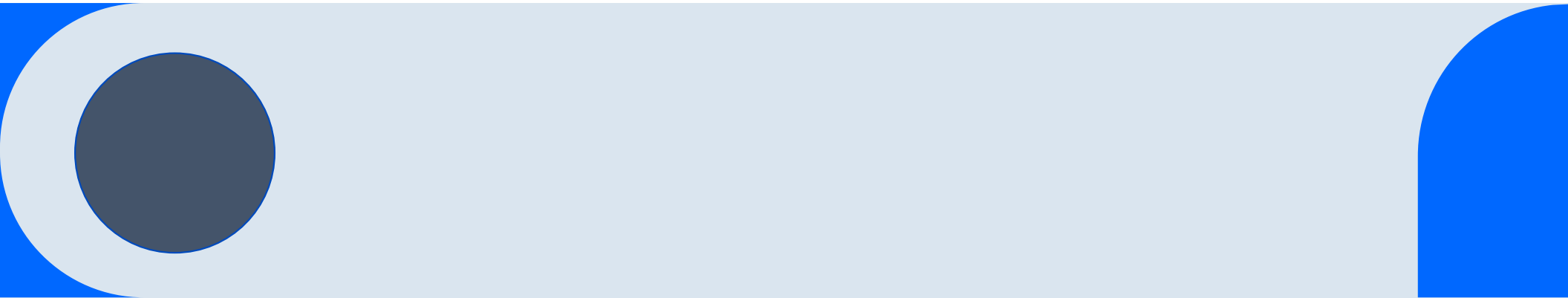


GASB 96 – SBITA

GASB 94 – P3

Brady Stutzman

Senior Financial Reporting and Policy Analyst - SARS



Agenda

1. GASB 96 – Subscription-Based Information Technology Arrangements (SBITA)
 - A. Summary
 - B. Determination/Applicability
 - C. Measurement/Calculation
 - D. Examples
 - E. Implementation
 - F. Disclosures
 - G. GASB Exposure Draft Questions and Answers
 - H. Key Takeaways
 - I. Exercises

2. GASB 94 – Public-Private and Public-Public Partnerships (P3 or PPP) and Availability Payment Arrangements (APA)
 - A. Summary
 - B. Decision Tree
 - C. Determination/Applicability
 - D. Transferor Measurement
 - E. Operator Measurement
 - F. Other Notable Items
 - G. Examples
 - H. Transferor Implementation
 - I. Operator Implementation
 - J. Transferor Disclosures
 - K. Operator Disclosures
 - L. GASB Exposure Draft Questions and Answers
 - M. Key Takeaways

Definitions

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.

SBITA

- A contract that conveys control of the right to use another party's (a SBITA vendor'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.

P3/PPP

- An arrangement in which a government (the transferor) contracts with an operator (governmental or nongovernmental) to provide public services by conveying control of the right to operate a nonfinancial asset, such as infrastructure or other capital asset (the underlying P3 asset), for a period of time in an exchange or exchange-like transaction.

GASB 96 – SBITA

1A - Summary

- In other words, contracts in which your agency is using an IT software (may also include associated tangible capital assets) for a fee (without granting perpetual licenses/title) is a SBITA.
 - SBITA = Recurring payments for Microsoft 365
 - Perpetual = Pay for it once with Microsoft Office
- Simply, this means recurring (monthly/annual/quarterly/etc.) payments for IT software. And if you don't make the payments, you don't get to use the software.

GASB 96 – SBITA

1A - Summary

- This standard does not apply to:
 - Contracts that meet the definition of a lease (GASB 87).
 - Contracts that meet the definition of a P3 (GASB 94).
 - Contracts that provide a perpetual license for vendor software.
 - Contracts in which governments provide their IT software to other entities through SBITAs.

GASB 96 – SBITA

1B – Determination/Applicability

- In order for a SBITA to apply to you, you must have **control** (para. 7-8):
 - Right to determine the nature and manner of use of the underlying IT asset.
 - Right to obtain the present service capacity from use of the underlying IT asset.
- How to calculate the subscription term (para. 9-14):
 - 12 months or less = expense
 - 12-month exclusion
 - More than 12 months = capitalize
 - Term is the period which both parties come to an agreement that one will use the underlying IT asset, plus:
 - Our option to extend (if reasonably certain we will extend)
 - Vendor's option to extend (if reasonably certain they will extend)
 - Our option to terminate (if reasonably certain we will terminate)
 - Vendor's option to terminate (if reasonably certain they will terminate)

GASB 96 – SBITA

1C – Measurement/Calculation

- Calculate subscription liability (para. 16):
 - Total amount of fixed payments
 - Variable payments that depend on an index/rate (CPI)
 - Variable payments that are fixed in substance (see para. 17)
 - Payments for penalties for terminating the SBITA (if the subscription term reflects the government exercising a termination)
 - Any subscription contract incentives receivable from the vendor (see para. 42-43)
 - Any other payments to the vendor associated with the contract that are reasonably certain of being required.

GASB 96 – SBITA

1C – Measurement/Calculation

- The future payments should be discounted using the interest rate charged by the vendor.
 - If the interest rate cannot be readily determined, the government's estimated incremental borrowing rate should be used.
 - When unable to determine the interest rate, consider the agency's recently issued debt (GO, revenue, or COP) to determine if those would provide an incremental borrowing rate.

GASB 96 – SBITA

1C – Measurement/Calculation

- If not, agencies shall rely on the Oregon Bond Index, and select the rate that most closely matches the effective date and term.
- <https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>
- Once you've done your due diligence on searching for a rate from a vendor/etc., and have decided to use the incremental borrowing rate, be sure to document what you did and how you came to that conclusion.

GASB 96 – SBITA

1C – Measurement/Calculation

Department of Administrative Services > Financial programs > Accounting and reporting > Training and resources

Training and resources

DISCLOSURES

COVID FISCAL RELIEF TEAM (CFRT)

NEWS GROUPS

OREGON ACCOUNTING MANUAL

PUBLICATIONS

STATEWIDE ACCOUNTS RECEIVABLE
MANAGEMENT

STATEWIDE BALANCING REPORTS

SUBRECIPIENT MONITORING

SYSTEMS SECURITY

▶ TRAINING AND RESOURCES

TRAVEL

YEAR-END CLOSE

VENDOR COORDINATION

Below are links to past training sessions and resources related to accounting and reporting.

[Accounting and reporting training](#)

[Accounts receivable training and workshops](#)

[Associations and boards](#)

[Federal grant resources](#)

[Systems security training](#)

List of other training resources:

[Training Resources](#)

GASB 87 resources:

[GASB Statement No. 87, Leases](#)

[GASB Implementation Guide 2019-3,
Leases](#)

[GASB Implementation Guide 2020-1, Update
2020 \(questions 4.6 - 4.17\)](#)

[GASB Implementation Guide 2021-1,
Update 2021 \(questions 4.4 - 4.22\)](#)

[Accounting entries - proposed](#)

[Accounting profiles - proposed](#)

[Decision Tree - Lessee](#)

[Decision Tree - Lessor](#)

[Implementation timeline](#)

[Lease Data Matrix](#)

[Oregon Bond Index - as of July 1,
2021](#)

[Oregon Bond Index - as of July 1,
2022.pdf](#)

[Oregon Bond Index - current](#)

[System Guide](#)

