

GASB Update

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GASB 96 - SBITA



Other Effective GASB Standards



Upcoming GASB Standards



Build Awareness of Current GASB Projects



Questions



Agenda

MY FAVORITE PART OF ANY GASB

The provisions of this Statement need not be applied to immaterial items.

Also important

The primary objective of each Statement is:

1. to improve financial reporting,
2. enhance comparability in accounting and financial reporting, or
3. to improve the consistency
4. meet the needs of financial statement users



GASB Statement No. 96

Subscription-Based Information Technology Arrangements

Applicable

Fiscal years beginning after June 15, 2022
(Fiscal years ending June 30, 2023, and thereafter)



A contract that conveys control of the right to use another party's IT software alone or in combination with tangible capital assets as specified in the contract for a period of time in an exchange or exchange-like transaction.

Control

Control is defined as the right to the following as specified in the contract (must meet both):

- Right to obtain the present service capacity from use of the underlying asset AND
- Right to determine the nature and manner of the underlying asset

Leases vs SBITAs

- All SBITAs meet the definition of leases
- SBITA by definition includes the software (subscription assets) AND the related tangible capital asset
- Amends GASB 87 by REMOVING from the scope of 87 any contracts that in the scope of this standard

	GASB 87	GASB 96
Tangible Capital asset by itself	X	
IT Software by itself		X
IT software PLUS tangible capital assets - ___ but the software component is insignificant	X	
___ all other software/tangible capital assets combos		X

Short-term exclusion



Short-term SBITAs are excluded

- At commencement, SBITA has a maximum possible term of 12 months (or less), including options to extend
 - Probability of extension being exercised is not relevant
- For SBITAs cancelable by either lessee or lessor, the maximum possible term is the noncancelable period
 - Month to month or year to year SBITAs

SBITA Subscription Term

Noncancelable period PLUS the following:

- Periods covered by option to extend by either party, if reasonably certain of being exercised
- Periods covered by option to terminate by either part, if reasonably certain of NOT being exercised

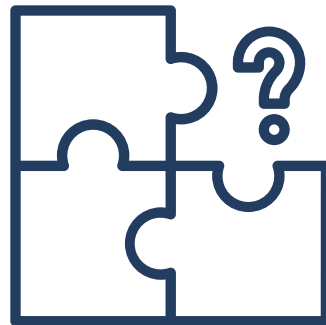
Not the same criteria as determining short-term SBITAs

What is reasonably certain?



SBITA Subscription Term

- Term starts when initial implication stage is completed (no subscription liability or asset until that time)
 - Payments before that time are prepayments
- Guidance surrounding modules
 - When there is more than one module, subscription term starts when initial implementation stage is completed for the first module



Implementation Costs

Preliminary project stage

- Expense

Initial implementation stage

- Generally capitalize as part of subscription asset
- Expense if short-term

Operation and additional implementation stage

- Generally expense
- Capitalize if specific criteria met

Training costs

- Always expense, regardless of stage

SBITA overview – Initial Reporting

	Asset	Liability
SBITA - Lessee	Intangible asset (right to use underlying asset)-value of SBITA liability plus prepayments and capitalizable initial implementation costs	Present value of future SBITA payments (included fixed payments, variable payments based on index or rate reasonably certain, contract incentives etc.)

SBITA overview – Subsequent Reporting

	Asset	Liability
SBITA - Lessee	Amortize the intangible asset over shorter of useful life or SBITA term	Reduce by lease payments (less amount for interest expense)

Governmental Fund - Initial Journal Entry – New SBITA		Debit	Credit
11-1-111-6940-xxx-0000-xxxxx-xxxx	Instruction – Capital Outlay – Subscription-Based Information Technology Arrangement (SBITA)	100,000	
11-0-597-0000-000-0000-xxxxx-xxxx	Other Financing Sources – SBITAs		100,000
<i>To record the other financing sources and capital outlay expense associated with a new SBITA (note – this is only for SBITAs entered into after 7/1/22)</i>			

