

12:15 – 1:55 p.m.

ESF Updates, Auditing Overview & WISEgrants Tips

Brianna Pero, *Grants Specialist - Advanced, Wisconsin Department of Public Instruction*

Josie Smith, *Federal Fiscal Monitoring Consultant, Wisconsin Department of Public Instruction*

ESF Updates, Auditing Overview, and WISEgrants Tips

Brianna Pero, Grants Specialist - Advanced

Josie Smith, ESSER Federal Fiscal Monitoring Consultant

May 25, 2023



Learning Outcomes

1. Education Stabilization Fund (ESF) Overview and Updates
 2. Single Audit Overview & Common Findings
 3. WISEgrants Tips & Tricks for Auditors
-

ESF Overview & Updates



Stimulus Funds Overview

CARES Act

ESSER I & GEER
3/13/2020 -
9/30/2022

CRRSA Act

ESSER II
3/13/2020 -
9/30/2023

ARP Act

ESSER III, EBIS, Out of School Time, Summer
School, LETRS, and Reading Initiatives
3/13/2020 -
9/30/2024

Crisis
Response

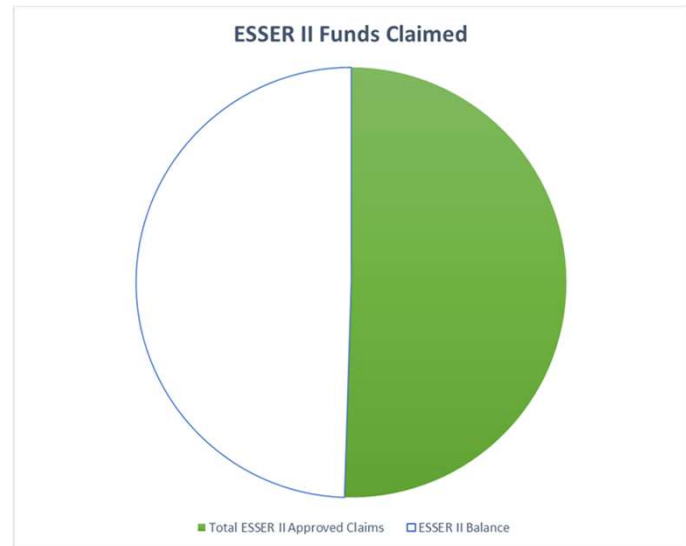
Resume /
Sustain
In-person
Instruction

Recovery
and Address
Unfinished
Learning

Activities must prevent, prepare for, and respond to COVID-19

ESSER II Statistics

- 450 subrecipients
- \$685 million awarded
 - \$345 million claimed (50%)
 - \$340 million balance (50%)
- Obligations through September 30, 2023
- Final Claims due by December 30, 2023



Claims data through February 8, 2023

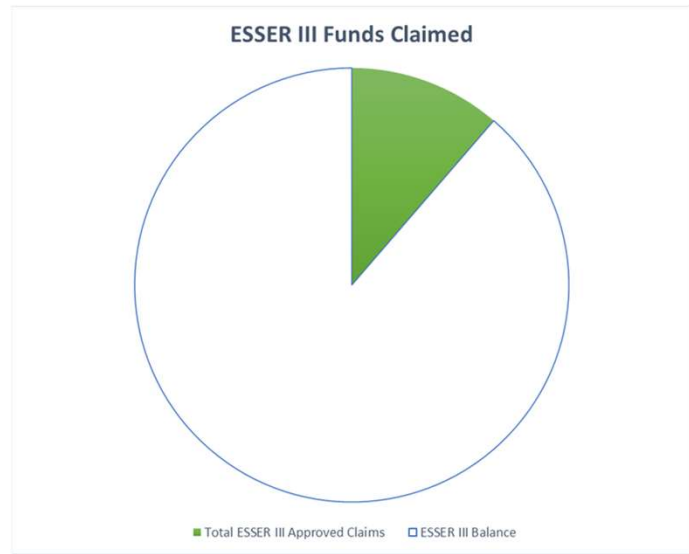
ARP Act



ESSER III Formula Grant *20% must be spent on EBIS	EBIS Grant *100% must be spent on EBIS	Supplemental funds based on in-person learning
Out of School Time Grant	Summer School Grant	Reading Grants (Including LETRS)
Grants to state schools	Grants to CCDEBs	Educator preparation programs

