

GASB Update

GASB Update – New Standards

- GASB 94, *Public-Private and Public-Public and Availability Payment Arrangements* (fiscal years beginning after June 15, 2022)
- GASB 96, *Subscription-Based Information Technology Arrangements (SBITAs)* (fiscal years beginning after June 15, 2022)
- GASB 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Comp. Plans* (fiscal years beginning after June 15, 2021)

GASB Update – New Standards

GASB 99, Omnibus 2022 (certain provisions applicable for fiscal years beginning after June 15, 2022)

GASB 100, Accounting Changes and Error Corrections – an amendment of GASB 62 (fiscal years beginning after June 15, 2023)

GASB 101, Compensated Absences (fiscal years beginning after December 15, 2023)



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GASB 94 – PPP's

- Agreements can be considered public-private or public-public partnership arrangements
- PPP provisions are very similar to leases
- Not something we will likely see with any District's in the State of Wisconsin



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GASB 94 – PPP's

PPP

An arrangement in which a government transferor contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction.

Lease

A contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction.

Contrasts:

PPPs

Leases

Purpose/use of underlying asset:	To provide public services	v.	As specified in the contract
Ownership of underlying asset:	[unspecified]	v.	Another entity's asset
Control conveyed:	Right to operate or use	v.	Right to use



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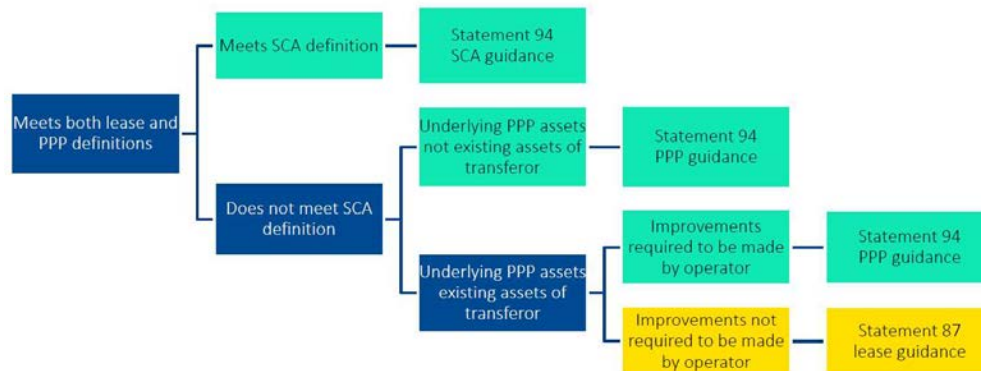
GASB 94 – PPP-s

	PPPs	Leases
Parties	<ul style="list-style-type: none"> Transferor – Always a government Operator – May be a government 	<ul style="list-style-type: none"> Lessor Lessee
Liability	PPP liability (and, in some cases, liability to transfer underlying PPP asset)	Lease liability
Intangible Right-to-Use Asset	Right-to-use asset	Lease asset
Underlying Asset	Underlying PPP asset	Underlying asset
Receivable	PPP receivable (and, in some cases, receivable for underlying PPP asset)	Lease receivable
Deferred Inflow of Resources	Deferred inflow of resources from PPP (and, in some cases, deferred inflow of resources for receipt of underlying PPP asset)	Deferred inflow of resources from lease



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GASB 94 – PPP's



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GASB 96 – SBITAs

Definition –

SBITA

A contract that conveys control of the right to use another party'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.

Lease

A contract that conveys control of the right to use another entity's **nonfinancial asset** as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE: Excludes contracts where software component is insignificant



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GASB 96 - SBITAs

Evaluation –



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GASB 96 - SBITAs

Terminology –

	SBITAs	Leases
Parties	<ul style="list-style-type: none">▪ Vendor*▪ Government	<ul style="list-style-type: none">▪ Lessor▪ Lessee
Intangible Right-to-Use Asset	Subscription asset	Lease asset
Underlying Asset	Underlying IT assets	Underlying assets
Liability	Subscription liability	Lease liability



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GASB 96 - SBITAs

Many provisions same or similar to those for lease

- Determination of subscription term
- Identification and requirements for short-term SBITAs (remember to evaluation 1 year or greater)
- Measurement and amortization of subscription liability (need to record at present value)
- Amortization of subscription asset
- Governmental fund accounting (similar to leases – OFS for SBITA and related expense)
- There must be an exchange or exchange-like transaction



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GASB 96 - SBITAs

Additional items to consider:

