

SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENT (SBITA) MATERIALITY POLICY

1. PURPOSE

The purpose of the Subscription-Based Information Technology Arrangement (SBITA) Materiality Policy is to establish the dollar threshold at which the City of Beaumont accounts for SBITAs for external financial reporting purposes.

2. ADOPTION AND REVIEW

This policy shall be reviewed periodically for recommended revisions in order to maintain the policy in a manner that reflects the ongoing financial goals of the City of Beaumont and compliance with Generally Accepted Accounting Principles (GAAP). Finance Department management shall adopt and revise the policy as necessary.

3. POLICY

- 3.1. In accordance with Governmental Accounting Standard Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*, a SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (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 transactions. Any contract that meets this definition should be accounted for under the SBITA guidance as identified in GASB Statement No. 96.
- 3.2. Subject to certain provisions and exceptions noted in the GASB guidance, SBITAs are generally reported as a right-to-use subscription asset – an intangible asset – and a corresponding subscription liability in a government's external financial statements:
- 3.3. Effective July 1, 2024, City of Beaumont has established a materiality dollar threshold for determining the inclusion or exclusion of SBITAs in the external financial statements. At the commencement of the SBITA term, City of Beaumont will analyze the terms and provisions of the agreement (contract) in order to calculate the fixed and fixed in-substance future payments to the end of the subscription term.
 - 3.3.1 An individual agreement (contract) that generates future payments over the subscription term calculated at greater than or equal to \$25,000 will be included in the external financial statements.
 - 3.3.2 An agreement (contract) that generates future payments over the subscription term calculated at less than \$25,000 may be included in the external financial statements at the discretion of City of Beaumont Finance Department

management should it be determined that its exclusion might otherwise cause the financial statements to be incomplete or misleading in some manner.