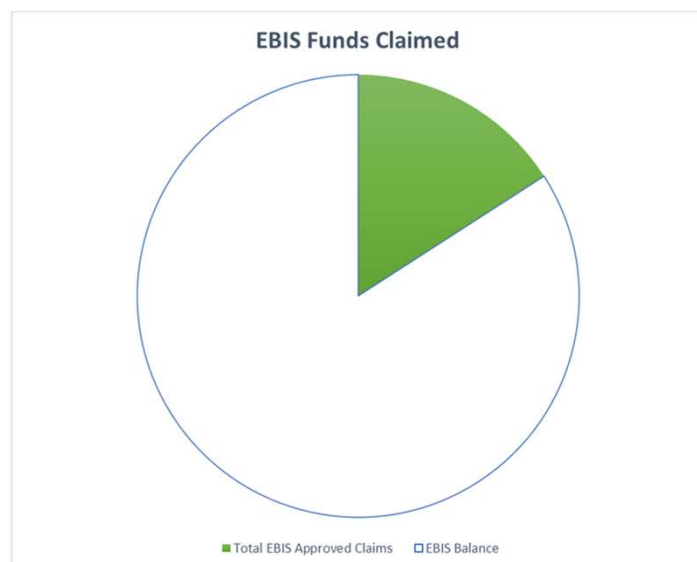
ESSER III + Supplemental Funds Statistics

- 454 subrecipients
- \$1.427 billion awarded
 - \$161 million claimed (11%)
 - \$1.265 billion balance (89%)
- Available through September 30, 2024



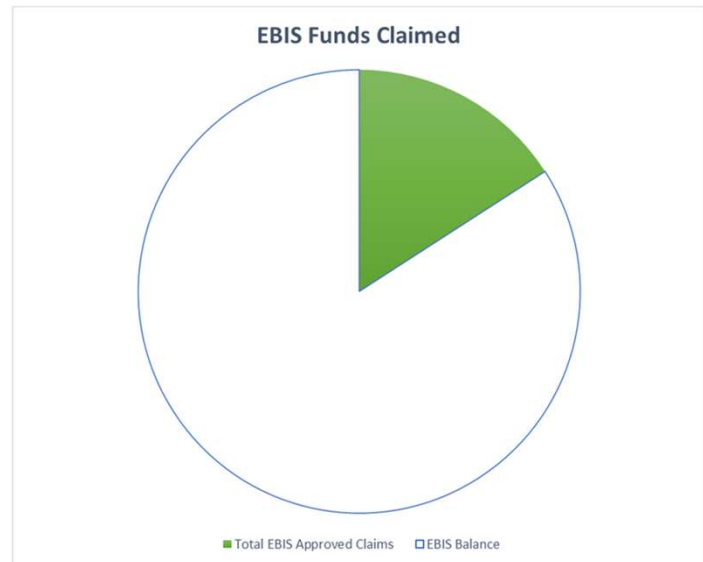
EBIS Statistics

- 132 subrecipients
- \$67 million awarded
 - \$10.6 million claimed (16%)
 - \$56.4 million balance (84%)
- Available through September 30, 2024



LETRS Statistics

- 132 subrecipients
- \$67 million awarded
 - \$10.6 million claimed (16%)
 - \$56.4 million balance (84%)
- Available through September 30, 2024



Claims data through February 8, 2023

LETRS Grant



- Funding for Language Essentials for Teachers of Reading and Spelling (LETRS) training or another program endorsed by the Center for Effective Reading Instruction as an Accredited Independent Teacher Training Program.
- First invitation for LEAs & CESAs - July 2022
- Potential opportunity for LEAs and CESAs in 2023

Out of School Time (OST) Grant



- Programs must address academic, social, emotional, and mental health needs of students most impacted by the COVID-19 pandemic
- LEAs and CBOs awarded funds through competitive grant process (Fall 2022)
- Examples: Mentoring, Tutoring, Programs for individuals with disabilities, Programs for English learners