GASB 96 – SBITA

1C – Measurement/Calculation

DATE	OREGON BOND INDEX*		State of Oregon (Aa1/AA+/AA+)		MMD INDEX (AAA)		BOND BUYER INDEX**	
	10 YR	20 YR	10 YR	20 YR	10 YR	20 YR	11 BBI	20 BBI
02/10/22	1.91	2.25	1.67	1.97	1.48	1.75	1.94	2.41
02/17/22	2.14	2.44	1.87	2.13	1.67	1.89	2.07	2.54
02/24/22	2.01	2.28	1.73	1.99	1.57	1.78	2.04	2.51
03/03/22	2.00	2.29	1.73	2.00	1.61	1.87	2.06	2.53
03/10/22	2.23	2.59	1.96	2.30	1.81	2.09	2.23	2.33
03/17/22	2.54	2.85	2.18	2.49	1.93	2.20	2.43	2.53
03/24/22	2.51	2.83	2.35	2.68	2.13	2.38	2.57	2.67
03/31/22	2.72	3.01	2.41	2.68	2.22	2.44	2.63	2.73
04/07/22	2.82	3.12	2.52	2.79	2.32	2.54	2.77	2.87
04/14/22	2.90	3.19	2.60	2.89	2.46	2.68	2.91	3.01
04/21/22	3.14	3.39	2.93	3.16	2.66	2.88	3.09	3.19
04/28/22	3.15	3.48	2.87	3.20	2.70	2.92	3.11	3.21
05/05/22	3.27	3.58	3.00	3.28	2.81	3.01	3.17	3.27
05/12/22	3.41	3.74	3.13	3.43	2.94	3.14	3.27	3.37
05/19/22	3.48	3.83	3.23	3.52	2.99	3.21	3.37	3.47
05/26/22	3.14	3.48	2.89	3.19	2.57	2.78	3.06	3.16
06/02/22	2.87	3.14	2.54	2.88	2.43	2.64	2.93	3.03
06/09/22	2.92	3.35	2.64	3.02	2.50	2.83	3.06	3.16
06/16/22	3.45	3.90	3.09	3.51	2.91	3.24	3.47	3.57
06/23/22	3.37	3.82	3.06	3.48	2.79	3.11	3.44	3.54
06/30/22	3.27	3.76	2.95	3.40	2.72	3.04	3.44	3.54
07/07/22	3.02	3.46	2.71	3.14	2.51	2.87	3.27	3.37
07/14/22	2.89	3.39	2.61	3.10	2.44	2.84	3.24	3.34
07/21/22	2.92	3.50	2.62	3.14	2.44	2.89	3.26	3.36
07/28/22	2.87	3.43	2.62	3.16	2.91	3.24	3.17	3.34
08/04/22	2.63	3.27	2.34	2.95	2.18	2.71	3.11	3.21
08/11/22	2.71	3.38	2.42	3.05	2.24	2.77	3.17	3.27
08/18/22	2.86	3.55	2.55	3.02	2.41	2.94	3.34	3.44
08/25/22	3.02	3.75	2.72	3.42	2.54	3.09	3.49	3.59
09/01/22	3.17	3.84	3.04	3.54	2.91	3.24	3.54	3.64

* The Oregon Bond Index 20 year represents an average rate on 20-year maturities of Oregon municipal general obligation bonds rated "A", as reported to the Debt Management Division of the Oregon Treasurer's Office by regional/northwest traders of Oregon bonds.

** General obligation bonds maturing in 20 years are used in compiling these indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA, while the 11-bond index is equivalent to Aa1 and AA+.

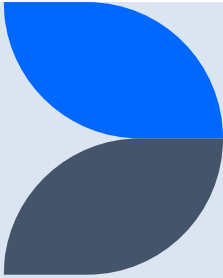
GASB 96 – SBITA

1C – Measurement/Calculation

- The subscription asset should be measured by the sum of the following (para. 25):
 - Amount of the initial measurement of the subscription liability (para. 16)
 - Payments associated with the contract made to the vendor at or before the commencement of the term, if applicable.
 - Capitalizable *initial implementation costs* (para. 29b)
 - Less any vendor incentives received from the vendor at the commencement of the term (para. 42-43)

GASB 96 – SBITA

1C – Measurement/Calculation



1

Preliminary Project Stage

- Conceptual formulation
- Evaluation of alternatives
- Determination of existence of IT
- Final selection of SBITA

Expense

2

Initial Implementation Stage

- Ancillary charges related to designing the chosen path
- Configuration
- Coding
- Testing
- Installation

Capitalize

3

Operation and Additional Implementation Stage

- Maintenance
- Troubleshooting
- Costs related to additional module implementation
- Other activities related to the ongoing access to the IT software

Expense

GASB 96 – SBITA

1C – Measurement/Calculation

- The Initial Implementation Stage for the SBITA is completed when the subscription asset is placed into service.
- SBITAs with multiple modules:
 - These should be either capitalized as entirely separate contracts, or expensed if they are simply added in. This is based entirely on the contract specifications.
 - Separate contracts for each module = separate SBITAs
 - Single contract for multiple module = expense in stage 3
- Other items to expense:
 - Training
 - Determination of the objective of the project
 - Technical/feasibility demonstrations
 - Implementation of additional modules after the first has been completed.
 - Generally, legacy data conversion from old server to vendor cloud server (see para 40 for additional information).

GASB 96 – SBITA

1C – Measurement/Calculation

- SBITAs with a subscription term starting prior to the start of the fiscal year should be recognized as of the beginning of the fiscal year in which the Statement is implemented (7/1/2022) (para. 64)
 - May likely include your own agency costs as well.
 - It is permitted (not required) for agencies to go back and incorporate/capitalize previous expenses made for the SBITA prior to 7/1/2022
 - Perhaps an agencies will want to know exactly how much went into this project.
 - Ultimately this is an agency decision as to whether you believe there is value in going back and capitalizing all those costs.

GASB 96 – SBITA

1C – Measurement/Calculation

- Remeasurement is not required solely for a change in a government’s incremental borrowing rate (para. 23).
- Remeasurement is required when one or more of the following have occurred (para. 20):
 - A change in subscription term.
 - A change in the estimated amounts for subscription payments already included in the liability.
 - A change in the interest rate that the vendor charges.
 - A contingency is resolved (upon which some or all of the variable payments that will be made over the remainder of the subscription term are based). For example, an event occurs that causes variable payments that were contingent on the performance or use of the underlying IT assets to become fixed for the remainder of the term.

GASB 96 – SBITA 1D – Examples



ORACLE | NETSUITE



Outlook



AUTODESK



avolve
software

Lob

DocuSign

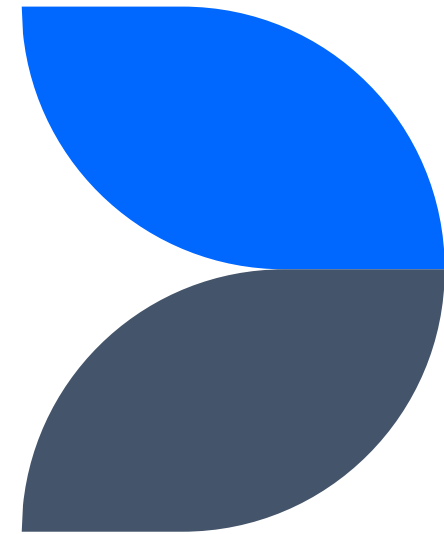
SignNow
by Barracuda

Bill.com



CERIDIAN

Adaptive
Insights



GASB 96 – SBITA

1E - Implementation

D10 - Comp Objects

- 1701 – Subscription-Based IT Contracts Incurred
- 2333 – Gain (Loss) on Subscription-Based IT Asset
- 4376 – Variable Subscription-Based IT Payments
- 4377 – Other Subscription-Based IT Payments
- 5356 – IT Asset Acquired Under Subscription \geq \$5K
- 7009 – Principal Pmt For Subscription IT Assets
- 7402 – Interest Pmt For Subscription IT Assets
- 7489 – Amort of Subscription-Based IT Assets

GASB 96 – SBITA

1E - Implementation

D31 – GL Accounts

- 0819 – Subscription-Based IT Asset
- 0895 – Accum Amort of Subscr-Based IT Arrangements
- 1282 – Subscription-Based IT Obligations Cur
- 1728 – Subscription-Based IT Obligations NC



GASB 96 – SBITA

1E - Implementation

D14 – Balance Sheet Class

- 076 – Accum Amort – Subscription-Based IT Asset
- 084 – Subscription-Based IT Asset
- 123 – Subscription-Based IT Obligations-Cur
- 163 – Subscription-Based IT Obligations NC



GASB 96 – SBITA

1E - Implementation

SBITA entries at contract commencement/when the asset is placed into service

Step	Description of transaction	T-Code	DR	CR	Cobj	Applicable Fund			
						Government al Fund	Government- Wide	Proprietary Fund	Fiduciary Fund
1.	Recognize SBITA contract proceeds	908R	1551-Deposit Liability	3200-GAAP Revenue Offset	1701	X		X	X
2.	Recognize acquisition of asset (complete SBITA purch	909R	3600-GAAP Expenditure Offset	1551-Deposit Liability	5356	X		X	X
3.	Establish SBITA liability (eliminate 1701)	462	3200-GAAP Revenue Offset	1728-Subscription-based IT	1701		X	X	X
4.	Establish SBITA asset (eliminate 5356)	545 or 555	0819-Subscription-Based IT Asset 3074-Change in Cap. Assets	3600-GAAP Exp. Offset 3018-Net Invest. In Cap. Assets	5356		X	X	X

