


# Understanding GASB 87, GASB 94, and GASB 96: Purpose, Impact, and Implementation

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Key accounting standards for public sector reporting

Auditor-Controller's Office



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## Agenda Highlights

- + Introduction to Governmental Accounting Standards Board (GASB)
- + GASB 87: Leases Standard Explained
- + GASB 94: Public-Private / Public-Public Partnerships / Service Concession Arrangements
- + GASB 96: Subscription-Based Information Technology Arrangements (SBITAs)
- + Practical Impact and Implementation Guidance
- + Comparative Analysis and Future Considerations




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# Introduction to Governmental Accounting Standards Board (GASB)

Me: I feel like I have a good basic understanding of accounting  
 Also me: \*opens up "Accounting for Governmental & Nonprofit Organizations" to begin reading\*




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# Overview of GASB and Its Mission

**Role of GASB**  
 GASB sets accounting and financial reporting standards for state and local governments in the U.S., ensuring consistent practices.

**Mission for Transparency**  
 GASB aims to improve financial reporting to provide clear, useful information to stakeholders and enhance transparency.

**Accountability to Stakeholders**  
 By establishing standards, GASB promotes accountability in government financial management for the public and officials.




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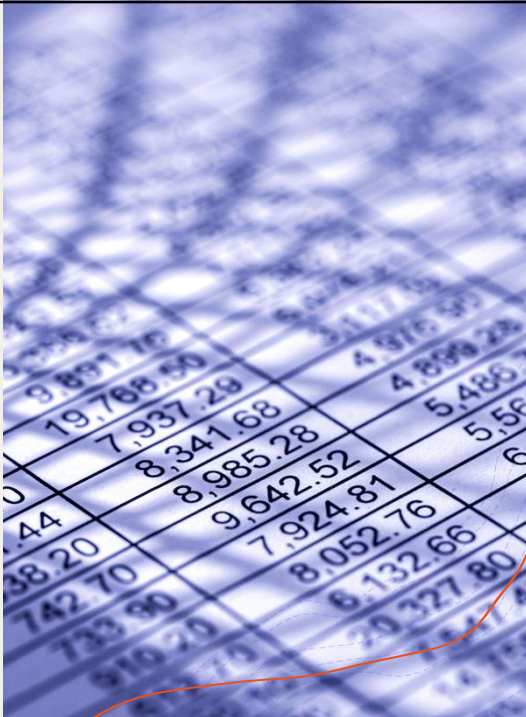

# Role of GASB in Public Sector Accounting

**Standard Setting for Public Sector**  
GASB establishes accounting standards tailored to public sector entities' unique financial reporting needs.

**Consistency and Comparability**  
GASB promotes consistent and comparable reporting to enhance transparency in public financial statements.


**Support for Decision-Making**  
Reliable financial information provided by GASB standards assists stakeholders in effective decision-making.

**Enhancing Public Trust**  
Transparent and standardized reporting helps build and maintain public trust in governmental entities.



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# GASB 87: Leases Standard Explained



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# Purpose and Objectives of GASB 87

## Transparency Improvement

GASB 87 enhances financial transparency by requiring lease assets and liabilities recognition on balance sheets.

## Comparability Enhancement

It improves comparability across entities by eliminating the distinction between operating and capital leases.



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# Key Provisions and Definitions

## Broad Lease Definition

GASB 87 provides a broad definition of leases to capture the economic substance of transactions accurately.

## Recognition Criteria

The standard sets clear criteria for recognizing leases in financial statements to ensure transparency.

## Measurement Approaches

GASB 87 outlines methods for measuring lease assets and liabilities reflecting their economic value.

## Disclosure Requirements

The guidance requires detailed disclosures to provide a clear view of lease obligations and rights.



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# Major Changes From Previous Lease Accounting

## **GASB 87 Implementation**

GASB 87 introduces new lease accounting standards improving financial reporting accuracy and transparency.

## **Recognition of Leases**

Most leases are now recognized on the statement of net position, increasing completeness of financial statements.

## **Enhanced Financial Relevance**

New standards enhance the relevance and completeness of financial statements for stakeholders.