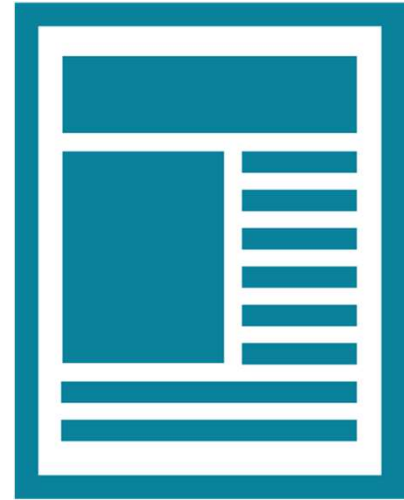
Summer School Grant



- Programs address the academic, social, emotional, and mental health needs of students most impacted by the COVID-19 pandemic through high quality and evidence-based summer learning programs
- LEAs will be awarded funds through a competitive grant process (February 2023)
- Examples of allowable activities: Programs that build STEM skills, Remedial education, Art & Music Programming

ESF Annual Reports

- ESSER and GEER reporting due March 31, 2023
- Data collection through WISEgrants
Programs > ESF Reporting >
ESSER or GEER Reporting
- Bulk of reporting data comes from ESSER and GEER budgets and claims
- Resources available:
FAQ, workbook, summary of changes



ESF Transparency Portal



ESSER and WISEgrants Fiscal Years

Grant	Available through	WISEgrants Fiscal Year
ESSER I	September 2022	2020-2021
GEER	September 2022	2020-2021
ESSER II	September 2023	2021-2022
ESSER III; EBIS	September 2024	2021-2022

Allowable Cost Update

US Department of Education updated their [ESSER and GEER FAQ Document](#) in December of 2023

Provides updated guidance on allowable costs



Allowable Cost Update

- In determining whether an activity is an allowable use of funds, a State of LEA must determine:
 1. If the use of funds is intended to prevent, prepare for, or respond to COVID-19, including its impact on the social, emotional, mental health, and academic needs of students
 2. If the funds fall under one of the authorized uses of ESSER or GEER funds
 3. If the use of funds is allowable under the Uniform Grant Guidance, 2 CFR Part 200 and if it is necessary and reasonable to the performance of the ESSER or GEER award

Allowable Cost Update

- An expense is an authorized use if it falls into one of the categories below:
 1. Preparedness and Response to COVID-19
 2. Addressing Long-term School Closure
 3. Educational Technology
 4. Outreach & Service Delivery to Special Populations
 5. Addressing Afterschool and Summer Learning
 6. Mental Health Services and Support

[For additional information, see ESSER Funds \(I, II, and III\) Guidance on Public Allowable Costs](#)

Allowable Cost Update

- **Additional [ARPA ESSER III](#) Requirements:**

1. Safe Return to In-Person Instruction and Continuity of Services Plan
2. Reservation to Address the Academic Impact of Lost Instruction Time
 - 20% Evidence Based Improvement Strategies (EBIS) Requirement
3. [Maintenance of Equity](#)
4. [LEA Plan for Use of ARP ESSER Funds](#)

[For additional information, see ESSER Funds \(I, II, and III\) Guidance on Public Allowable Costs](#)

Allowable Cost Update

- **[ESSER III 20% EBIS and EBIS Grant Requirements](#)**

1. 20% of the ESSER III Formula Grant allocation and all of the EBIS Grant allocation must go towards EBIS
2. The Updated FAQ outlines that costs associated with implementing the EBIS are also allowable towards this requirement
 - a. For example, travel to an evidence-based professional development is allowed



Allowable Cost Update

- **Construction**

- Construction is allowable and includes new construction, remodeling, renovations, and repairs
- While allowable, USDE discourages using funds for new construction due to the short timelines of ESSER and GEER grants and because the funds may limit an LEA's ability to support other needs or initiatives
- Extensive requirements around using ESSER funds for construction, including [Davis-Bacon](#), UGG, and all applicable regulations regarding construction at 34 CFR 76.600 and 75.600-618