Government-wide - Initial Journal Entry – New SBITA		Debit	Credit
9x-2-295-xxxx-xxxx-xxxx-xxxx-xxxx	Right to Use Asset – Subscription-Based Information Technology Arrangement (SBITA)	100,000	
9x-2-597-xxxx-xxxx-xxxx-xxxx-xxxx	SBITA Obligation – Long-Term Portion		95,000
9x-2-101-xxxx-xxxx-xxxx-xxxx-xxxx	Cash (for initial implementation costs, if applicable)		5,000
<i>To record right to use SBITA asset and related liability, minus implementation costs (cash)</i>			

Governmental Fund – SBITA Payment		Debit	Credit
11-1-511-7170-xxx-0000-xxxx-xxxx	Principal - SBITA Payment	30,000	
11-1-511-7270-xxx-0000-xxxx-xxxx	Interest Expense – Interest on SBITA	1,000	
11-2-101-xxx-xxxx-xxxx-xxxx-xxxx	Cash		31,000
<i>To record first payment on right to use SBITA asset</i>			

Government-wide - SBITA Payment and Amortization		Debit	Credit
9x-1-711-7730-xxx-0000-xxxx-xxxx	Amortization expense - Right to use asset - SBITAs	5,000	
9x-2-296-xxxx-xxxx-xxxx-xxxx-xxxx	Accumulated amortization - Right to use asset - SBITAs		5,000
<i>To record amortization of the right to use SBITA asset</i>			
9x-2-597-xxxx-xxxx-xxxx-xxxx-xxxx	SBITA Obligation – Long-Term Portion	30,000	
9x-1-511-7270-xxx-0000-xxxx-xxxx	Interest Expense	1,000	
9x-2-101-xxxx-xxxx-xxxx-xxxx-xxxx	Cash		31,000
<i>To record payment on right to use SBITA asset</i>			

- Retroactive restatement by restating financial statements
- Recognized and Measured using the facts and circumstances at the beginning of the fiscal year in which the Statement is implemented
- Governments are permitted, but not required to included capitalizable outlays associated with –
 - Initial implementation stage
 - Operation and additional implementation stage**That occurred prior to this statement**

Treatment of Prepaid curriculum SBITA

- Purchase method
 - Recognize the entire amount of the prepayment as an expenditure in the period the payment was made
- Consumption method
 - Recognize proportionately over the periods the services is to be provided



Initial Implementation Issues -Prepaid curriculum SBITA

Assume - 5 year SBITA @ \$200,000/year @ 7/1/21

Purchased Method	DR	CR
Right to use – SBITA	\$800,000	
Net position		\$800,000

Government –wide entry only

No fund level entry or restatement of fund balance needed

Initial Implementation Issues -Prepaid curriculum SBITA

Assume - 5 year SBITA @ \$200,000/year @ 7/1/21 - 100% prepaid

Consumption Method – Fund Level	DR	CR
Purchased services expense	\$200,000	
Prepaid expense	\$800,000	
Cash		\$1,000,000

Pre-GASB 96 prepaid SBITA entry

Initial Implementation Issues -Prepaid curriculum SBITA

Assume - 5 year SBITA @ \$200,000/year @ 7/1/21 - 100% prepaid

Consumption Method – Fund Level	DR	CR
Fund Balance	\$800,000	
Prepaid expense		\$800,000

FUND LEVEL RESTATEMENT @ 7/1/22

Initial Implementation Issues -Prepaid curriculum SBITA

Assume - 5 year SBITA @ \$200,000/year @ 7/1/21 - 100% prepaid

Consumption Method – Government-Wide	DR	CR
Right to use asset - SBITA	\$800,000	
Prepaid expense		\$800,000

No Restatement of beginning net position –
Only restate beginning balances for capital
asset note disclosure

Conduit Debt Obligations

Have to meet ALL five characteristics in order for debt to be considered conduit debt

Provides a single method of reporting conduit debt obligations by issuers - disclosure

Applicable

Reporting periods beginning after December 15, 2021
(Fiscal years ending December 31, 2022, and thereafter)

Defined as a debt instrument having all of the following characteristics:

There are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee.

