



West Virginia DEPARTMENT OF
EDUCATION

GASB UPDATE

July 13, 2022

GASB Statements Effective for FY22

- GASB 87: Leases
 - Effective for reporting periods beginning after June 15, 2021 (FY22).
 - The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments.
 - Requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract.
 - **Requires Retroactive adjustment.**

GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Major changes
 - Definition of a lease
 - A contract that conveys control of the right to use another entity's **nonfinancial asset** (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.
 - Nonfinancial Assets
 - Buildings
 - Land
 - Vehicles
 - Equipment



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Major changes
 - Old: capital and operating Leases
 - New: substantially all leases are treated as Financing Leases (similar to a capital lease).
 - Three categories of leases instead of two.
 - Old Categories
 - Capital leases
 - Operating leases
 - New Categories
 - Short Term Leases
 - Contracts that Transfer Ownership
 - All other leases



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Lease Categories
 - Short Term Leases
 - Leases that have a maximum possible term of 12 months or less, including any options to extend.
 - Leases that are month-to-month are considered short term.
 - Will be accounted for similarly to operating leases, with lease payments being recorded as expense or revenue by the lessee or lessor.
 - Contracts that Transfer Ownership
 - If the underlying asset transfers ownership to the lessee by the end of the contract, the transaction should be reported as a financed purchase of the underlying asset by the lessee, or sale of the asset by the lessor.
 - All other Leases
 - At the commencement of the lease term, the lessee should recognize a lease liability and an intangible right-to-use lease asset (lease asset).



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Lease Categories
 - All other Leases
 - Lessors
 - At the commencement of the lease term, a lessor should recognize a lease receivable and a deferred inflow of resources.
 - The lease receivable should initially be measured at the present value of lease payments expected to be received during the lease term.
 - Lease receipts (payments from lessee) will result in reduction of the lease receivable and recognition of inflows and revenues.
 - The deferred inflow of resources should be measured as the sum of the initial measurement of the lease liability and lease payments received made prior to commencement, less any lease incentives.
 - The lessor should continue to recognize the asset underlying the lease and continue to record depreciation, as applicable.



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Lessee Accounting Overview
 - Measurement of the lease liability includes:
 - Fixed Payments.
 - Variable payments that depend on an index or rate, initially measured using the index or rate as of the commencement of the lease term.
 - Variable payments that are fixed in substance.
 - Amounts that are reasonably certain of being required to be paid by the lessee under residual value guarantees.
 - The exercise price of a purchase option if it is reasonably certain that the lessee will exercise that option.
 - Payments for penalties for terminating the lease, if the lease term reflects the lessee exercising that option.
 - Any lease incentive receivable from the lessor.
 - Any other payments that are reasonably certain of being required.

GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Lessee Accounting Overview (continued)

Lessee	Assets	Liability
Initiation of Lease	The lease asset will be measured as the sum of the initial measurement of the lease liability, initial direct costs, and lease payments made prior to commencement, less any lease incentives.	Present value of future lease payments
Subsequent Recognition and measurement	Amortize over shorter of useful life or lease term	Reduce by principal portion of lease payments. Interest portion should be coded to interest expense.



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GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Bus Lease Example
 - Background
 - On July 1, 2020, the county enters into a contract for five buses. The contract states the term is 5 years, with monthly payments of \$2,000 due every 1st of the month. The lessor provided the borrowing rate of 6%.
 - The county may cancel the contract after three years.
 - At the end of the contract, the purchase price for each bus is \$12,000.
 - The county has historically utilized the buses for the full term of the contract and has never terminated early. The contract does not provide the lessor an option to terminate. At the date of the contract, the county does not have any intent to terminate early. At the end of the lease, the government intends to return the buses; there is no transfer of ownership provision.

Does this meet the definition of a lease?