SBITA entries throughout the fiscal year

Step	Description of transaction	T-Code	DR	CR	Cobj	Applicable Fund			
						Government al Fund	Government- Wide	Proprietary Fund	Fiduciary Fund
5.	Record accumulated amortization of SBITA contract	542 or 541	3600-GAAP Exp. Offset 3018-Net Invest. In Cap. Assets	0895-Accum Amort - SBITA 3074-Change in Cap. Assets	7489		X	X	X
6a.	a. Record SBITA payment (principal portion)	222	3500-Expenditure Control Cash	0070-Cash on Deposit w/ OST	7009	X		X	X
	b. Record SBITA payment (interest portion)	222	3500-Expenditure Control Cash	0070-Cash on Deposit w/ OST	7402	X		X	X
	OR								
6b.	a. Record total SBITA payment	222	3500-Expenditure Control Cash	0070-Cash on Deposit w/ OST	7009	X		X	X
	b. Reclassify principal portion of SBITA payment	416	0070-Cash on Deposit w/ OST	3500-Expenditure Control Cash	7009	X		X	X
	c. Reclassify interest portion of SBITA payment	415	3500-Expenditure Control Cash	0070-Cash on Deposit w/ OST	7402	X		X	X
7.	Reduce SBITA liability by <u>principal</u> payments	459	1728-Subscription-based IT	3600-GAAP Exp. Offset	7009		X	X	X

SBITA entries at fiscal year end

Step	Description of transaction	T-Code	DR	CR	Cobj	Applicable Fund			
						Government al Fund	Government- Wide	Proprietary Fund	Fiduciary Fund
8.	Reclass current portion of SBITA liability								
	a. Reduce SBITA liability-noncurrent	475R	1728-Subscription-based IT	2951-System Clearing GL	N/A		X	X	X
	b. Establish/adjust SBITA liability-current	475	2951-System Clearing GL	1282-Subscription-based IT	N/A		X	X	X

GASB 96 – SBITA

1E - Implementation

SBITA entries at contract commencement/when the asset is placed into service

Step	Description of transaction	T-Code	DR	CR	Cobj	Applicable Fund			
						Governmental Fund	Government-Wide	Proprietary Fund	Fiduciary Fund
1.	Establish construction in progress from expenditure	545 or 555 (FID)	0861-Construction in Progress 3074-Change in Cap. Assets	3600-GAAP Exp. Offset 3018-Net Invest. In Cap. Assets	5356		X	X	X
2.	Recognize SBITA asset and remove CIP.	540	0819-Subscription-Based IT Asset	0861-Construction in Progress	N/A		X	X	X

GASB 96 – SBITA

1E - Implementation

SBITA entries at contract remeasurement or modification						Applicable Fund			
Step	Description of transaction	T-Code	DR	CR	Cobj	Governmental Fund	Government-Wide	Proprietary Fund	Fiduciary Fund
1.	a. Recognize SBITA proceeds	908R	1551-Deposit Liability	3200-GAAP Revenue Offset	1701	X		X	X
	b. Recognize acquisition of asset	909R	3600-GAAP Expenditure Offset	1551-Deposit Liability	5356	X		X	X
	c. Adjust SBITA liability (eliminate amount from 1a)	462	3200-GAAP Revenue Offset	1728-Subscription-based IT Obligations	1701		X	X	X
	d. Adjust SBITA asset (eliminate amount from 1b)	545 or 555 (FID)	0819-Subscription-Based IT Asset 3074-Change in Cap. Assets	3600-GAAP Exp. Offset 3018-Net Invest. In Cap. Assets	5356		X	X	X
2.	Recognize gain/(loss) on SBITA asset only if the change reduces the carrying value of the asset to zero.	537 or 536 (FID)	3200-GAAP Revenue Offset 3018-Net Invest. In Cap. Assets	0819-Subscription-Based IT Asset 3074-Change in Cap. Assets	2333		X	X	X

SBITA entries at contract termination or at the end of the contract						Applicable Fund			
Step	Description of transaction	T-Code	DR	CR	Cobj	Governmental Fund	Government-Wide	Proprietary Fund	Fiduciary Fund
1.	Move current portion of SBITA liability to noncurrent subscription liability								
	a. Reduce SBITA liability-current	475R	1282-Subscription-based IT Obligations	2951-System Clearing GL	N/A		X	X	X
	b. Adjust SBITA liability-noncurrent	475	2951-System Clearing GL	1728-Subscription-based IT Obligations	N/A		X	X	X
2.	a. Eliminate excess asset value, record gain/(loss)	537 or 536 (FID)	3200-GAAP Revenue Offset 3018-Net Invest. In Cap. Assets	0819-Subscription-Based IT Asset 3074-Change in Cap. Assets	2333		X	X	X
	b. Adjust accumulated amortization	573	0895-Amort. of SBITA	2951-System Clearing GL	N/A		X	X	X
	c. Adjust asset value	574	2951-System Clearing GL	0819-SBITA Asset	N/A		X	X	X
3.	Adjust SBITA liability	462R	1728-Subscription-based IT Obligations	3200-GAAP Revenue Offset	2333		X	X	X

GASB 96 – SBITA 1F – Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

13. Subscription Based IT Arrangements (SBITA) Information - OAM 15.60.35

Exclude information on short-term SBITAs

A. General Description of SBITA Arrangements

In the text box below, provide a general description of your agency's SBITA arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the SBITA liability are determined; (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the SBITA liability; and (3) any collateral pledged as security for a SBITA **other** than the underlying asset. **Note:** Similar SBITAs may be grouped.

GASB 96 – SBITA 1F – Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

13. Subscription Based IT Arrangements (SBITA) Information - OAM 15.60.35 *Exclude information on short-term SBITAs*

B. Information Not Included in Measurement of SBITA Liability

Expenses/expenditures for variable payments	\$ -
Comptroller object used to record the variable payments noted above	_____
Expenses/expenditures for termination penalties	\$ -
Comptroller object used to record the termination penalties noted above	_____

C. Commitments under SBITA Before the Commencement of the SBITA Term

As of June 30, 2023, does your agency have any commitments to enter into a lease as a lessee but the lease term has not commenced?

If yes, provide the amount of the commitments by appropriated fund:

General Fund	\$ -
Federal Funds	-
Lottery Funds	-
Other Funds	-
	\$ -

D. SBITA Impairments

As of June 30, 2023, has your agency had any impairments relating to SBITA arrangements?

If yes, describe the situation and the impairment amount determined:

GASB 96 – SBITA 1F – Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

13. Subscription Based IT Arrangements (SBITA) Information - OAM 15.60.35

Exclude information on short-term SBITAs

E. Schedule of Future SBITA Payments

Please complete the following schedule to reflect the principal and interest payments necessary over the life of your agency's SBITAs. The schedule of principal and interest payments should be as of the fiscal year-end. Total principal repayments should agree to the combined amounts in GL accounts 1282 and 1728. The principal amount identified below in 2024 should agree to the amount recorded in GL 1282. Complete a separate page for each fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Fiduciary Fund). If your agency has leases in multiple enterprise funds, aggregate the amounts for a single disclosure for a combined disclosure for all enterprise funds. Complete as many pages as necessary.