- Changes? – Circumstances that would require re-measurement of the subscription liability
- Agreements with multiple components
- Contract combinations
- Modifications to an existing subscription agreement
- Termination of an existing subscription agreement
- Disclosures



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GASB 96 - SBITAs

- **GASB S-96 does not apply to the following:**
 - **Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, *Leases*,**
 - **Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs**
 - **Contracts that meet the definition of a public-private and public-public partnership in paragraph 5 of Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements***
 - **Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software, which are subject to Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, as amended.**



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GASB 96 - SBITAs

- **Subscription Term** – the period during which the government has a noncancellable right to use the underlying IT asset (non-cancellable period) *plus*:
 - *Periods covered by a government's option to extend the SBITA if it is reasonably certain that the government will exercise that option*
 - *Periods covered by a government's option to terminate the SBITA if it is reasonably certain that the government will NOT exercise that option*
 - *Periods covered by a SBITA vendor's option to extend the SBITA if it is reasonably certain that the SBITA vendor will exercise that option*
 - *Periods covered by a SBITA vendor's option to terminate the SBITA if it is reasonably certain that the SBITA vendor will NOT exercise that option*



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GASB 96 – SBITAs

Short Term

- Noncancellable period is less than 12 months
- If either party has the right to terminate without approval from the other party, that period of time should not be included in the noncancellable period
- Short term SBITA payments should be recognized as an out-flow or resources (expense) based on provisions of the contract
- No intangible asset or subscription liability are recognized



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GASB 96 – SBITAs

Recognition and Measurement

- **Accrual basis/economic resources**
- **Recognize a subscription liability and an intangible right-to-use asset at the commencement of the subscription term**
- **The subscription liability should be measured at the present value of subscription payments expected to be made during the subscription term. Measurement of the subscription liability should include the following, if required by a SBITA**
 - Fixed payments
 - Variable payments that depend on an index or rate
 - Variable payments that are fixed in-substance
 - Any subscription contract incentives receivable from the SBITA vendor
 - Any other payments to the SBITA vendor associated with the SBITA contract that are reasonably certain of being required based on an assessment of all relevant factors
- **The liability should be discounted using the interest rate that the vendor charges the government**



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GASB 96 - SBITAs

Recognition and Measurement (continued)

- **Accrual basis/economic resources**
- **The intangible right-to-use subscription asset should be measured at the commencement of the subscription term as the sum of:**
 - The initial measurement of the subscription liability
 - Payments associated with the SBITA made to the vendor at the commencement of the subscription payments term, if any
 - Capitalizable initial implementation costs
- **The subscription asset should be amortized in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT assets**
 - The amortization of the subscription asset should be reported as an outflow of resources (for example, amortization expense), which may be combined with depreciation expense related to other capital assets for financial reporting purposes
 - Amortization should begin at the commencement of the subscription term



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GASB 96 - SBITAs

Measurement of Subscription Asset

Liability for PV of future payments

+ Payments made at, or prior to, beginning of the subscription term

- Any SBITA vendor incentives paid at, or prior to, beginning of the subscription term

+ *Certain* capitalizable implementation costs

= Subscription asset

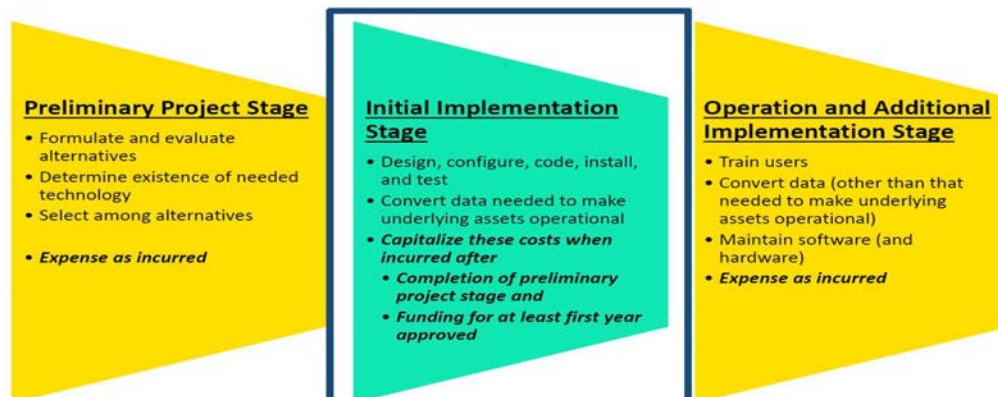
Like
leases



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GASB 96 - SBITAs

Capitalizable Costs:



GASB 96 - SBITAs

Recognition and Measurement

- **Financial Statements Prepared Using the Current Financial Resources Measurement Focus**
 - An expenditure and other financing source should be reported in the period the subscription asset is initially recognized.
 - Subsequent governmental fund subscription payments should be accounted for consistent with principles for debt service payments on long-term debt.