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GASB Statements Effective for FY22

- GASB 87: Leases (continued)

- Bus Lease Example

- Background

- On July 1, 2020, the county enters into a **contract for five buses**. The contract states the **term is 5 years**, with monthly **payments of \$2,000** due every 1st of the month. The lessor provided the borrowing rate of 6%.
 - The county may cancel the contract after three years.
 - At the end of the contract, the purchase price for each bus is \$12,000.
 - The county has historically utilized the buses for the full term of the contract and has never terminated early. The contract does not provide the lessor an option to terminate. At the date of the contract, the county does not have any intent to terminate early. At the end of the lease, the government intends to return the buses; there is no transfer of ownership provision.

Does this meet the definition of a lease? **YES**



GASB Statements Effective for FY22

- GASB 87: Leases (continued)

- What is the lease term?

	Lessee Options		Lessor Options	
	Terminate	Extend	Terminate	Extend
Year 1	N/A	N/A	N/A	N/A
Year 2	N/A	N/A	N/A	N/A
Year 3	N/A	N/A	N/A	N/A
Year 4	Reasonably certain will not exercise	N/A	N/A	N/A
Year 5	Reasonably certain will not exercise	N/A	N/A	N/A

- What is the term of the lease?
 - Should the purchase price be considered in the lease liability?



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - What is the lease term?

	Lessee Options		Lessor Options	
	Terminate	Extend	Terminate	Extend
Year 1	N/A	N/A	N/A	N/A
Year 2	N/A	N/A	N/A	N/A
Year 3	N/A	N/A	N/A	N/A
Year 4	Reasonably certain will not exercise	N/A	N/A	N/A
Year 5	Reasonably certain will not exercise	N/A	N/A	N/A

- What is the term of the lease? **5 years**
- Should the purchase price be considered in the lease liability? **NO**



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Calculation of lease liability
 - Buses are delivered on July 1, 2020, date of 1st payment.
 - Payment schedule is 5 years, assuming a 6% interest rate.
 - Exclude \$12,000 purchase price which is not certain of being exercised.
 - Present value of \$2,000 monthly payments for 5 years (60 months).
 - Excel Formula: =pv(rate,Nper,Pmt,FV,Type)
 - Rate = 6% per year/12 months to get rate per month
 - Nper (number of payments) = 60
 - Pmt (monthly payment) = \$2,000
 - FV (future value) = \$0
 - Type = 1 if payments are made at beginning of period, 0 if payments are made at end of period

Present Value = \$103,968.38



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Annualized payment Schedule and Amortization Expense

Year	Principal	Interest	Total payment		Amortization Expense
2021	\$18,807.74	\$5,192.26	\$24,000	Year 1	\$20,793.68
2022	\$19,418.60	\$4,581.40	\$24,000	Year 2	\$20,793.68
2023	\$20,616.30	\$3,383.70	\$24,000	Year 3	\$20,793.68
2024	\$21,887.87	\$2,112.13	\$24,000	Year 4	\$20,793.68
2025	\$23,237.87	\$762.13	\$24,000	Year 5	\$20,793.66
Total	\$103,968.38	\$16,031.62	\$120,000	Total	\$103,968.38

GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Journal Entries

Governmental Fund: Initial Journal Entry	Debit	Credit
Capital Outlay	\$103,968.38	
Other Financing Sources – Lease proceeds		\$103,968.38
To record capital expenditure and related proceeds from lease of buses		
Entity-Wide: Initial Journal Entry	Debit	Credit
Other Financing Sources – Lease Proceeds	\$103,968.38	
Lease liability – due within one year		\$18,807.74
Lease liability – due beyond one year		\$85,160.64
ROU Asset – Vehicles	\$103,968.38	
Capital Outlay		\$103,968.38
To record intangible asset and related liability from lease of buses		

GASB Statements Effective for FY22

- GASB 87: Leases (continued)