The issuer and the third-party obligor are not within the same financial reporting entity.

The debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer.

The third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance.

The third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments).

Arrangements Associated with Conduit Debt

Issuer of conduit debt may enter into associated arrangements* that involve capital assets with the following attributes: *Often characterized as “leases”

- Capital asset build or acquired with proceeds
- Issuer retains title to the capital asset from the beginning of the arrangement
- Payments from 3rd party are to cover debt service payments
- Payment schedule coincides with debt service repayment schedule

Recognition for Arrangements Associate with Conduit Debt

If the arrangement meets the definition of a service concession arrangement, follow GASB 60

Issuer does not record debt or a receivable and does not report as a lease

Issuer does not recognize a capital asset at inception unless the third party has exclusive use of only portions of the capital asset

Issuer recognized capital asset at the end of the arrangement if title does not pass to the third party

General description of the issuer's conduit debt obligations

- Include description of limited an any additional commitments
- Disclose aggregate outstanding principal amount

If a liability is recognized related to the additional commitments

- Describe measurement of liability
- Beginning balance, increases, decreases, and ending balance of liability
- Cumulative payments made
- Amounts expected to be recovered

GASB Statement No. 94

Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Applicable

Fiscal years beginning after June 15, 2022
(Fiscal years ending June 30, 2023, and thereafter)

- An arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.
- PPPs that meet the definition of a lease apply the guidance in Statement No. 87, Leases, as amended.
- The PPP term is defined as the period during which an operator has a noncancellable right to use an underlying PPP asset, plus, if applicable, periods that an option is to be extended, if it is reasonably certain.

Omnibus 2022

- Extension on the use of LIBOR
- Clarity that requirements related to leases (GASB 87), PPP (GASB 94), and SBITA (GASB 96) are effective for fiscal years beginning after June 15, 2022 and thereafter
- Terminology changes

Applicable

Various implementation dates, but everything is effective for fiscal years beginning after June 15, 2023 (Fiscal years ending June 30, 2024, and thereafter)

GASB Statement No. 100

Accounting Changes and Error Corrections— an amendment of GASB Statement No. 62

Applicable

Fiscal years ending after June 15, 2023
(Fiscal years ending June 30, 2024, and thereafter)



Accounting Changes and Error Corrections

- Defines accounting changes and error corrections
- Tells us how to account for these items (retroactively/prospectively)
- Indicates required disclosures

What is a compensated absence?

- Leave for which employees may receive one or more:
 - Cash payment (for time off or otherwise)
 - Noncash settlement (such as conversion to a postemployment benefit)

Compensated Absences

Applicable

Fiscal years beginning after December 15, 2023
(Fiscal years ending December 31, 2024, and thereafter)



Liability Recognition

Leave that has not been used:

1) Attributable to services already performed, AND

2) Accumulates, AND

3) More likely than not to be used for time or otherwise paid in cash or settled

Also, recognize leave that has been used but not yet paid in cash or settled

Compensated Absences

- Amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability
- No longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences

Applicable

Fiscal years beginning after December 15, 2023
(Fiscal years ending December 31, 2024, and thereafter)



GASB Projects and Research

A look into the future



GASB Concept Statement No. 7

Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements

- The types of information disclosed in notes to financial statements
- The types of information that are not appropriate for notes to financial statements
- The degree of importance that information disclosed in notes to financial statements should possess

Comprehensive Projects



Financial Reporting
Model



Revenue and Expense
Recognition

Current GASB Projects

Practice Issues in Exposure Draft Redeliberations

- **Implementation Guide Update – 2023**
- **Risk and Uncertainties Disclosures**

Questions?