GASB 96 - SBITAs

Disclosures

- **A general description of its SBITAs, including the basis, terms, and conditions on which variable payments not included in the measurement of the subscription liability are determined**
- **The total amount of subscription assets, and the related accumulated amortization, disclosed separately from other capital assets**
- **The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the subscription liability**
- **The amount of outflows of resources recognized in the reporting period for other payments, such as termination penalties, not previously included in the measurement of the subscription liability**
- **Principal and interest requirements to maturity, presented separately, for the subscription liability for each of the five subsequent fiscal years and in five-year increments thereafter**



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GABS 97 - Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

- **What: GASB issued S-97 to change the criteria for including certain employee benefit plans as component units and improvements to Statement 32 on IRC Section 457 plans**
- **Why: Some 457 plans have characteristics have changed due, in part, to changes in the IRC; questions been raised about whether certain employee benefit plans should be included as component units**
- **When: Effective dates vary by topic**



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GABS 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

Component Unit Criteria

- For purposes of determining whether a primary government is financially accountable, the absence of a governing board (when the government is perform the duties a governing board normally would perform) should be treated the same as the appointment of a voting majority of a governing board, *except for defined contribution (DC) pension plans, DC OPEB plans, or other employee benefit plans*
- The criterion that a legal obligation to contribute (or otherwise assuming the obligation) is considered to be a financial burden applies only to defined benefit plans



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GABS 97 – Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans

IRC 457 Plans

- All requirements relevant to pension plan reporting should be applied to Section 457 plans that meet the definition of a pension plan
- All requirements relevant to pensions should be applied by employers to benefits provided through Section 457 plans that meet the definition of a pension plan
- Investments should be valued as of the end of the reporting period (allowance to use the most recent report of the plan administrator is eliminated)



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GASB 99 – Omnibus 2022

- Effective dates vary by topic
- Topics covered:
 - Non-hedging, non-investment derivatives instruments
 - Termination of hedge accounting
 - Exchange or exchange-like financial guarantees
 - Lease clarifications
 - Public-private and public-public partnerships (PPPs) clarifications
 - SBITA clarifications



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GASB 99 – Omnibus 2022

- Topics covered (continued):
 - Extension of LIBOR as an appropriate benchmark interest rate
 - Supplemental Nutrition Assistance Program (SNAP) benefit distribution
 - Nonmonetary transaction disclosures
 - Pledges of future revenues
 - Focus of government-wide financial statements
 - Terminology updates



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GASB 99 – Omnibus 2022

- Lease clarifications
 - Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter
 - For purposes of determining the term of a lease:
 - A termination option must be unconditional
 - Not a right to terminate only under certain circumstances (non-appropriation) or upon occurrence of certain events (violation by counterparty)
 - Lease term should exclude the period after a purchase option is reasonably certain to be exercised



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GASB 99 – Omnibus 2022

Lease clarifications (continued)

- Identifying short-term leases (those with a maximum possible term of 12 months or less)
 - Cancelable periods
 - Are those for which *both* the lessor and the lessee
 - Have the option to terminate without permission from the other party, or
 - Must agree to extend the lease
 - Are excluded from the maximum possible term of a lease
 - A lease previously determined to be short-term that has been modified to extend the initial maximum possible term should be reassessed
 - Measure term from *original inception* to new termination date
 - If lease is no longer short-term, measure lease receivable or liability as of modification date

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GASB 99 – Omnibus 2022

Lease clarifications (continued)

- Variable payments included in lease liability (lessee) or lease receivable (lessor) are only those that:
 - Are fixed in substance, or
 - Depend on an index or a rate
- Lease liability or lease receivable should not be remeasured solely for a change in an index or a rate used to determine variable payments



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GASB 99 – Omnibus 2022

Lease clarifications (continued)

- Discount rate used in determining lease liability *should not* be reassessed solely for a change in lessee's incremental borrowing rate
- Lease incentives
 - Equivalent to a rebate or a discount
 - Include:
 - Assumption of/agreement to pay lessee's preexisting lease obligations
 - Rent holidays
 - Other reimbursements of lessee costs
 - Reductions of principal or interest charges by the lessor



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GASB 99 – Omnibus 2022

SBITA Clarifications

- Effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter
- For purposes of determining the term of a subscription:
 - A termination option must be unconditional
 - Not a right to terminate only under certain circumstances (non-appropriation) or upon occurrence of certain events (violation by counterparty)