- Journal Entries

Governmental Fund: Annualized Year 1 Journal Entry	Debit	Credit
Interest Expenditure	\$5,192.26	
Lease principal payment expenditure	\$18,807.74	
Cash		\$24,000
To record 12 monthly lease payments for first year		
Entity-Wide: Annualized Year 1 Journal Entries	Debit	Credit
Lease liability – due within one year	18,807.74	
Lease principal payment expenditure		\$18,807.74
Amortization Expense	\$20,793.68	
Accumulated Amortization		\$20,793.68
To eliminate fund level activity for first year		



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GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Required disclosures
 - A general description of leasing arrangements including:
 - Basis, terms, and conditions on which variable lease payments are determined.
 - Existence terms, and conditions of residual value guarantees provided by the lessee.
 - Total amount of assets recorded under leases, and the related accumulated amortization, disclosed separately from other capital assets.
 - Lease assets disaggregated by major classes of underlying assets, disclosed separately from other capital assets.
 - Variable lease payments recognized during the period but not previously included in the lease liability.
 - Other payments recognized during the period but not previously included in the lease liability (such as residual value guarantees or penalties).



GASB Statements Effective for FY22

- GASB 87: Leases (continued)
 - Required disclosures (continued)
 - A maturity analysis of all future lease payments.
 - Payments for each of the first five years.
 - Payments in five-year increments thereafter.
 - Show principal and interest separately.
 - Lease commitments, other than short-term leases, for which the lease term has not yet begun.
 - Components of any net impairment loss (gross impairment loss less change in lease liability).



GASB Statements Effective for FY22

- GASB 89: Accounting for Interest Cost Incurred before the End of a Construction Period
 - Effective for reporting periods beginning after December 15, 2020 (FY22)
 - The objectives of this Statement are:
 - To enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period.
 - To simplify accounting for interest cost incurred before the end of a construction period.
 - Establishes accounting requirements for interest cost incurred before the end of a construction period.

GASB Statements Effective for FY22

- GASB 89: Accounting for Interest Cost Incurred before the End of a Construction Period (continued)
 - Requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus.
 - Interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.
 - Reiterates that in financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting principles.

GASB Statements Effective for FY22

- GASB 92: Omnibus
 - Effective for reporting periods beginning after June 15, 2021 (FY22).
 - This Statement addresses a variety of topics and includes specific provisions about the following:
 - Reporting of intra-entity transfers of assets between a primary government employer and a component unit defined benefit pension plan or defined benefit OPEB plan.
 - The applicability of Statements No. 73, and Amendments to Certain Provisions of GASB Statements 67 and 68, as amended, and No. 74, as amended, to reporting assets accumulated for postemployment benefits.
 - The applicability of certain requirements of Statement No. 84, Fiduciary Activities, to postemployment benefit arrangements.
 - Measurement of liabilities (and assets, if any) related to asset retirement obligations (AROs) in a government acquisition.
 - Reporting by public entity risk pools for amounts that are recoverable from reinsurers or excess insurers.
 - Reference to nonrecurring fair value measurements of assets or liabilities in authoritative literature.
 - Terminology used to refer to derivative instruments.

GASB Statements Effective for FY22

- GASB 93: Replacement of Interbank Offered Rates
 - The removal of LIBOR as an appropriate benchmark interest rate is effective for reporting periods ending after December 31, 2021 (FY22). All other requirements of this Statement are effective for reporting periods beginning after June 15, 2020 (FY21).
 - GASB 95 extended the due date for paragraphs 13 and 14 (lease modifications) to reporting periods beginning after June 15, 2021 (FY22)
 - This Statement establishes accounting and financial reporting requirements related to the replacement of IBORs in hedging derivative instruments and leases. It also identifies appropriate benchmark interest rates for hedging derivative instruments.



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GASB Statements Effective for FY22

- GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans
 - Effective for reporting periods beginning after June 15, 2021 (FY22).
 - The requirements of this Statement will result in more consistent financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans, while mitigating the costs associated with reporting those plans.