Fund Type:

SBITA Repayment Schedule			
Year Ending	Principal	Interest	Totals
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	-	-	-
2049-2053	-	-	-
2054-2058	-	-	-
2059-2063	-	-	-
2064-2068	-	-	-
Total:	\$ -	\$ -	\$ -

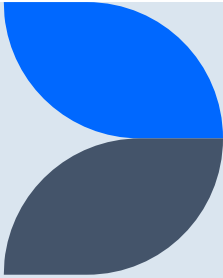
GASB 96 – SBITA

1G – GASB Exposure Draft Q&A

- **Q1: Does a cloud computing arrangement meet the definition of a SBITA?**
- **A1:** *A cloud computing arrangement may or may not meet the definition of a SBITA in paragraph 6 of Statement 96. Cloud computing arrangements have three common deployment models: Software as a Service, Platform as a Service, and Infrastructure as a Service. All three deployment models provide the customer with the right to use a combination of another party's IT software and tangible capital assets. The definition of a SBITA requires, in part, that a contract convey control of the right to use another party's IT software, alone or in combination with tangible capital assets (the underlying IT assets). Therefore, as part of its determination of whether a cloud computing arrangement meets the definition of a SBITA, a government should evaluate whether the contract conveys control of the right to use the underlying IT assets in accordance with paragraph 7 of Statement 96.*

GASB 96 – SBITA

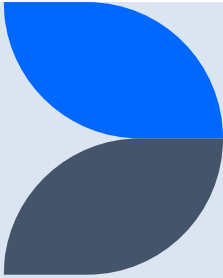
1G – GASB Exposure Draft Q&A



- Q2: A government enters into a six-year subscription-based information technology arrangement (SBITA) contract with no options to extend or terminate the contract and begins making semi-annual subscription payments to the SBITA vendor immediately after the contract takes effect. The initial implementation stage is not completed until the end of the second year after the contract takes effect. What is the subscription term?
- A2: *Although the length of the contract is six years, the subscription term is four years. The initial implementation stage is completed at the end of the second year of the contract. Therefore, in accordance with paragraphs 9 and 15 of Statement 96, the subscription term commences at the beginning of the third year and ends at the conclusion of the sixth year when the SBITA contract ends.*

GASB 96 – SBITA

1G – GASB Exposure Draft Q&A



- **Q3:** Is a licensing agreement for a vendor’s computer software that automatically renews until cancelled a licensing agreement that provides a perpetual license?
- **A3:** No. A provision under which a licensing agreement automatically renews until cancelled is an option to terminate the agreement at each renewal date. An agreement that includes an option to terminate is not a purchase, whereas a perpetual license is a purchase in which a government is granted a permanent right to use the vendor’s computer software. Therefore, a licensing agreement for a vendor’s computer software that automatically renews until cancelled does not provide a perpetual license.

GASB 96 – SBITA

1H – Key Takeaways

- Always consider materiality
 - Start with the big ones considering capitalization policy is \$5,000.
- Be mindful of the short-term exception.
- May need to talk with your IT department, leadership, or procurement
- Review accounting records for payments for potential SBITAs
- Measurement should be reflective of the transition period (7/1/2022)
- General fund treatment needing to establish a new D23 fund.

“

SBITA questions?

”

GASB 96 – SBITA

11 - Exercises

- Please complete exercises as provided.

Once again...

Definitions

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.

SBITA

- A contract that conveys control of the right to use another party's (a SBITA vendor'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.

P3/PPP

- An arrangement in which a government (the transferor) contracts with an operator (governmental or nongovernmental) to provide public services by conveying control of the right to operate a nonfinancial asset, such as infrastructure or other capital asset (the underlying P3 asset), for a period of time in an exchange or exchange-like transaction.

GASB 94 – P3

2A - Summary

- In other words, contracts in which your agency/government transfers control of the right to use a nonfinancial asset (for a period of time) to an operator to provide public services.
- Transferor = Lessor
- Operator = Lessee

GASB 94 – P3

2A - Summary

Service Concession Arrangements (SCA)

An SCA is a P3 in which all of the following criteria are met (para. 6):

1. Transferor conveys the right and obligation to provide public services using the underlying asset in exchange for significant consideration (payment/improvements/etc.)
2. Operator collects and is compensated by fees from third parties
3. Transferor determines which services/prices the operator must provide
4. Transferor is entitled to significant residual interest of the service utility at the end of the contract

These are P3s, but not all P3s are SCAs.

Availability Payment Arrangements (APA)

An APA is an arrangement in which a government compensates an operator for activities relating to an underlying asset for a period of time in an exchange transaction that may include the following (para. 7):

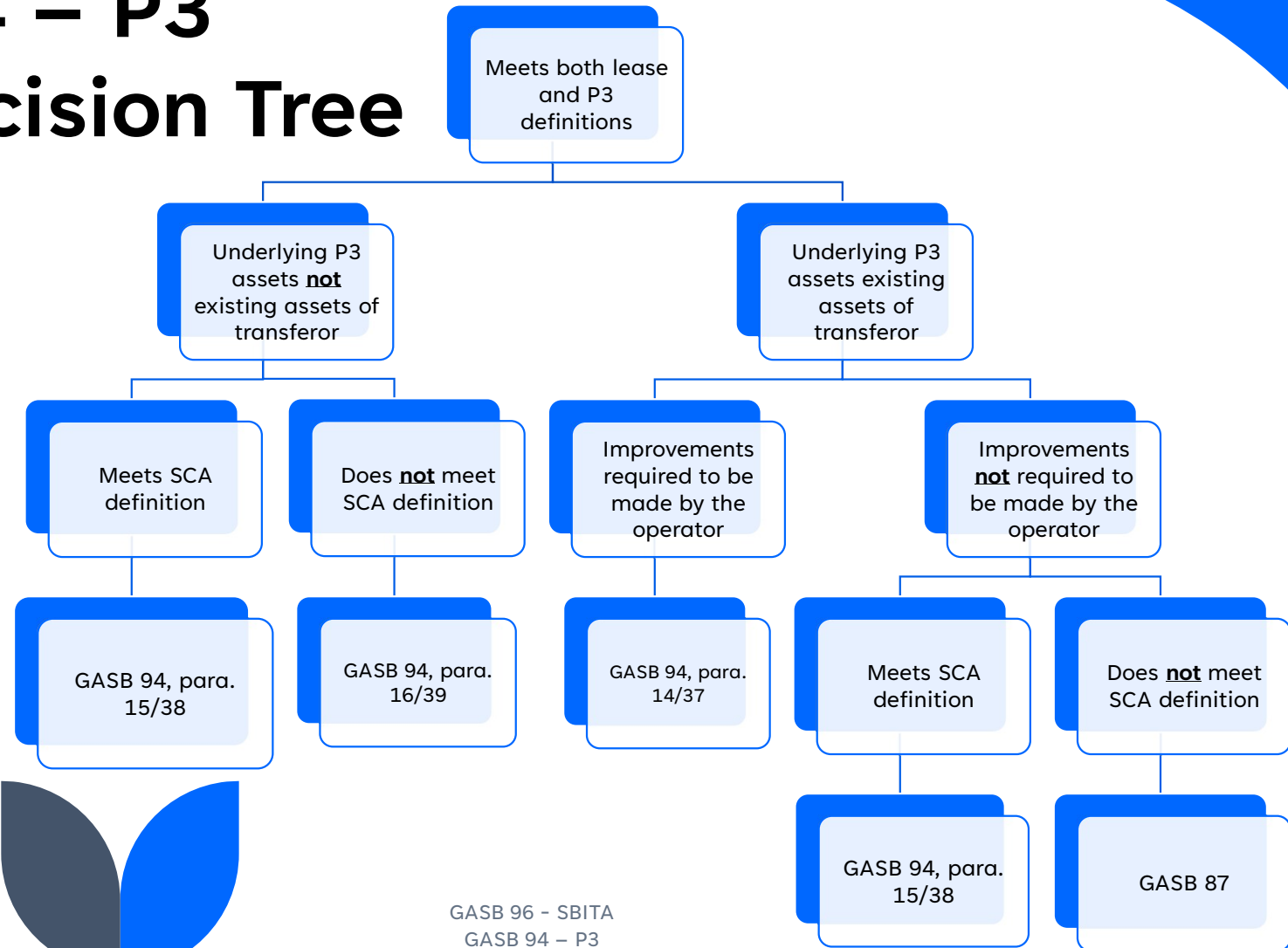
1. Designing
2. Constructing
3. Financing
4. Maintaining
5. Operating

Payments are based entirely on the asset's availability for use rather than on tolls/fees/etc.

These are NOT P3s.