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GASB 99 – Omnibus 2022

SBITA Clarifications (continued)

- Identifying short-term SBITAs (those with a maximum possible term of 12 months or less)
 - A SBITA previously determined to be short-term that has been modified to extend the initial maximum possible term should be reassessed
 - Measure term from *original inception* to new termination date
 - If SBITA is no longer short-term, measure lease receivable or liability as of modification date



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GASB 100 – Accounting Changes and Error Corrections

- Effective for fiscal years beginning after June 15, 2023
- New requirements and clarifications for three types of accounting changes and the correction of errors affect:

Reporting (Recognition and Display)	Disclosures	Required Supplementary Information	(Other) Supplementary Information
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- Scope excludes first-time adoption of GAAP financial reporting framework



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GASB 100 – Accounting Changes and Error Corrections

Nature of Changes

Changes in Accounting Principle	Changes in Accounting Estimate	Changes To or Within the Reporting Entity
<ul style="list-style-type: none"> • Change from one GAAP principle to another • New principle must be <i>preferable</i> (understandability, reliability, relevance, timeliness, consistency, or comparability) • Default treatment for new GASB pronouncements 	<ul style="list-style-type: none"> • Changes to the inputs used for an estimate • Result from a change in circumstance, new information, or more experience • General guidance applies in the absence of specific guidance (e.g., actuarial assumptions) 	<ul style="list-style-type: none"> • Changes to <i>or within</i> the financial reporting entity • CU added or removed (exceptions apply) • CU reclassified between blended (BCU) and discretely presented (DPCU) • Fund added or removed (movement of <i>continuing operations</i> within PG & BCUs) • Fund reclassified between major and nonmajor (<i>other than</i> based on threshold)



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GASB 100 – Accounting Changes and Error Corrections

Application of an accounting principle to transactions or other events of a similar type that's different from the previously applied principle

Circumstances	Classification
<ul style="list-style-type: none">• Previous principle conformed to GAAP,• Amount was previously significant, and• New principle is preferable	Change in accounting principle
<ul style="list-style-type: none">• Previous principle <i>did not</i> conform to GAAP and• Amount was previously significant	Correction of an error
<ul style="list-style-type: none">• Previous principle <i>did not</i> conform to GAAP and• Amount was previously <i>not</i> significant	Neither an accounting change nor a correction of an error



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GASB 100 – Accounting Changes and Error Corrections

Disclosures

- Summary disclosure, in a tabular form, of effects on beginning position of the earliest period adjusted or restated for *each*
 - Change in accounting principle (including implementations of new pronouncements),
 - Change to or within the financial reporting entity, and
 - Error correction
- Individual disclosures as well for each type of accounting change and for error corrections



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GASB 101 – Compensated Absences

Effective for fiscal years beginning after December 15, 2023

○ Compensated absences

- Includes leave for which employees may receive:
 - Cash payments when leave is used for time off (pay in period)
 - Other cash payments, such as payment for unused leave at end of employment
 - Noncash settlements, such as conversion to defined benefit (DB) pension and other postemployment benefits (OPEB, and, together with pension, collectively PEB)
- Certain salary-related payments
- NOTE: Payment or settlement can occur during, or upon termination of, employment



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GASB 101 – Compensated Absences

Examples of leave (recognition rules differ)

- Vacation (annual) leave
- Sick leave
- Paid time off
- Holidays
- Parental leave
- Bereavement leave
- Military leave
- Jury duty
- Unrestricted sabbatical leave



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GASB 101 – Compensated Absences

- When do we have a compensated absence liability for unused leave?
 1. Does the absence accumulate?
 2. Is the absence attributable to services already rendered?
 3. Is it *more likely than not* to be either paid or settled through other means?
 - Employment policies for compensated absences
 - Eligible for use or payment/settlement in the future
 - History of use, payment or forfeiture
 - Information indicating history may not be representative of future trends or patterns
- General rule
 - Recognize liability for leave and associated salary-related payments *when leave is earned*



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GASB 101 – Compensated Absences

- Effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter
- Early adoption encouraged
- Follow GASB Statement No. 100 guidance for a change in accounting principle
 - Restate all prior periods presented, if practicable
 - If not practicable, disclose why not
 - Restate beginning position for earliest year restated for cumulative effect
 - Each prior period should be restated to reflect period-specific effects
 - Disclose nature of change, financial statement line items affected, and identify the pronouncement implemented



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Questions?

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