Allowable Cost Update

- **Construction**

- Examples of allowable remodeling and construction include:
 - Improvements to a school facility to improve indoor air quality
 - Creating a learning environment that sustains social distancing
 - Renovations that allow an LEA to clean effectively
- **Not** allowable:
 - Swimming pools, playing fields, etc.
- Minor Remodeling VS Construction

Allowable Cost Update

- **Additional allowables:**

- Supporting costs for utilities or gasoline when it is necessary to maintain operation and continuity of services in the LEA
- Student fees for activities such as art, music, and theater classes to ensure equitable access or to support activities for all students
- Activities that stabilize and support the educator workforce
- Costs that provide students with safe, healthy, and supportive learning environments

Allowable Cost Update

- **Purchasing and installing a video system for security purposes is allowable if the following additional requirements and considerations are met:**

- Privacy Considerations
- Civil Rights Considerations
- Additional Policy Considerations

ESSER Update Summary

ESSER and GEER funds have a broad usages, but all funds must tie to preventing, preparing for, and responding to COVID-19

With the influx of ESSER and GEER funds, more LEAs than ever are exceeding the Single Audit threshold



Single Audit



Who needs to complete the single audit?

LEAs that expend more than \$750,000 in total federal awards are subject to the audit requirements of Uniform Guidance ([2 CFR 200.501\(b\)](#)).



Single Audit

Stimulus Funds brought LEAs to \$750,000 Single Audit threshold

- 275 LEAs completed Single Audit for 20-21
- 344 LEAs completed Single Audit for 21-22
 - Most of these LEAs have never been through the Single Audit Process



WISCONSIN DEPARTMENT OF
Public Instruction
Jill K. Underly, PhD, State Superintendent

OMB Compliance Supplement

- [2022 Compliance Supplement](#)
(May 11, 2022)
- [Office of Federal Financial Management](#)



8 Parts of the Compliance Supplement

1: Background,
Purpose,
Applicability

2: Matrix of
Compliance
Requirements

3: Compliance
Requirements

4: Agency
Program
Requirements

5: Cluster of
Programs

6: Internal
Controls

7: Guidance for
Auditing
Programs

8: Appendices

Auditee Responsibilities



Section 200.508-512

- 200.508 – Audit responsibilities
- 200.509 – Auditor selection
- 200.510 – Financial statements
- 200.511 – Audit findings follow-up
- 200.512 – Report submission

Written Procedures

LEAs are required to have written procedures for:

- Allowable Costs
- Cash Management
- Purchasing and Conflict of Interest

The procedures are the district's internal steps for ensuring that only allowable costs will be charged to the grant.



[Uniform Grant Guidance Written Procedures](#)

Time and Effort Reporting

Time and Effort Reporting Documentation:

- LEAs that are charging salary and wage expenses to the federal stimulus funds will need to record Time and Effort.
- The level of documentation:
 - Depends on the job responsibilities of employee
 - Grant objectives
- Determine if the employee(s) are a single or multiple cost objective
- Written Procedures

Supplement, not Supplant

The philosophy that federal funds should be used for new or additional costs and not be used to reduce the amount the subrecipient was already spending locally on the program's objectives.

How this concept is tested varies among the Federal programs.

Cash Management

- LEAs must establish written procedures for cash management.
- Auditors will test to ensure that the procedures are followed ([2 CFR section 200.302\(b\)\(6\)](#)).
- Documentation must include procedure to request reimbursement for only allocable, allowable, and reasonable contract costs that have already been paid.