GASB 94 – P3

2B – Decision Tree



GASB 96 – SBITA
GASB 94 – P3

GASB 94 – P3

2B – Decision Tree

Para. 15

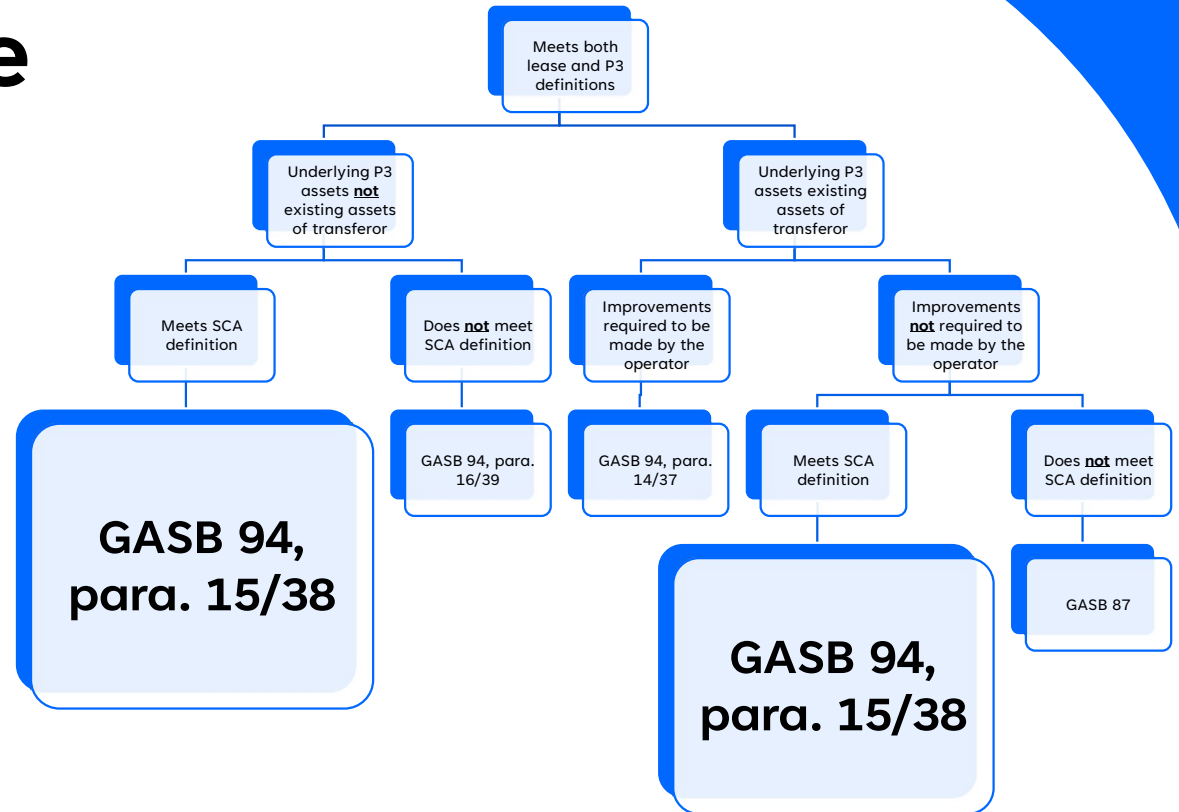
Transferor should recognize:

1. A capital asset (when placed into service)
2. A receivable for installment payments (at commencement)
3. A deferred inflow of resources (at commencement)

Para. 38

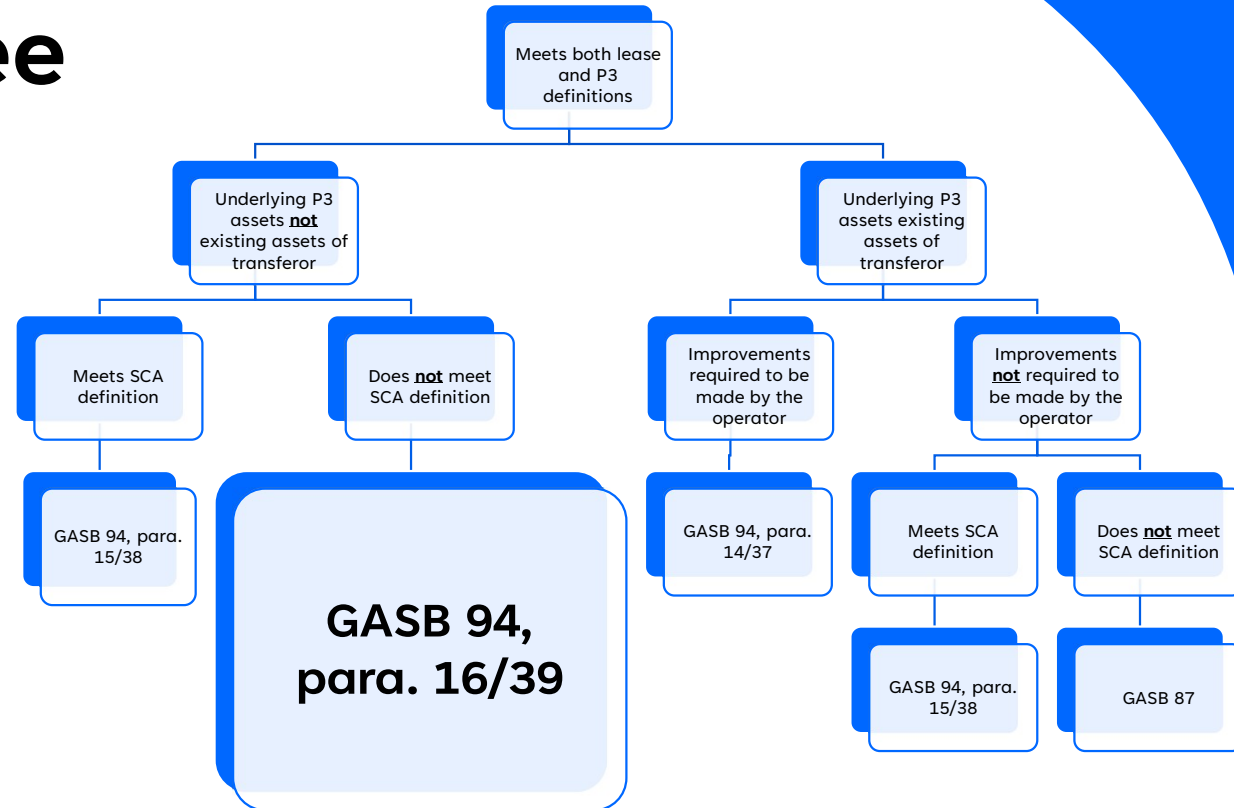
Operator should recognize (at commencement):

1. A liability for installment payments
2. A right-to-use capital asset



GASB 94 – P3

2B – Decision Tree



Para. 16

Transferor should recognize (when placed into service):

1. A receivable for the asset (to be purchased/constructed by operator)
2. A receivable for installment payments
3. A deferred inflow of resources

Para. 39

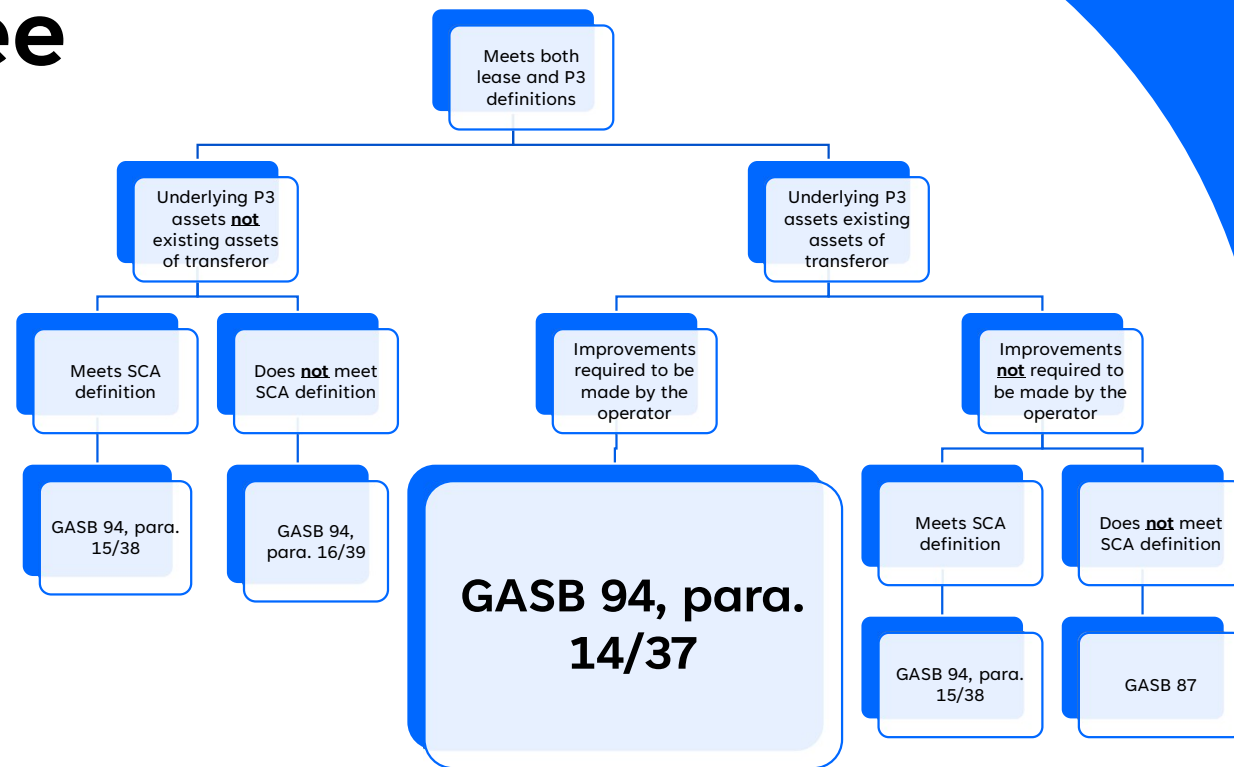
Operator should recognize (when placed into service):