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GASB Statements Effective for FY22

- GASB 97: Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans (continued)
 - A Section 457 plan should be classified as either a pension plan or an other employee benefit plan
 - If the plan meets the definition of a pension plan in GASB 67 or 73, it is a pension plan for accounting and financial reporting purposes
 - If not, than it is an other employee benefit plan for accounting and financial reporting purposes.
 - GASB 84 should be applied to determine whether a 457 plan should be reported as a fiduciary activity on the financial statements

GASB Statements Effective for FY22

- GASB 98: The Annual Comprehensive Financial Report (ACFR)
 - Effective for reporting periods ending after December 15, 2021 (FY22).
 - This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments.

GASB Statements Effective for FY22

- GASB 99: Omnibus 2022
 - Majority of topics covered are effective upon issuance.
 - Requirements related to leases, PPPs, and SBITAs are effective for FY23.
 - The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for FY24.

GASB Statements Effective for FY22

- GASB 99: Omnibus 2022
 - Disclosure of Nonmonetary Transactions
 - If an entity engages in one or more nonmonetary transactions during the fiscal year, they will need to disclose those transactions in the notes to the financial statements the measurement of attribute(s) applied to the assets transferred, rather than basis of accounting for those assets.
 - Exchange or exchange-like financial guarantees (FY24)
 - Financial guarantees are a guarantee of an obligation of a legally separate entity or individual that requires the guarantor to indemnify a third-part obligation holder under specified conditions, in an exchange or exchange-like transactions.
 - An entity that extends an exchange or exchange-like financial guarantee should recognize a liability and expense related to the guarantee when qualitative factors and historical data indicate that is it **more likely than not** an entity will be required to make a payment related to the guarantee.

GASB Statements Effective for FY23

- GASB 99: Omnibus 2022 (continued)
 - Leases
 - Any lease term provisions that grant the lessee or lessor the right to terminate the lease due to certain circumstances or because of the occurrence of an event are not considered options to terminate the lease when determining the lease term.
 - For example, the right to terminate a lease because of default of payment or the action or inaction of the other party should not be considered an option to terminate.
 - If a lease provides an option to purchase the underlying asset, but still meets the definition of a lease under GASB 87, the lease term should end as of the purchase date, or the date the lessee is reasonably certain to purchase the asset.
 - For purposes of determining if a contract is a financed purchase or a lease, options to end the lease due to the purchase of the underlying asset, all payments being paid, or a default on payment are not considered options to terminate the lease.

GASB Statements Effective for FY23

- GASB 99: Omnibus 2022 (continued)
 - Leases (continued)
 - Variable payments depending on an index or rate or payments that appear variable but are fixed in substance should be included in the measurement of the lease liability or lease receivable.
 - Any other variable payments and payments that depend on either future performance by the lessee or usage of the underlying asset should not be included in the measurement of the lease liability or lease receivable.
 - Lease liabilities and lease receivables should **NOT** be remeasured if only the index or rate on which variable payments are based changed.
 - The discount rate used to measure the lease liability should **NOT** be updated if the only change is to the lessee's incremental borrowing rate.
 - Lease incentives should include the assumption of and also the agreement to pay the lessee's commitments for a preexisting lease or contract.

GASB Statements Effective for FY23

- GASB 99: Omnibus 2022 (continued)
 - SBITAs
 - When determining the term of the subscription any subscription provisions that grant either party the right to terminate the SBITA due to certain circumstances or because of the occurrence of an event are not considered options to terminate the SBITA.
 - For example, the right to terminate a SBITA because of default of payment or the action or inaction of the other party should not be considered an option to terminate.
 - If a SBITA has been classified as short-term, but at a later date the SBITA is modified in a way that extends the maximum possible period, the SBITA should be reassessed as of its inception to determine if it still meets the criteria for a short-term SBITA.
 - Subscription liabilities should **NOT** be remeasured if only the index or rate on which variable payments are based changed.
 - The discount rate used to measure the subscription liability should **NOT** be updated if the only change is a change to the government's incremental borrowing rate.