Equipment and Real Property

[Equipment and Real Property](#): non-federal entities must follow [2 CFR sections 200.313\(c\)-\(e\)](#)

Written procedures for:

- Inventory
- Property records
- System of control
- Disposal of equipment
- Property once the grant period ends

Construction

- [Technical Assistance Document and Presentation Resources](#)
- Construction vs Minor Remodeling
- [Davis-Bacon and Related Acts](#)
- Construction Services Budgeting
 - Assurances
 - Requirements
- Discuss construction projects with your LEA's legal counsel



Davis-Bacon and Related Acts

[Davis-Bacon and Related Acts](#)

- All contracts involving labor that exceed \$2,000
- locally prevailing wage and benefits
- pay covered workers weekly
- weekly certified payroll records
- Davis-Bacon wage determination posted on the job site
- Davis-Bacon labor standards clauses included in LEA contracts



Procedures for Procurement

The district must maintain sufficient records to detail the history of procurement. Records must include at a minimum: 200.318(i)

- [Rationale for the method of procurement](#)
- Selection of contract type
- Contractor selection or rejection
- The basis for contract price



Procurement Suspension & Debarment

- Follow procurement procedures
- Procurements made with federal funds were made in compliance with the federal regulations for procurement.
- LEAs verified that their vendors were not suspended, debarred, or otherwise excluded.
- WISEgrants assurances



Equitable Participation

Equitable Participation of Private School Children Cross-Cutting Audit Objectives:



- Documentation of timely consultation with the private school
- Review program expenditure and other records to verify that educational services that were planned were provided.



- Calculation of private school share
- Written contracts for third party providers should:
 - Describe the services to be provided
 - Provide that the agency, consortium, or entity retains ownership of materials, equipment, and property purchased with Federal funds

Auditors access to WISEgrants

WISEgrants for Auditors technical assistance document

- Subaward document
- Assurances
- Construction info
- Private school forms
- NVL audit report



ESSER and WISEgrants Fiscal Years

Grant	Available through	WISEgrants Fiscal Year
ESSER I	September 2022	2020-2021
GEER	September 2022	2020-2021
ESSER II	September 2023	2021-2022
ESSER III	September 2024	2021-2022



Identifying the Subaward in WISEgrants

WISEgrants Wisconsin Information System for Education Federal Grants Portal

ARRA

Home Admin Menu Programs Reports Message Board (2) 2021-2022

Grant Award Report for - 2021-2022

Act Name	IDEA	Grant Award Document
ARRA	Certification and Assurances	Grant Award
ARRA	Title I	Grant Award
ARRA	Title II	Grant Award
ARRA	Detailed Ledger Report	Grant Award
ARRA	Subrecipient Authorizers	Grant Award
ARRA	Subrecipient WISEgrants Administrators	Grant Award
ARRA	Grant Sub-Budget Summary	Grant Award
ARRA	Grant Award Report	Grant Award
ARRA	ESSER Tydings Report (2021-2022)	Grant Award
ARRA	IDEA Tydings Report (2021-2022)	Grant Award
ARRA	WJFAR Combinations by Grant	Grant Award
ARRA	ESSER III LEA Plan Report	Grant Award



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 For telephone accessibility for those who are deaf, deafblind, or hard of hearing, visit www.wisconsinrelay.com
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Grant Assurances

Home ▾ Admin Menu ▾ Programs ▾ Authorizations ▾ Reports ▾ Message Board (4) 🔍 2021-2022 ▾

Documents To Be Authorized

Drag a column header and drop it here to group by that column

Act ▾ Grant ▾ Document Name ▾ Parent Document ▾

2021-2022 Authorized Documents

Drag a column header and drop it here to group by that column

Act ▾	Grant ▾	Document Name ▾	Authorized By ▾	Date Authorized ▾	
ARPA	ARP Homeless Children and Youth II	ARP HCY II Certifications and Assurances		02/28/2022 13:59:13	View Authorization

Construction Assurances

Home ▾ Admin Menu ▾ Programs ▾ Application ▾ Authorizations ▾ Reports ▾ Message Board (9) 🔍 2021-2022 ▾

Documents To Be Authorized

2021-2022 Authorized Documents

Drag a column header and drop it here to group by that column

Act ▾	Grant ▾	Document Name ▾	Authorized By ▾	Date Authorized ▾	
ARPA	Elementary and Secondary School Emergency Relief Fund III	ARP Act Construction Assurances		03/10/2022 13:07:45	View Authorization ✕

Private School Affirmation Forms

Home ▾ Admin Menu ▾ Programs ▾ Authorizations ▾ Reports ▾ Message Board (4) 🔍 2020-2021 ▾

