1. Summary

1.1. The Governmental Accounting Standards Board (GASB) establishes required accounting rules and guidance that govern the development, presentation and reporting of OSU’s financial accounting information to external parties. In accordance with its authority, the GASB issued Statement No. 96 – Subscription-Based IT Arrangements (SBITA), which became effective for OSU’s fiscal year ending June 30, 2023. GASB 96 requires OSU to identify all SBITAs and account for them appropriately.

1.2. Based on GASB 96, this policy provides guidelines for identifying, valuing, accounting and reporting SBITA software contracts, agreements and transactions in OSU’s financial statements and underlying accounting system.

1.3. All budget authorities, managers, supervisors and any employee responsible for establishing or processing transactions relating to software purchases and contracts should be informed and understand this rule.

2. General Requirements

2.1. Basic GASB 96 criteria for Right of Use (ROU) asset and liability recognition includes the following:

2.1.1. Control: The contract conveys control of the right to use another party’s IT software asset, which is represented by the right to obtain the present service capacity, and the right to determine the nature and manner of use of the asset.

2.1.2. Exchange Transaction: The SBITA must be executed on an exchange or exchange-like basis.

2.1.3. Noncancelable: The SBITA must be noncancelable for the specified term.

2.1.4. Term: The SBITA contract term must be longer than 12 months or include options to extend that exceed 12 months when aggregated with the stated term.

2.1.5. Parties to the Agreement: The SBITA must be between OSU and external legal entities, and not between internal OSU units.

2.1.6. GASB 96 does not apply to agreements related to:
a) Computer hardware leases

b) Contracts that meet the definition of a public-private or public-public partnership as defined in GASB Statement No. 94, Public-Private and Public-Public Partnerships and Availability Arrangements

c) Licensing arrangements that provide a perpetual license to use a vendor’s IT software

2.2. Stages of SBITA Implementation

2.2.1. Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages and their costs should be accounted for accordingly:

a) Preliminary Project Stage: includes activities such as evaluating alternatives, determining needed technology and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred.

b) Initial Implementation Stage: includes all ancillary charges necessary to place the subscription asset into service. Outlays in this stage will be capitalized as an addition to the subscription asset. The implementation stage ends when the first module of a software application is put into service.

c) Operation and Additional Implementation Stage: includes subsequent implementation activities, maintenance and other activities for ongoing operations related to the SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria.

d) Training expenses are always expensed as incurred.

2.3. SBITAs that meet GASB 96 Criteria

2.3.1. When a SBITA meets criteria and qualifies under GASB 96, an ROU asset and a related liability are reported in the university’s Statement of Net Position (SNP) in the financial statements.

2.3.2. ROU assets are recorded at an amount equal to the liability plus payments made to the vendor at or before commencement of the contract, plus any capitalizable initial implementation costs.

a) Payments made before the commencement of the subscription term as well as payments made for the capitalizable initial implementation costs before the commencement of the subscription term should be reported as a prepayment (CIP asset).
2.3.3. ROU assets are amortized to expense on a straight-line basis and credited to ROU SBITA Accumulated Amortization over the contract term.

2.3.4. SBITA liabilities are calculated at the Present Value (PV) of total payments required over the term of the contract, based on the discount rate explicitly stated in the SBITA contract or as determined by the OSU Treasury Office.

2.3.5. SBITA payments are recorded as SBITA expense and SBITA interest expense over the contract term.

2.3.6. SBITA liabilities are reduced over the contract term by the periodic SBITA expense payment portion.

2.4. Application of GASB 96 Criteria

2.4.1. SBITA contracts cancelable by both parties with less than one year’s notice are considered cancelable and therefore do not meet GASB 96 criteria.

2.4.2. SBITA contracts exclusively cancelable by OSU are generally considered cancelable unless the contract has a sustained history of extensions or renewals, has never been terminated by OSU and the other party is a key partner of the university.

2.4.3. SBITA contracts exclusively cancelable by the non-OSU party to the contract are considered cancelable unless there is a documented understanding from the other party that the contract will not be cancelled.