GASB Statements Effective for FY23

- GASB 91: Conduit Debt Obligations
 - Definition: a debt instrument issued in the name of a state or local government that is for the benefit of a third party primarily liable for the repayment of the debt.
 - Effective for reporting periods beginning after December 15, 2021 (FY23).
 - The objective of this Statement is to better meet the information needs of financial statement users by enhancing the comparability and consistency of conduit debt obligation reporting and reporting of related transactions and other events.

GASB Statements Effective for FY23

- GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements
 - Effective for reporting periods beginning after June 15, 2022 (FY23).
 - Establishes the definitions of PPPs and APAs and provides uniform guidance on accounting and financial reporting for transactions that meet those definitions.

GASB Statements Effective for FY23

- GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)
 - PPP – an arrangement in which a government (the 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
 - APA – An arrangement in which a government compensates an operator for activities that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction
 - APAs are different than PPPs in that the payments made by the government to an operator are based entirely on the asset's availability for use rather than on tolls, fees, or similar revenues or other measures of demand

GASB Statements Effective for FY23

- GASB 94: Public-Private and Public-Public Partnerships and Availability Payment Arrangements (continued)
 - Examples
 - The county enters into an agreement with a developer to design/build/operate the construction of a building to be leased for office space for a period of time.
 - The county enters into an agreement with a developer to oversee/manage the construction of a building, and when completed the building ownership transfers back to the County.
 - The county enters into an agreement with a building authority to design/construct/operate a toll bridge.
 - Probably rare that a county would have these, but you may identify them as you continue to go through identifying leases for GASB 87.



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GASB Statements Effective for FY23

- GASB 96: Subscription-Based Information Technology Arrangements (SBITAs)
 - Effective for reporting periods beginning after June 15, 2022 (FY23).
 - This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments).
 - SBITA Definition:
 - 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.
 - A SBITA agreement results in an intangible right-to-use asset and a corresponding subscription liability.



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - How to determine whether a contract conveys control of the right to use the underlying IT assets.
 - The entity should assess whether it has both of the following:
 - The right to obtain the present service capacity from use of the underlying IT assets as specified in the contract.
 - The right to determine the nature and manner of use of the underlying IT assets as specified in the contract.
 - Hardware that is a part of a SBITA must be accounted for in accordance with GASB 87; the corresponding subscription must be accounted for in accordance with GASB 96.



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Does not apply to:
 - 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 87, in which the software component is insignificant compared to the cost of the underlying tangible capital asset.
 - Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)

Perpetual License	Subscription-Based
One-time fee	Monthly or yearly fee
Can use the software after the expiration date, but:	The right to use expires after a certain amount of time.
<ul style="list-style-type: none"> - No maintenance provided - No security patches and/or updates 	After expiration, software cannot be used until it is renewed.

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Recognition and measurement
 - Once a SBITA is identified, the county would recognize a subscription liability and a subscription asset at the commencement of the subscription term of the SBITA, which occurs when the county obtains control of the right to use the underlying IT asset.
 - The subscription term is the period that the government has the noncancelable right to use the underlying IT assets, plus the following periods, if applicable:
 - Periods covered by a county's extension option if it is reasonably certain that the county **WILL** exercise that option.
 - Periods covered by a county's termination option if it is reasonably certain that the county **WILL NOT** exercise that option.
 - Periods covered by a vendor's extension option if it is reasonably certain that the SBITA vendor **WILL** exercise that option.
 - Periods covered by a vendor's termination option if it is reasonably certain that the vendor **WILL NOT** exercise that option.

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Subscription Liability
 - Like GASB 87: Leases, the initial subscription liability is measured as the present value of the total subscription payments expected to be made.
 - The total future payments are discounted using the either the interest rate the vendor charges the government or the implicit interest rate.
 - If the implicit interest rate is not readily determinable, the government may use an estimated incremental borrowing rate.