# GASB 96: Subscription-Based Information Technology Arrangements (SBITAs)



# Purpose and Objectives of GASB 96

## Improving Financial Reporting

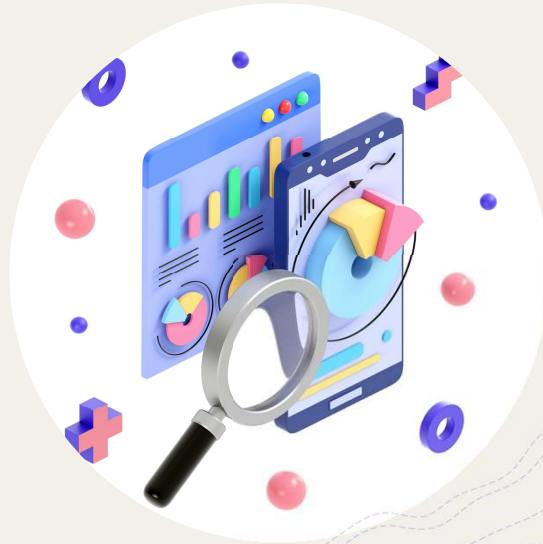
GASB 96 enhances clarity in financial statements by accurately reflecting subscription-based IT arrangements.

## Recognizing Intangible Assets

The standard requires recognizing subscription-based IT arrangements as intangible assets and liabilities on balance sheets.

## Clearer Stakeholder Insight

GASB 96 provides stakeholders with a transparent and clearer financial picture for better decision-making.



# Key Concepts and Scope

## Subscription Agreements

GASB 96 applies to agreements granting the right to use IT software and related services.

## Recognition Criteria

The standard outlines when subscription agreements should be recognized in financial statements.

## Measurement and Disclosure

GASB 96 provides guidance on measuring subscription liabilities and required disclosures.



# Accounting and Reporting Requirements

## Recognition of Subscription Asset

Entities must recognize subscription assets and corresponding liabilities accurately to comply with accounting standards.

## Amortization Over Subscription Term

Subscription assets should be amortized systematically over the subscription period to reflect accurate financial position.

## Disclosure in Financial Statements

Key information about subscription-based intangible assets must be disclosed in financial statements for transparency.



# GASB 94: P3s and SCAs Overview



# GASB 94: P3s and SCAs Overview

## Purpose of GASB 94:

- Establishes accounting guidance for Public-Private and Public-Public Partnerships
- Ensures consistency with GASB 87 lease principles
- Enhances transparency around long-term service/infrastructure partnerships

Scope: Applies to service concession arrangements (SCAs) and P3s



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# Key Definitions and Concepts

## + Public-Private/Public-Public Partnerships:

- + Long-term contractual arrangements transferring operational rights to an external operator

## + Service Concession Arrangements (SCAs):

- + Government controls service, users, and pricing
- + Operator may collect fees but compensates government via payments or revenue sharing



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## Accounting and Reporting Requirements

- + Government (Transferor):
  - + Recognize receivables for installment payments
  - + Recognize deferred inflows related to concession arrangements
  - + Recognize new assets constructed by operator
- + Operator:
  - + Recognize intangible right-to-use asset if allowed to charge public
  - + Recognize liability for installment payments



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## Practical Implications

- + Financial Statement Impact:
  - + Increased recognition of assets, liabilities, and deferred inflows
- + Operational Considerations:
  - + Requires detailed contract review
  - + Coordination across departments is often needed
- + Common Challenges:
  - + Determining if arrangement meets SCA/P3 definition
  - + Valuing assets constructed by operators



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## Comparison with GASB 87 & 96

- + Similarities:
  - + Emphasis on right-to-use assets and long-term commitments
- + Differences:
  - + GASB 94 focuses on service/infrastructure partnerships, not leases (GASB 87) or software (GASB 96)
  - + Often involves new asset construction
  - + Includes unique deferred inflows and receivables



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# Practical Impact and Implementation Guidance



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# Implications for Financial Reporting

## New Recognition Practices

Updated standards introduce new rules for recognizing financial transactions affecting reporting accuracy.

## Disclosure Requirements

Enhanced disclosure practices improve transparency in financial statements and investor communications.