1. A liability for the asset (to be transferred once purchased/constructed)
2. A liability for installment payments
3. A deferred outflow of resources



GASB 94 – P3

2B – Decision Tree



Para. 14

Transferor should recognize (at commencement):

1. A receivable for installment payments
2. A deferred inflow of resources

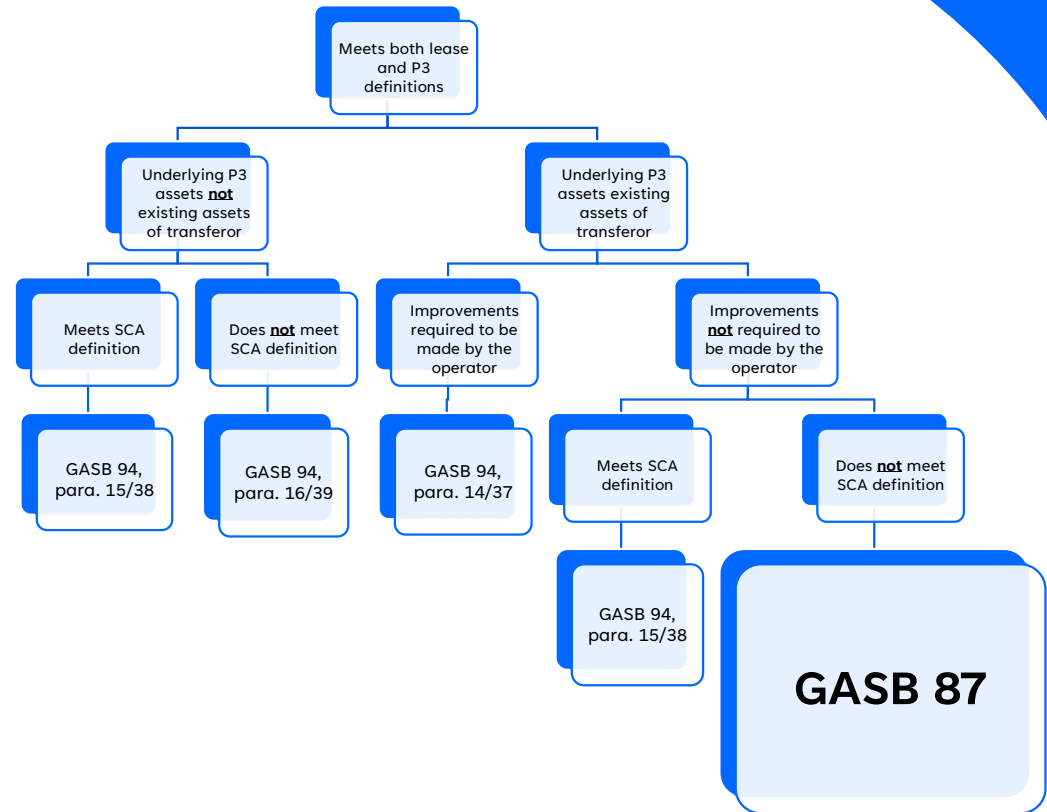
Para. 37

Operator should recognize (at commencement):

1. A liability for installment payments
2. A right-to-use capital asset

GASB 94 – P3

2B – Decision Tree



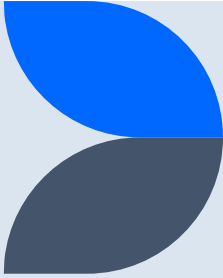
GASB 94 – P3

2C – Determination/Applicability

- How to calculate the P3 term (para. 10-12):
 - Term is the period which both parties come to an agreement that one will use the underlying IT asset, plus:
 - Operator's option to extend (if reasonably certain to extend)
 - Transferor's option to extend (if reasonably certain to extend)
 - Operator's option to terminate (if reasonably certain to terminate)
 - Transferor's option to terminate (if reasonably certain to terminate)
- Reassess the term if one or more of the following occur (para. 13):
 - Operator/Transferor exercises an option that was not reasonably expected to be exercised.
 - Operator/Transferor does not exercise an option that was reasonably expected to be exercised.
 - An event occurs that requires extension/termination (per P3 contract)

GASB 94 – P3

2D – Transferor Measurement



Installment Payments Receivable (para. 22–30)

Receivable should be the present value of P3 payments expected during the term, including:

- Fixed payments
- Variable payments based on index/rate (at commencement)
- Variable payment fixed in substance (para. 23)
- Residual value guarantee payments
- Reduced by provisions for estimated uncollectible amounts

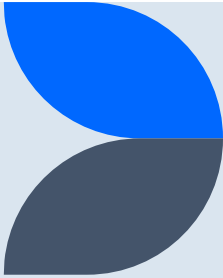
In subsequent reporting periods, calculate the amortization of the discount on the receivable for payments and report that amount as revenues for the period.

Remeasurement should occur if one or more of the following changes (if significant):

- There is a change in the P3 term
- There is a change in interest rate
- A contract contingency is resolved effecting the payment amounts

GASB 94 – P3

2D – Transferor Measurement



Underlying P3 Asset (para. 18-20)

Existing Asset: Carrying value (book value) at commencement

New/Constructed Asset: Acquisition value when placed in service

Normal accounting requirements apply (depreciation/impairment)

If P3 contract requires the asset be returned in original condition, transferor should not depreciate asset during the term.

Deferred Inflow of Resources (para. 32-33)

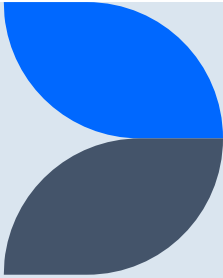
Should be the sum of the following:

- Initial measurement of the installment payment receivable
- Payments received from the operator at or before commencement
- Initial measurement of the asset
- Initial measurement of the improvements for the asset
- Initial measurement of the receivable for the asset

Transferor subsequently should recognize the deferred inflow of resources as revenues received in a systematic/rational manner throughout the term.

GASB 94 – P3

2D – Transferor Measurement



Initial Direct Costs (para. 17)

Any initial direct costs incurred by the transferor should be expensed in the period in which they occur.

Examples are:

- Evaluating financial condition of potential operator
- Evaluating/recording guarantees/collateral
- Negotiation of P3 terms
- Preparing/processing P3 documents
- Closing the transaction

Asset Improvements (para. 21)

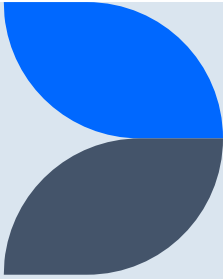
Transferor should measure improvements made by operator at acquisition value when placed into service.

Asset Receivable (para. 31)

Transferor should measure the receivable based on the operator's estimated carrying value (book value) of the asset as of the expected date of transfer

GASB 94 – P3

2E – Operator Measurement



Installment Payments Liability (para. 40-48)

Liability should be the present value of P3 payments expected during the term, including:

- Fixed payments
- Variable payments based on index/rate (at commencement)
- Variable payment fixed in substance (para. 41)
- Residual value guarantee payments
- Payments for penalties for terminating, if the P3 term reflects the operator terminating or includes a cancellation clause
- Any other payments that are reasonably certain to be required

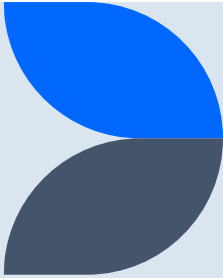
In subsequent reporting periods, calculate the amortization of the discount on the liability for payments and report that amount as expenses for the period.