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Subscription Liability (continued)
 - Payments that should be included in the PV calculation of the subscription liability:
 - Fixed payments
 - Variable payments based on an index or a rate, measured using the index or rate as of the commencement of the subscription term
 - Variable payments that are fixed in substance
 - Termination penalties, if the subscription term reflects the government exercising either an option to terminate the agreement or a fiscal funding or cancellation clause
 - Incentives receivable from the vendor
 - Other payments the government is reasonably certain will be required to be made to the vendor

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Subscription Asset
 - Measured as the initial value of the subscription liability plus:
 - payments made to the vendor at the commencement of the subscription term
 - capitalizable initial implementation costs
 - **minus** any vendor incentives received at the commencement of the subscription term
 - The county will then amortize the subscription asset in a systematic and rational manner over the shorter of the subscription term or the useful life of the underlying IT asset.

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)

- Other Outlays

- In addition to subscription payments, there may be cash outlays for other activities associated with SBITAs. The type and timing of the activity dictates the accounting treatment of these cash outlays. Other activities associated with SBITAs are grouped into three stages:

Stage	Activities	Accounting
Preliminary Project Stage	<ul style="list-style-type: none"> - Conceptual formulation - Evaluation of alternatives - Selection of vendor 	Expense as incurred
Initial Implementation Stage	<ul style="list-style-type: none"> - Configuration - Coding - Testing - Installation 	Generally capitalized as an addition to the subscription asset
Operations and Additional Implementation Stage	<ul style="list-style-type: none"> - Subsequent implementation activities - Maintenance - Troubleshooting 	Expense as incurred, unless activity meets specific capitalization criteria

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)

- SBITA Example

- A county has a contract with Office 365 which provides access to the Microsoft Suite for students and staff. The county recognizes its contract with Office 365 as a SBITA due to the following facts:
 - The agreement does not meet the definition of a lease under GASB 87 or scoping criteria for GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*.
 - The agreement provides the county the use and control of an instance of Office 365's software in an exchange-like transaction.
 - The agreement has a defined, finite, non-cancelable subscription term of three years.
 - Below are the additional details of the SBITA:
 - Subscription Start Date: July 1, 2022
 - Subscription End Date: June 30, 2025
 - First Payment Date: July 1, 2022
 - Payments: \$5,000 annually, paid in advance (on July 1st)
 - Discount Rate: 2%

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - The county hired an outside consultant to assist with the selection and evaluation of software. They incurred fees of **\$1,000**, paid to the consultant during the evaluation process.
 - Expense as incurred or capitalize into the subscription asset?



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - The county hired an outside consultant to assist with the selection and evaluation of software. They incurred fees of **\$1,000**, paid to the consultant during the evaluation process.
 - Expense as incurred or capitalize into the subscription asset?

Expense as incurred



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - During the initial implementation stage, the county needed to migrate data from their existing Microsoft perpetual license agreement into the new subscription-based cloud environment of Office 365. The data migration cost the government **\$2,000** and was paid directly to Microsoft.
 - Expense as incurred or capitalize into the subscription asset?



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - During the initial implementation stage, the county needed to migrate data from their existing Microsoft perpetual license agreement into the new subscription-based cloud environment of Office 365. The data migration cost the government **\$2,000** and was paid directly to Microsoft.
 - Expense as incurred or capitalize into the subscription asset?

Capitalize into the subscription asset



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - Subsequent to placing Office 365 into service, the county experienced operational challenges, which required additional support services and cost an additional \$300. These services did not add to the functionality of Office 365.
 - Expense as incurred or capitalize into the subscription asset?



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - Subsequent to placing Office 365 into service, the county experienced operational challenges, which required additional support services and cost an additional \$300. These services did not add to the functionality of Office 365.
 - Expense as incurred or capitalize into the subscription asset?

