

Is Your County Ready for GASB-87 and GASB-96?

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The Governmental Accounting Standards Board (GASB) establishes accounting reporting standards for state and local governments. South Carolina local governments are required to implement GASB standards. This article briefly highlights two GASB standards counties are required to implement soon.

GASB-87 is the new accounting standard for operational and capital leases that counties must implement in the FY 2022 audit. Under this new model, a governmental lease is more clearly defined as a financing of the right to use an underlying asset. Examples of non-financial assets include buildings, equipment, land, and vehicles. Counties will now be required to: consolidate lease agree-

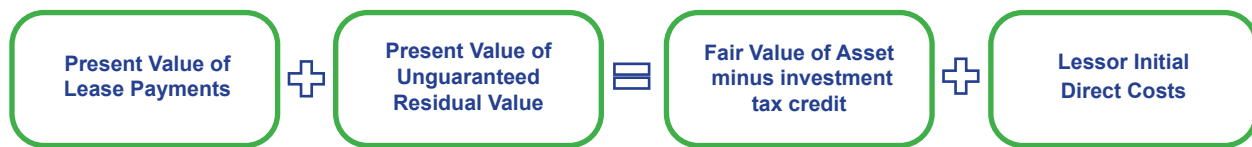
ments; test each lease to determine if it is subject to the reporting requirement; calculate the lease beginning balances and schedules; update financial statements; and report any disclosures. Below are general steps counties should follow when implementing this reporting requirement:

Step 1: Develop an inventory of county leases that fall under GASB's definition. (Below is an example of Dorchester County's initial inventory.)

Project Year	Project Name	Type	Category	Lease Value
2010	Dorchester Trust Foundation	Lease/Contract/Subscription	Lease – Lessee	\$60,000.00
2012	Town of Reevesville-2012	Lease/Contract/Subscription	Lease – Lessee	\$8,000.00
2015	Verizon Wireless	Lease/Contract/Subscription	Lease – Lessee	\$108,000.00
2018	DB Properties	Lease/Contract/Subscription	Lease – Lessee	\$66,600.00
2019	Cedar Square Enterprises	Lease/Contract/Subscription	Lease – Lessee	\$136,800.00
2020	Dominion Energy-Davis Bailey Park	Lease/Contract/Subscription	Lease – Lessee	\$39,868.80
2020	Dominion Energy-Fire	Lease/Contract/Subscription	Lease – Lessee	\$6,247.20

Step 2: Determine how much is due in the upcoming fiscal year versus in sum for the remaining term.

Step 3: Calculate the implicit rate in the lease to determine the lease liability and asset recognized. (Lease Query Blog Example: <https://leasequery.com/blog/gasb-87-interest-rate-implicit-lease/>)



Step 4: Create journal entries to record assets in the county's asset system.

GASB-96 requires counties to inventory and report all subscription-based IT arrangements (SBITAs) beginning with the FY 2023 audit. Examples of SBITAs include your organization's subscription to Microsoft Office 365 or Zoom, cloud service fees for a website, or your phone system such as RingCentral or Microsoft Teams. A key component in determining which arrangements qualify as an SBITA is the element of control. Counties must evaluate each contract to determine if it grants the county control over the underlying IT assets. Below are broad steps a county could follow to implement this new reporting requirement:

- Step 1:** Identify a SBITA by determining whether a contract conveys control of the right to use underlying IT assets.
- Step 2:** Determine the length of the subscription term.
- Step 3:** Measure subscription liability and asset.
- Step 4:** Determine capitalization of other outlays.
- Step 5:** Determine amortization.

Implementing each of these GASB standards can take considerable time of finance staff and auditors depending on the number of leases and IT subscriptions. Counties that have not yet begun gathering information for these new requirements should begin immedi-

ately working with finance staff and auditing firms in order to be prepared for the implementation deadlines.

