



City Council Agenda Report

Meeting Date: November 12, 2024
Prepared By: Stephanie Beauchaine
Approved By: Gabe Engeland

Subject: Approve Resolution adopting a materiality Threshold for GASB No. 87 Leases and GASB No. 96 SBITAS

COUNCIL PRIORITY AREA

- Business Communities
- Circulation Safety and Efficiency
- Environmental Sustainability
- Housing
- Neighborhood Safety Infrastructure
- General Government

RECOMMENDATION

Approve a Resolution adopting a materiality threshold for reporting leases in accordance with GASB No. 87 Leases and GASB No. 96 SBITAS.

FISCAL IMPACT

None. Approval changes the way Leases and Subscription Based Information Technology Arrangements (SBITAS) are reported in the City's Financial Statements.

ENVIRONMENTAL REVIEW

Not Applicable.

PREVIOUS COUNCIL CONSIDERATION

None.

SUMMARY

By establishing a minimum threshold for reporting for GASB No. 87 and No. 96, the City will eliminate the need to account for and report on any Lease or SBITA that is immaterial to the financial position of the City, increasing efficiency in the Finance Department.

BACKGROUND

GASB 87 Leases increases the usefulness of governments' financial statements by requiring 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. It establishes a single model for lease accounting based on the

foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2019 [extended to June 15, 2021], and all reporting periods thereafter. The City will be subject to GASB 87 reporting standards beginning Fiscal year-end 2022.

GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended.

The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter. The City will be subject to GASB 96 reporting standards beginning Fiscal year-end 2022.

DISCUSSION/ANALYSIS

Staff have reviewed both GASB Statements 87 Leases and 96 Subscription-Based Information Technology Arrangements (SBITAs) and recommends that the City establish a minimum threshold for reporting Leases and SBITA's to a Net Present Value (NPV) of less than >1% of Fund Balance for the applicable fund.

ATTACHMENTS

1. Resolution 2024-XXX
2. Attachment I. GASB Summary Statement No. 87 Leases
3. Attachment II. Title-GASB Summary Statement No. 96 Subscription-Based Information Technology Arrangements (SBITAs)