2.4.4. Only SBITA contracts that meet GASB 96 criteria and have a calculated present value of a SBITA Payable greater than $100,000 are recorded as assets and reported in the Statement of Net Position.

3. Required Process

3.1. Roles and Responsibilities

3.1.1. Procurement Contracts and Materials Management (PCMM)

   a) Executes SBITA contracts/agreements.

   b) Ensures compliance with policy and regulatory procurement governance.

   c) Maintains all SBITA contracts/agreements in the BennyBuy system.

3.1.2. Controller’s Unit, Financial Accounting and Reporting (FAR)

   a) Administers SBITA accounting chart in Enterprise Resource Planning (ERP) system.
b) Ensures SBITA accounting complies with GASB 96 and Generally Accepted Accounting Principles (GAAP).

c) Creates and administers SBITA records for all contracts/agreements that meet GASB 96 criteria, including meeting the $100,000 threshold for the present value of total SBITA payments.

d) Calculates financial statement and note disclosures for all SBITAs that meet GASB 96 criteria.

e) Reconciles Visual Lease (VL) system records to ERP financial records.

3.1.3. Financial Strategic Services (FSS)

a) Administers IT contracts for OSU IT units.

b) Identifies IT contract prepayments and records Prepaid asset entries for IT contracts with terms that exceed one year.

c) Submits listing of Prepaid IT contracts to the FAR team prior to the end of each fiscal year.

3.2. New SBITA Agreements

3.2.1. In advance of entering into a legally binding contract for a new SBITA software application, an OSU unit must contact:

a) PCMM for contracting guidance and approval

b) FAR for guidance on appropriate ERP SBITA accounting
   • Determination of whether the contract is subject to GASB 96 criteria.
   • To report changes to indexes charged for SBITA payments on GASB 96 qualifying contracts.

3.3. SBITA Payments

3.3.1. Software contracts that meet GASB 96 Criteria

a) The portion of SBITA payments representing the monthly or annual payment is posted to SBITA expense account code 24203.

b) The following SBITA-related account codes are needed infrequently and are used exclusively by Financial Accounting and Reporting (FAR): 24265-SBITA Incentive Expense and 24266-SBITA Termination Penalty.
c) Redistributions of SBITA expense to another index must use the same account codes for the debits and credits.

3.3.2. Software contracts that do not meet GASB 96 Criteria

a) The full payment amount is posted to 24103 Software Rental Costs.

b) Payments for SBITA arrangements where both parties are internal to OSU are also posted to 24103.

3.4. SBITA Administration and Accounting Application

3.4.1. OSU utilizes VL as its SBITA administration and accounting application.

3.4.2. SBITA payments are recorded in ERP and subsequently reconciled to associated VL records during the fiscal year-end close process.

3.4.3. VL administrator access is provided to FAR for system management.

4. Related Information

4.1. Please check with your supervisor for unit-level procedures related to this rule and other resources that may not be listed below.

4.2. University Policy 03-100 Fiscal Policy Program Authority

4.3. Fiscal Policy-Rule 03-150-411 Equipment Acquisitions

4.4. Exhibit 003-02 Account Codes (242xx SBITA Expenses; 28808 SBITA Interest Expense; 808xx SBITA Amortization Expense; A50xx Prepaid Expenses; A8290 SBITA ROU Assets; B2xxx Contract Liabilities)

4.5. GASB 96

4.6. Definitions of Terminology

4.7. Frequently Asked Questions (FAQs)

5. History

5.1. Original Issue Date: June 1, 2024

5.2. Previous Versions: None

5.3. Next Scheduled Review Date: June 1, 2029
5.4. Current Review Documentation:
   5.4.1. Stakeholder Feedback: Financial Reporting Manager; PCMM; Policy Committee; CUL; CLA
   5.4.2. Policy Steward Approval: 04/24
   5.4.3. Controller Approval: 04/24

6. Contacts

6.1. Policy Steward: Director of Financial Accounting & Reporting (contact info)

6.2. Program: Fiscal Policy Officer (contact – for program inquiries only)