Additional Resources:

GASB-87 https://www.gasb.org/jsp/GASB/Pronouncement_C/GASBSummaryPage&cid=1176169177502)

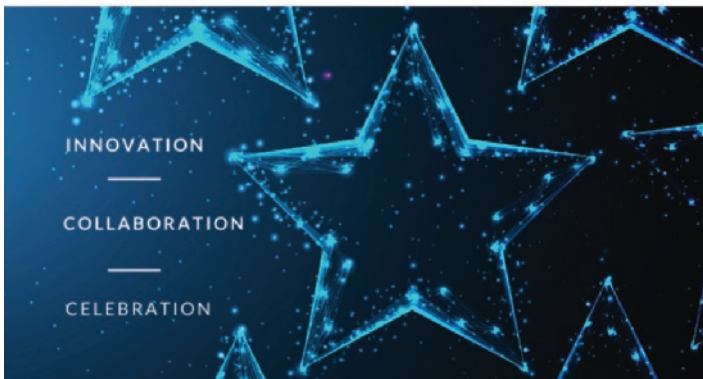
GASB-96 https://www.gasb.org/cs/ContentServer?c=Pro- nouncement_C&cid=1176174709720&d=&page- name=GASB%2FPronouncement_C%2FGASBSummaryPage

GFOA

- *Are We There Yet? Implementing GASB 87 for Existing Lease Contracts* (October 21) <https://www.gfoa.org/materials/are-we-there-yet-gfr10211>
- *Forever Leases* (February 21) <https://www.gfoa.org/materials/gfr-forever-leases-221>

J. Mitchell Graham/Barrett Lawrimore Memorial Awards Call for Entries!

For 50 years, SCAC has recognized innovative and impactful projects submitted by South Carolina’s counties for the J. Mitchell Graham/Barrett Lawrimore Memorial Awards Competition. The association is currently accepting applications for the 2022 Awards Competition, and we look forward to learning about this year’s projects and innovations!



The J. Mitchell Graham Memorial Award recognizes counties that address community challenges, implement operational improvements, or enhance their citizens’ quality of life in a unique way. The Barrett Lawrimore Memorial Regional Cooperation Award highlights the growing need for regional partnerships, strategies, and solutions. Competition for the Regional Cooperation award is open to two or more political subdivisions (counties, cities, districts, or councils of government) that worked together on a project. While state agencies, non-profits, or private companies may be partners, these entities should not be the primary or sole partner in the Regional Cooperation competition.

(See *Call for Entries*, next page)

NEWS BRIEFS

Millage Rate Increase Limitation FY 2022-23 Inflation Component

SCAC has received the SC Revenue and Fiscal Affairs Office’s (RFA’s) memo regarding the FY2022-23 Millage Rate Limitation-Inflation Component. Each county’s millage rate increase limit will be based on 4.70 percent, plus any increase in population. RFA will publish the final millage rate increase limitations once the Census Bureau releases the county population estimates by late March. SCAC will forward the final millage rate limitations for FY2022-23 as soon as the information is available.

Legislative Policy Positions for the 2022 Session and Friday Reports Now Available Online

The 2022 legislative session is underway. This year’s *Legislative Policy Positions* may be viewed online at sccounties.org/publications/legislative-policy-positions. Additionally, weekly *Friday Reports* updating county officials about current legislation and developments at the State House are available online at www.sccounties.org/friday-reports. County officials should contact SCAC at SCAC@scac.sc to have their emails added to the *Friday Report* distribution list.

SC250 Launches First Grant Program

The SC American Revolution Sestercentennial Commission (SC250) will be issuing a grant to each county in an effort to ensure that all counties across SC have Sestercentennial programming highlighting their unique role in the American Revolution. The \$3,000 non-competitive grants are intended to aid in the formation of a County 250 Committee and kick start the county’s efforts. Learn more about the grant program at www.southcarolina250.com/local-county-250-committee.

American Rescue Plan Act (ARPA) Presentations Available Online

Presentations from the Institute of Government for County Officials level II course, *Current Issues – American Rescue Plan Act (ARPA)*, are now available as resources on the associations ARPA page at www.sccounties.org/american-rescue-plan-act-arpa.

Local Government ARPA Tracker Launches to Provide Detailed Picture of Investment Priorities

In the 12 months since the passage of the ARPA, local governments have been working to prioritize and invest resources from the act’s \$350 billion State and Local Fiscal Recovery Fund. To illuminate the many options at communities’ disposal, NACo is introducing the Local Government ARPA Investment Tracker, a joint project of NACo, Brookings Metro and the National League of Cities. Access the tracker online at www.naco.org/resources/featured/arpa-investment-tracker.

(See **NEWS BRIEFS**, next page)