliance with the Comptroller’s Directive Compliance Guidelines is achieved.
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Records Retention

General


Records should be maintained for a period of at least three years or longer, if necessary, to be in compliance with policies established by the Records Management Section, The Library of Virginia. The retention period generally starts at the close of the fiscal period.

For pending, ongoing or unresolved litigation, audits or claims, retain documentation until completion, resolution or negotiation of settlements and retain according to standard schedules. Provide for the periodic destruction of records not subject to permanent deposit in accordance with policies and procedures established by the Records Management Section, Virginia State Library and Archives.


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Subject Cross References

References

CAPP Topic No. 31305-LAS Plus, *Introduction*

CAPP Topic No. 70625-LAS Plus, *SBITA Reports*