Expense as incurred



GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - The initial subscription liability is measured as the present value of the subscription payments expected to be made to the vendor during the subscription term. The necessary variables for this calculation are below:
 - \$5,000 annual subscription payments, paid in advance,
 - 3 year (36 months) subscription term,
 - 2% borrowing rate,

Subscription Liability= \$14,708

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - SBITA Example (continued)
 - The initial subscription asset is calculated by taking the subscription liability of \$14,708 and adding the capitalizable initial implementation costs for data migration of \$2,000.

Subscription Asset = \$16,708

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Annualized payment Schedule and Amortization Expense

Year	Principal	Interest	Total payment		Amortization Expense
2023	\$4,898	\$102	\$5,000	Year 1	\$5,569.33
2024	\$4,903	\$97	\$5,000	Year 2	\$5,569.33
2025	\$4,907	\$93	\$5,000	Year 3	\$5,569.34
Total	\$14,708	\$292	\$15,000	Total	\$16,708

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)
 - Journal Entries

Governmental Fund: Initial Journal Entry	Debit	Credit
Capital Outlay	\$14,708	
Other Financing Sources – SBITA Proceeds		\$14,708
To record capital expenditure and related proceeds from IT subscription		
Entity-Wide: Initial Journal Entry	Debit	Credit
Other Financing Sources – SBITA Proceeds	\$14,708	
Subscription liability – due within one year		\$4,898
Subscription liability – due beyond one year		\$9,810
Subscription Asset	\$16,708	
Capital Outlay		\$14,708
Cash (implementation costs)		\$2,000
To record intangible asset and related liability from IT subscription		

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)

- Journal Entries

Governmental Fund: Annualized Year 1 Journal Entry	Debit	Credit
Interest Expenditure	\$102	
Lease principal payment expenditure	\$4,898	
Cash		\$5,000
To record annual payment for first year		
Entity-Wide: Annualized Year 1 Journal Entries	Debit	Credit
Lease liability – due within one year	\$4,898	
Lease principal payment expenditure		\$4,898
Amortization Expense	\$5,569.33	
Accumulated Amortization		\$5,569.33
To eliminate fund level activity for first year		

GASB Statements Effective for FY23

- GASB 96: SBITAs (continued)

- Disclosures

- A general description of the government's SBITAs, including the basis, terms, and conditions of any variable payments not included in the measurement of the subscription liability.
 - The total amount of subscription assets and related accumulated amortization reported on a separate line item from other capital assets.
 - The amount of outflows of resources recognized in the current period for
 - variable payments not included in the measurement of the subscription liability and
 - any other payments (for example, penalties) not included in the measurement of the subscription liability
 - The maturity of the subscription liability separated into principal and interest, for each of the five years subsequent to the reporting period and in five-year increments for the remaining term of the SBITA.
 - Any SBITA commitments not yet reported as a subscription liability on the statement of net position (i.e. prior to the commencement of the subscription term).
 - Any impairment loss and the applicable adjustment to the subscription asset.



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GASB Statements Effective for FY24

- GASB 100: Accounting Changes and Error Corrections
 - The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023 (FY24)
 - The primary objective of this Statement is to enhance the accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.



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GASB Statements Effective for FY25

- GASB 101: Compensated Absences
 - The requirements of this Statement are effective for fiscal years beginning after December 15, 2023 (FY25)
 - The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences.

GASB Statements Effective for FY25

- GASB 101: Compensated Absences (continued)
- The new standard defines three general criteria for recognizing a liability for unused leave balances:
 - The leave is attributable to **services already rendered**;
 - The leave **accumulates**; and
 - The leave is **more likely than not** to be used for time off or otherwise paid or settled.
- Requires the county to record a liability for a portion of accrued sick leave, even if that leave does not vest.
 - This is because of the third criterion noted above, the “more likely than not” test.

QUESTIONS?



Thank You

Josh Harner, CPA
WVDE Office of School Finance
304-558-6300
Joshua.harner@k12.wv.us