ARPA ▾
 CARES Private ▾ CARES Act ▾ Private School Affirmation Forms
 Carl D. Perkins Act ▾

CARES Private School Affirmation Forms

ESSERF Private School Affirmation Forms ▲

Drag a column header and drop it here to group by that column

Private School	Sch#	ESSERF Funds	Affirmation Status	Reason for Returned Affirmation	Affirmation Submitted By	Reviewed Date	Affirmation Reviewed By
	2215	Yes	Accepted			08/14/2020	Shomberg, Constance

ESSERF Private School Refusal of Partial Services Forms ▼

Drag a column header and drop it here to group by that column

Private School	Sch#	Status	Reason Returned	Submitted By	Submitter's Phone
	2215				

Proportional Share Screens

Home ▾ Admin Menu ▾ Programs ▾ Application ▾ Authorizations ▾ Reports ▾ Message Board (4) 🔍 2020-2021 ▾

Grant Contacts
 Select Fund Management
 View / Edit Funding
 ESSERF Proportional Share for Equitable Participation

Proportional Share for Equitable Participation

Date Overview and Instructions

Claims and the PI-1086 Fiscal Reports

The top screenshot shows a web application interface with a navigation bar at the top. The 'Application' dropdown menu is open, displaying a list of options: Grant Contacts, Select Fund Management, View / Edit Funding, ESSERF Proportional Share for Equitable Participation, Budget, Submission History, and Enter Claims. The 'Enter Claims' option is highlighted. The main content area shows a 'Maintain Claims - G' section with a 'Messages' box containing a message about edits to a claim and an 'Instructions' box.

The bottom screenshot shows the same web application interface, but the 'Reports' dropdown menu is open. The 'Reports' dropdown menu displays a list of options: Certification and Assurances, Grant Award Report, ESEA, Title I, Title II, and Fiscal Reports. The 'Fiscal Reports' option is highlighted. The main content area shows a 'Detailed Ledger Report' section with a 'Select Sub-Budget(s)...' dropdown menu.

Common Findings

- Davis-Bacon Act –
 - prevailing wage
 - certified payrolls
- Ledger inconsistencies with the approved budget
- Lack of written procedures
- Procurement Procedures
- Failure to consult with private schools and document accordingly
- Segregation of Duties

Common Questions From Auditors

- Are multi-year subscriptions allowable?
- What are the procurement procedures for micro purchases over \$10,000?
- Can ESSER funds be used to pay for CESA building construction fees?
- How should LEAs dispose of plexiglass they purchased with ESSER I but no longer need?
- Can LEAs use ESSER to pay for single audit fee?

DPI Resources

- [CARES Act ESSER I](#)
- [CARES Act GEER](#)
- [CRRSAA ESSER II](#)
- [ARPA ESSER III](#)
- [Guidance on Allowable Costs](#)
- [Construction Technical Assistance](#)
[Slides](#) | [Video](#) | [How to Budget](#)
- [WISEgrants podcast](#)
- [EBIS/ESSER III Helpline](#)
- [ESSER III Reading Initiatives](#)
- [Out-of-School Time Grant Opportunity](#)
- Submit questions to:
essergrants@dpi.wi.gov
- Submit EBIS questions to:
EBISsupport@dpi.wi.gov

DPI Resources

ESF WORKSHOPS

Today, February 27th
February 28th

Tomorrow,

Session 4: 1:30 - 2:30pm
- 1:45pm

Session 8: 12:45

Session 5: 2:45 - 3:45pm

Session 9: 2:00 - 3:00pm

ESF OFFICE HOURS

- Tuesdays from 9:00 a.m. - 9:50 a.m.
- Thursdays from 1:00 p.m. - 1:50 p.m.

Wendy Thompson, Coordinator 202-999-9999

Auditor Resources

- [WISEgrants for Auditors](#)
- [Preparing for the Single Audit](#)
- [Guidance on Allowable Costs](#)
- [Written Procedures](#)
- [WI School District Audit Manual](#)
- [Equipment Purchased with Federal Funds](#)
- [Federal Procurement Standards](#)
- [Conflict of Interest](#)
- [Allowable Costs Written Procedures](#)
- [NVL Audit Report Guidance](#)



**THANK
YOU!**

2:05 – 3:05 p.m.