Remeasurement should occur if one or more of the following changes (and if significant):

- There is a change in the P3 term
- An assessment indicates the likelihood of residual value guarantee being paid has changed to not reasonably certain
- There is a change in estimated amounts for payments already included the liability measurement
- There is a change in interest rate
- A contract contingency is resolved effecting the payment amounts

GASB 94 – P3

2E – Operator Measurement



Right-To-Use Asset (para. 49-52)

Asset should be measured as the sum of the following (when placed into service):

- Amount of initial measurement of the installment payment liability
- Payments made to the transferor at/before commencement
- The cost of the purchased/constructed asset (if SCA)
- The cost of improvements to an existing asset
- Initial direct costs that are ancillary charges necessary to place the asset into service

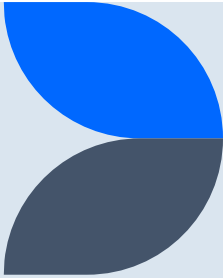
Initial direct costs considered as debt issuance costs should be expensed

The asset should be amortized over the shorter of the P3 term or useful life.

The asset should be adjusted by the same amount as the corresponding liability when remeasured.

GASB 94 – P3

2E – Operator Measurement



Asset Liability (para. 53)

If transfer of asset is required at the end of the term, operator should measure the liability on the estimated carrying value (book value) of the asset as of the expected date of transfer.

Deferred Outflow of Resources (para. 54)

If transfer of asset is required at the end of the term, operator should recognize a deferred outflow of resources equal to the carrying value (book value) of the asset as of the expected date of transfer.

GASB 94 – P3

2F – Other Notable Items

- P3s with multiple components (para. 60-65):
 - Account for P3 and non-P3 components as separate arrangements unless the contract specifically says otherwise.
 - If the P3 involves multiple assets, they should be accounted for separately.
- APAs with multiple components (para. 79-83):
 - If the APA has multiple components, they should be accounted for separately.
- **APAs are NOT P3s and should be expensed**, unless it meets one of the exceptions turning it into a lease (rare) and would then follow GASB 87.

GASB 94 – P3

2F – Other Notable Items

- The future payments should be discounted using the interest rate charged by the vendor.
 - If the interest rate cannot be readily determined, the government's estimated incremental borrowing rate should be used.
 - When unable to determine the interest rate, consider the agency's recently issued debt (GO, revenue, or COP) to determine if those would provide an incremental borrowing rate.

GASB 94 – P3

2F – Other Notable Items

- If not, agencies shall rely on the Oregon Bond Index, and select the rate that most closely matches the effective date and term.
- <https://www.oregon.gov/das/Financial/Acctng/Pages/Training.aspx>
- Once you've done due diligence on searching for a rate from a vendor/etc., and have decided to use the incremental borrowing rate, be sure to document what you did and how you came to that conclusion.

GASB 94 – P3

2F – Other Notable Items

Department of Administrative Services > Financial programs > Accounting and reporting > Training and resources

Training and resources

- DISCLOSURES
- COVID FISCAL RELIEF TEAM (CFRT)
- NEWS GROUPS
- OREGON ACCOUNTING MANUAL
- PUBLICATIONS
- STATEWIDE ACCOUNTS RECEIVABLE MANAGEMENT
- STATEWIDE BALANCING REPORTS
- SUBRECIPIENT MONITORING
- SYSTEMS SECURITY
- ▶ TRAINING AND RESOURCES**
- TRAVEL
- YEAR-END CLOSE
- VENDOR COORDINATION

Below are links to past training sessions and resources related to accounting and reporting.

[Accounting and reporting training](#)

[Accounts receivable training and workshops](#)

[Associations and boards](#)

[Federal grant resources](#)

[Systems security training](#)

List of other training resources:

[Training Resources](#)

GASB 87 resources:

[GASB Statement No. 87, Leases](#)

[GASB Implementation Guide 2019-3, Leases](#)

[GASB Implementation Guide 2020-1, Update 2020 \(questions 4.6 - 4.17\)](#)

[GASB Implementation Guide 2021-1, Update 2021 \(questions 4.4 - 4.22\)](#)

[Accounting entries - proposed](#)

[Accounting profiles - proposed](#)

[Decision Tree - Lessee](#)

[Decision Tree - Lessor](#)

[Implementation timeline](#)

[Lease Data Matrix](#)

[Oregon Bond Index - as of July 1, 2021](#)

[Oregon Bond Index - as of July 1, 2022.pdf](#)

[Oregon Bond Index - current](#)

[System Guide](#)

GASB 94 – P3

2F – Other Notable Items

DATE	OREGON BOND INDEX*				MMD INDEX		BOND BUYER INDEX**	
	Oregon A Rated		State of Oregon (Aa1/AA+/AA+)		(AAA)		11 BBI	20 BBI
	10 YR	20 YR	10 YR	20 YR	10 YR	20 YR		
02/10/22	1.91	2.25	1.67	1.97	1.48	1.75	1.94	2.41
02/17/22	2.14	2.44	1.87	2.13	1.67	1.89	2.07	2.54
02/24/22	2.01	2.28	1.73	1.99	1.57	1.78	2.04	2.51
03/03/22	2.00	2.29	1.73	2.00	1.61	1.87	2.06	2.53
03/10/22	2.23	2.59	1.96	2.30	1.81	2.09	2.23	2.33
03/17/22	2.54	2.85	2.18	2.49	1.93	2.20	2.43	2.53
03/24/22	2.51	2.83	2.35	2.68	2.13	2.38	2.57	2.67
03/31/22	2.72	3.01	2.41	2.68	2.22	2.44	2.63	2.73
04/07/22	2.82	3.12	2.52	2.79	2.32	2.54	2.77	2.87
04/14/22	2.90	3.19	2.60	2.89	2.46	2.68	2.91	3.01
04/21/22	3.14	3.39	2.93	3.16	2.66	2.88	3.09	3.19
04/28/22	3.15	3.48	2.87	3.20	2.70	2.92	3.11	3.21
05/05/22	3.27	3.58	3.00	3.28	2.81	3.01	3.17	3.27
05/12/22	3.41	3.74	3.13	3.43	2.94	3.14	3.27	3.37
05/19/22	3.48	3.83	3.23	3.52	2.99	3.21	3.37	3.47
05/26/22	3.14	3.48	2.89	3.19	2.57	2.78	3.06	3.16
06/02/22	2.87	3.14	2.54	2.88	2.43	2.64	2.93	3.03
06/09/22	2.92	3.35	2.64	3.02	2.50	2.83	3.06	3.16
06/16/22	3.45	3.90	3.09	3.51	2.91	3.24	3.47	3.57
06/23/22	3.37	3.82	3.06	3.48	2.79	3.11	3.44	3.54
06/30/22	3.27	3.76	2.95	3.40	2.72	3.04	3.44	3.54
07/07/22	3.02	3.46	2.71	3.14	2.51	2.87	3.27	3.37
07/14/22	2.89	3.39	2.61	3.10	2.44	2.84	3.24	3.34
07/21/22	2.92	3.50	2.62	3.14	2.44	2.89	3.26	3.36
07/28/22	2.87	3.43	2.62	3.16	2.91	3.24	3.17	3.34
08/04/22	2.63	3.27	2.34	2.95	2.18	2.71	3.11	3.21
08/11/22	2.71	3.38	2.42	3.05	2.24	2.77	3.17	3.27
08/18/22	2.86	3.55	2.55	3.02	2.41	2.94	3.34	3.44
08/25/22	3.02	3.75	2.72	3.42	2.54	3.09	3.49	3.59
09/01/22	3.17	3.84	3.04	3.54	2.91	3.24	3.54	3.64

* The Oregon Bond Index 20 year represents an average rate on 20-year maturities of Oregon municipal general obligation bonds rated "A", as reported to the Debt Management Division of the Oregon Treasurer's Office by regional/northwest traders of Oregon bonds.