## Impact on Ratios and Budgeting

Changes influence financial ratios and budgeting, requiring updates to management strategies and controls.

## System and Control Adjustments

Accounting systems and controls need revisions to comply with the new standards effectively.



# Implementation Strategies and Timelines

## Contract Reviews

Thorough contract reviews are essential to identify obligations and ensure compliance with new standards.

## Staff Training

Training staff equips teams with knowledge to implement new policies effectively and accurately.

## Policy Updates

Updating company policies aligns procedures with compliance requirements and organizational goals.

## Deadline Adherence

Meeting GASB deadlines ensures timely compliance and accurate financial reporting.



# Common Challenges and Solutions

## Identifying Contracts

Recognizing lease and subscription contracts is a key challenge requiring careful review and management.

## Data Collection Issues

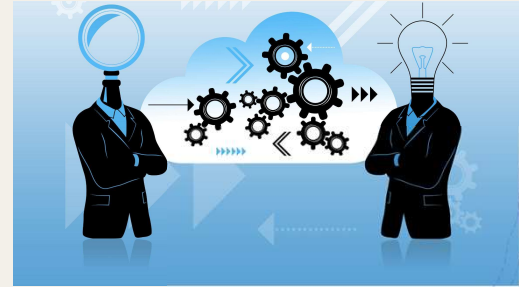
Collecting accurate and comprehensive data can be difficult but is essential for informed decisions.

## System Integration Challenges

Integrating various systems smoothly demands coordination and technological solutions.

## Collaborative Solutions

Cross-department collaboration and leveraging technology tools provide effective solutions to these challenges.



# Comparative Analysis and Future Considerations

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# Comparing GASB 87 and GASB 96



**GASB 87 Focus**  
GASB 87 provides guidelines for accounting and reporting of leases to improve financial clarity.

**GASB 96 Focus**  
GASB 96 governs subscription-based IT arrangements, ensuring proper recognition of related assets and liabilities.

**Common Emphasis**  
Both standards enhance transparency and accountability through asset and liability recognition.



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# Anticipated Developments and Ongoing Compliance



**Monitoring GASB Activities**  
Governments need to actively track GASB updates to stay informed about financial reporting standards changes.

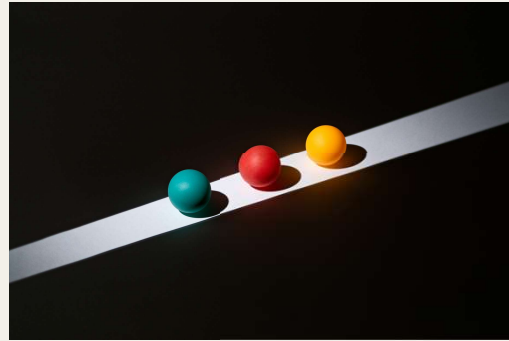
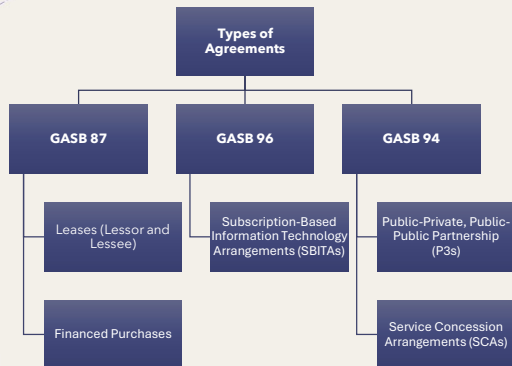
**Preparing for Future Changes**  
Proactive preparation for upcoming GASB changes helps ensure smooth implementation and compliance.

**Maintaining Ongoing Compliance**  
Continuous compliance ensures financial reports remain accurate, current, and reliable over time.



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# 2026 YEAR-END TRAINING



# Conclusion

## Advancements in Accounting Standards

GASB 87, GASB 94, and GASB 96 introduced important updates that enhance public sector accounting practices.

## Transparency and Consistency

These standards promote greater transparency and consistency in financial reporting across public sector entities.

## Importance of Proper Implementation

Understanding and correctly applying these standards is essential for effective financial management and reporting.

Department Users, please join us at 2pm for DebtBook Training.