Hot Topics in School District Legal Obligations

Shana R. Lewis, J.D., *Attorney/Shareholder, Renning, Lewis
& Lacy, S.C.*

Laura E. Pedersen, J.D., *Associate Attorney, Renning, Lewis
& Lacy, S.C.*

Attorney Update: Hot Topics in School District Legal Obligations

WICPA School District Audit Conference

May 25, 2023

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Hot Topics in School District Legal Obligations

1. Transgender and Gender Non-Conforming Students' Rights and School District's Responsibilities.
2. School District Employee Financial Mistakes and Misappropriation.
3. Student Transportation Contracts and Services.
4. Compensation, Benefits, and Other Employment Decisions in an era of staffing shortages and failed referendum elections.

Transgender and Gender Non-Conforming Students' Rights and School District's Responsibilities

■ Federal and state statutes

- Title IX of the Education Amendments Act of 1972 and Wis. Stat. § 118.13 prohibit discrimination on the basis of sex in public schools.

■ Proposed changes to Title IX

- Prohibit sexual harassment and harassment based on sex stereotypes, sex characteristics, sexual orientation, and gender identity.
- Mandate that any sex-related eligibility criteria used by school districts for student participation on athletic teams be substantially related to an important educational objective and would minimize harms to a student that might be limited or denied participation on a team consistent with the student's gender identity.
- No similar changes expected for Wis. Stat. § 118.13 or administrative regulations.

■ Legal considerations

- Athletic eligibility
- Restroom/locker room use
- Pronoun/name changes and parental rights
- School libraries

■ Financial considerations

- Legal
- Remodeling/construction
- Support services
- Instructional services
- Administrative services

School District Employee Financial Mistakes and Misappropriation

■ Headlines from the last year

- Former school employee stole more than \$33,000 of school funds from Hartland-Lakeside School District in Wisconsin
- Big Foot High School employee arrested on theft charges; investigation ongoing
- Former Waunakee food service director accused of fraud

■ Applicable School Board Policies and Employee Handbook Provisions

- Whistleblower Protection
- Fraud Prevention and Reporting
- Money Handling
- Employee Ethics and Conflicts of Interest
- Employee Misconduct Investigations
- Acceptable Use of Technology

■ Resources

- Internal Investigator
- Legal Counsel
- Certified Fraud Examiner
- Insurance Coverage
- Law enforcement
- Auditor

■ Legal Considerations

- Garrity warnings
- Administrative leave with pay
- Employee Training

Student Transportation Contracts and Services

■ Student transportation in Wisconsin

- Wis. Stat. § 121.54(2)(a) – school districts must provide transportation to and from school for all students residing at least 2 miles from the nearest public school they are able to attend.
- Wis. Stat. § 121.54(2)(b)1. – school districts must provide transportation to and from a private school if (1) the student resides at least 2 miles from the private school, (2) the student lives within the private school's attendance area, and (3) the private school is within the resident school district's boundaries or not more than 5 miles beyond.
- Wis. Stat. § 121.54(2)(c) – school districts may elect to provide transportation to students for whom transportation is not required.
- Wis. Stat. § 340.01(56)(a) – “school bus” means “a motor vehicle which carries 10 or more passengers in addition to the operator” or “a motor vehicle painted [school-bus yellow].”
- Wis. Stat. § 121.55(1) – additional methods for providing transportation.
- Wis. Stat. § 121.555(1) – alternative vehicle transportation.

■ Challenges

- Driver shortages
- Contractual matters
- Safety considerations
- Reduced enrollment

■ Costs

- Driver certification/licensure
- Maintenance products
- Garage costs
- Communication and surveillance equipment
- Vehicle and vehicle components
- Dispatch services
- Salary and benefits
- Insurance

Compensation, Benefits, and Other Employment Decisions in an Era of Staffing Shortages and Failed Referendum Elections

■ The Facts

- Since 2011, teachers have left the profession and the number of students enrolled in teaching programs have dropped.
- The COVID pandemic triggered many teacher and administrator retirements earlier than expected.
- For the 2022-23 school year, Wisconsin issued more emergency teaching licenses than previous years, especially for subjects with the biggest shortages.
- School districts are attempting to revamp compensation structures, benefit packages, retirement incentives, and working conditions in order to attract and retain staff.