** General obligation bonds maturing in 20 years are used in compiling these indexes. The 20-bond index has an average rating equivalent to Moody's Aa2 and S&P's AA, while the 11-bond index is equivalent to Aa1 and AA+.

GASB 94 – P3

2F – Other Notable Items

- P3s entered into prior to the start of the fiscal year should be recognized as of the beginning of the fiscal year in which the Statement is implemented (7/1/2022) (para. 86)
 - May likely include your own agency costs as well.
 - No PY costs may be included

GASB 94 – P3

2G – Examples



Park Improvement: (2010)
Gateway Arch Park
Foundation in St. Louis raised
\$250 million in private
funding, while the City raised
\$86 million in additional sales
taxes to revitalize the City's
tourism and build the
Gateway Arch in the Jefferson
National Expansion Memorial.

IT: (2012) Seattle announced
a deal with Gigabit Squared
for providing high-speed fiber
cable connections to all
residents.

Education: Phoenix has two
schools that share 300,000
square feet, which once was
the Maryvale Mall.

Transportation: Tollway
implementation with private
companies for operation.

GASB 94 – P3

2H/I - Implementation

D10 - Comp Objects

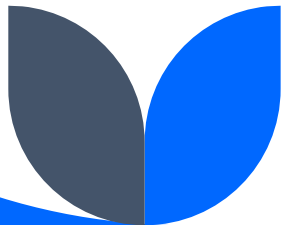
- 0688 – PPP Payments Received
- 0803 – Interest Received
- 1702 – PPP Contract Incurred
- 2334 – Gain (Loss) on PPP
- 2348 – Amort Deferred Inflow-PPP Rec
- 4805 – Variable PPP Payments
- 4806 – Other PPP Payments
- 5357 – PPP Asset >=\$5K
- 7010 – Principal Pmt for PPP Assets
- 7403 – Interest Pmt for PPP Assets
- 7490 – Amort of PPP Assets

GASB 94 – P3

2H/I - Implementation

D31 – GL Accounts

- 0505 – PPP Receivable-Current
- 0509 – Allow for Uncollectible PPP Rec-Cur
- 0830 – PPP Asset
- 0896 – Accum Amort of PPP
- 0943 – PPP Receivable-NC
- 0944 – Allow for Uncol-NC PPP Rec
- 1283 – PPP Oblig-Cur
- 1729 – PPP Oblig-NC
- 1862 – Deferred Inflows-PPP Rec



GASB 94 – P3

2H/I - Implementation

D14 – Balance Sheet Class

- 077 – Accum Amort – PPP Asset
- 083 – PPP Asset
- 124 – PPP Oblig-Cur
- 165 – PPP Oblig-NC



GASB 94 – P3

2J – Transferor Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

14. Public-Public and Public-Private Partnerships (PPP/P3) - Transferor - OAM 15.60.45

Exclude information on short-term PFP agreements.

A. General Description of PPP Arrangements

In the text box below, provide a general description of your agency's PPP arrangements, including the the status if projects during the construction period, if applicable, and the basis, terms, discount rates, and conditions on which variable payments not included in the measurement of the PPP receivable are determined. Also, include the nature and extent of the rights retained by the transferor or granted to the operator under the PPP arrangements. **Note:** Similar PPPs may be grouped.

GASB 94 – P3

2J – Transferor Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

14. Public-Public and Public-Private Partnerships (PPP/P3) - Transferor - OAM 15.60.45
Exclude information on short-term PPP agreements.

B. Information Not Included in Measurement of PPP Receivable

Revenue for variable payments \$ -

Comptroller object used to record the variable payments noted above _____

Revenue for residual value guarantees \$ -

Comptroller object used to record the residual value guarantees noted above _____

Revenue for termination penalties \$ -

Comptroller object used to record the termination penalties noted above _____

C. Guarantees and Commitments

Has your agency entered into a PPP arrangement that includes guarantees and commitments? *select _____

If **yes**, please complete the field below. For each period in which a guarantee or commitment exists, disclosure the details, including identification, duration, and significant contract terms.

If **no**, do not complete the field below.

GASB 94 – P3

2J – Transferor Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

14. Public-Public and Public Private-Partnerships (PPP/P3) - Transferor - OAM 15.60.45
Exclude information on short-term PPP agreements.

D. Schedule of Future PPP Receipts

Please complete the following table for expected PPP receipts:

PPP Receivable Repayment Schedule			
Year Ending	Principal	Interest	Totals
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	-	-	-
2049-2053	-	-	-
2054-2058	-	-	-
2059-2063	-	-	-
2064-2068	-	-	-
Total:	\$ -	\$ -	\$ -

GASB 94 – P3 2K – Operator Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

15. Public-Public and Public-Private Partnerships (PPP/P3) - Operator - OAM 15.60.45

Exclude information on short-term PFP agreements.

A. General Description of Leasing Arrangements

In the text box below, provide a general description of your agency's PPP arrangements, including the the status if projects during the construction period, if applicable, and the basis, terms, discount rates, and conditions on which variable payments not included in the measurement of the PPP receivable are determined. Also, include the nature and extent of the rights retained by the transferor or granted to the operator under the PPP arrangements. **Note:** Similar PPPs may be grouped.

GASB 94 – P3

2K – Operator Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

15. Public-Public and Public-Private Partnerships (PPP/P3) - Operator - OAM 15.60.45
Exclude information on short-term PPP agreements.

B. Information Not Included in Measurement of Lease Liability

Expenses/expenditures for variable payments \$ -

Comptroller object used to record the variable payments noted above _____

Expenses/expenditures for residual value guarantees \$ -

Comptroller object used to record the residual value guarantees noted above _____

Expenses/expenditures for termination penalties \$ -

Comptroller object used to record the termination penalties noted above _____

C. PPP - Operator Impairments

As of June 30, 2023, has your agency had any impairments relating to PPP arrangements?

If yes, describe the situation and the impairment amount determined:

D. Guarantees and Commitments

Has your agency entered into a PPP arrangement that includes guarantees and commitments?

If **yes**, please complete the field below. For each period in which a guarantee or commitment exists, disclosure the details, including identification, duration, and significant contract terms.

GASB 94 – P3

2K – Operator Disclosures

ACFR GENERAL DISCLOSURES YEAR ENDED JUNE 30, 2023

Agency #

15. Public-Public and Public-Private Partnerships (PPP/P3) - Operator - OAM 15.60.45

Exclude information on short-term PPP agreements.

E. Schedule of Future PPP Payments

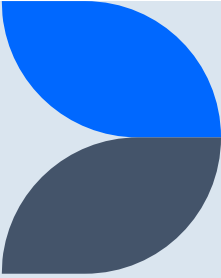
Please complete the following schedule to reflect the principal and interest payments necessary over the life of your agency's PPP arrangements. The schedule of principal and interest payments should be as of the fiscal year-end. Total principal repayments should agree to the combined amounts in GL accounts 1283 and 1729. The principal amount identified below in 2024 should agree to the amount recorded in GL 1283. Complete a separate page for each fund type (Government-wide Reporting Fund, Enterprise Fund, Internal Service Fund, or Fiduciary Fund). If your agency has PPP arrangements in multiple enterprise funds, aggregate the amounts for a single disclosure for a combined disclosure for all enterprise funds. Complete as many pages as necessary.

Fund Type:

PPP Repayment Schedule			
Year Ending	Principal	Interest	Totals
2024	\$ -	\$ -	\$ -
2025	-	-	-
2026	-	-	-
2027	-	-	-
2028	-	-	-
2029-2033	-	-	-
2034-2038	-	-	-
2039-2043	-	-	-
2044-2048	-	-	-
2049-2053	-	-	-
2054-2058	-	-	-
2059-2063	-	-	-
2064-2068	-	-	-
Total:	\$ -	\$ -	\$ -

GASB 94 – P3

2L – GASB Exposure Draft Q&A



None?



GASB 94 – P3

2M – Key Takeaways

- Always consider materiality
 - Start with the big ones considering capitalization policy is \$5,000.
- May need to talk with your leadership, procurement, intergovernmental staff.
- Review accounting records for payments/receipts for potential P3s.
- P3s should be recorded as if they were measured as of 7/1/22.
- Be on the lookout for the survey from SARS.

“

P3 questions?

”

Questions?

- Review slides/entries
- Contact your SARS analyst
- Consult the OAM
- Read the standard



Thank you

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971-900-9993