■ Legal Considerations

- CPI-U – impacts school district compensation:
 - 2021-22: 1.23%
 - 2022-23: 4.7%
 - 2023-24: 8%
- Insurance renewal rates are also increasing.
- School districts are bringing back post employment health and other benefits to both encourage retirements and to retain staff.
- Whether employees have vested in retirement benefits creates significant legal issues.

Any legal questions involving
school districts that you were
always interested in asking but
never had the opportunity...

NOW IS YOUR CHANCE...

Thank You.

3:15 – 4:15 p.m.

GASB Update

David Minch, CPA, Partner, KerberRose

Amber Tigert, Senior Auditor, KerberRose

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)



Accounting | Tax Consulting | Business Advisory | Payroll | Quality Control | Wealth Management | Technology | HR Consulting

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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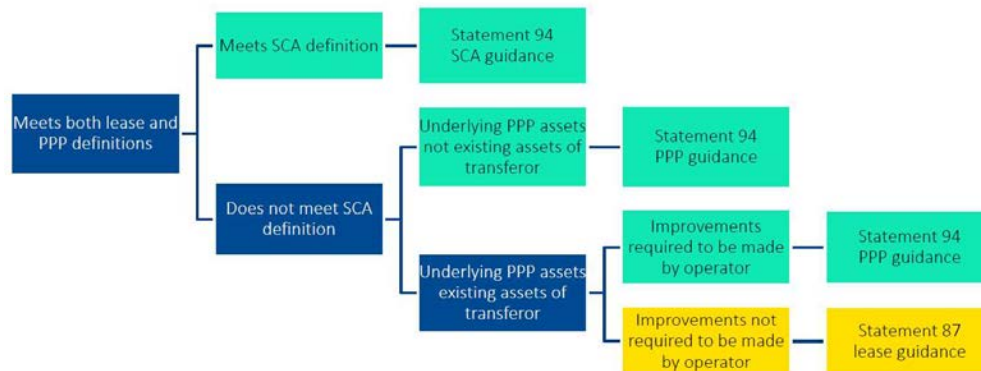
GASB 94 – PPP-s

	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



Accounting | Tax Consulting | Business Advisory | Payroll | Quality Control | Wealth Management | Technology | HR Consulting

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 –



Accounting | Tax Consulting | Business Advisory | Payroll | Quality Control | Wealth Management | Technology | HR Consulting

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

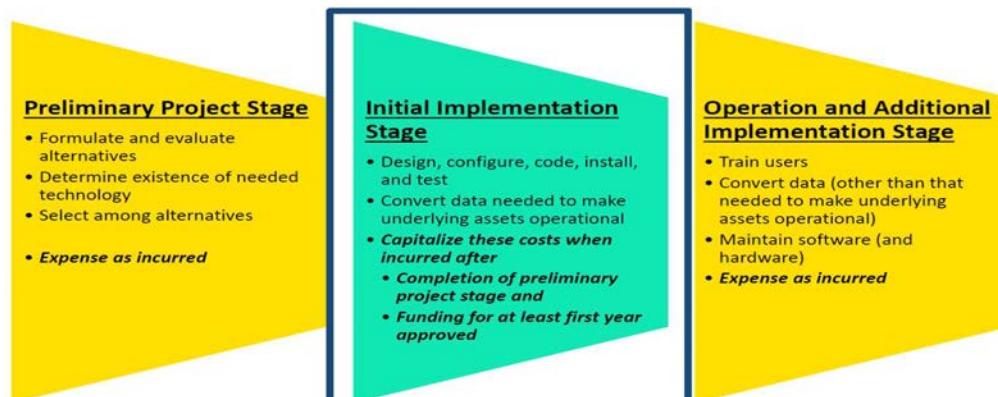
Like
leases



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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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