

# Implementing the New GASB Lease Standard

Other Accounting Pronouncement Considerations –  
GASB 94 and GASB 96



NYS COMPTROLLER

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# Objective

## GASB 87 Implementation Overview

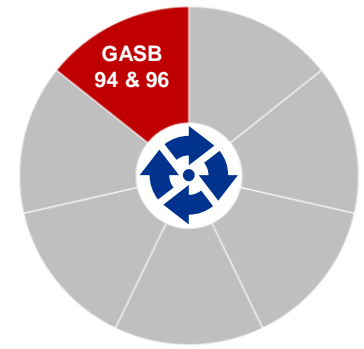
- The New York State Comptroller's Office (OSC) and KPMG delivered a live training session to prepare state agencies for the implementation of GASB Statement No. 87, *Leases* (GASB 87). The training was recorded and can be accessed and viewed at any time via the following website:

[www.osc.state.ny.us/state-agencies/resources/gasb-87-leases-implementation](http://www.osc.state.ny.us/state-agencies/resources/gasb-87-leases-implementation)

- OSC and KPMG have developed a series of recorded mini training sessions to address certain hot topics that have arisen thus far in the implementation process
- On that note lets get started on today's hot topic!

# Training Topic

## GASB Statements Nos 94 & 96



- Implementation approach
- GASB Statement No. 94 overview
- GASB Statement No. 96 overview
- Documentation approach

# Implementation Approach

The GASB Statement No. 87 implementation requires a review of all contracts to determine whether they meet the revised definition of a lease.

As a part of the contract review, you may come across contracts that:

- Meet the definition of a public private partnership or availability payment arrangement, as defined in GASB Statement No. 94, *Public Private and Public-Public Partnerships and Availability Payment Arrangements* (GASB 94)
- Meet the definition of a service concession arrangement as defined in GASB Statement No. 60, *Service Concession Arrangements*, as amended by GASB 94.
- Meet the definition of a subscription-based information technology agreement as defined in GASB Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITA)* (GASB 96), or

Identifying those contracts subject to GASB Statements 94 and 96 now will facilitate the implementation of those standards in future years.

# GASB 94

## **GASB 94 clarifies the definitions and financial reporting requirements for Public-Private and Public-Public Partnerships and Availability Payment Arrangements**

- **Public-private and public-public partnership arrangements (PPPs):** An arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction.
- **Availability payment arrangement (APA):** An arrangement in which a government compensates an operator for services 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. APA's are considered a financing 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 94 (continued)

**A service concession arrangement (SCA) is a type of PPP that meets all of the following conditions:**

- The operator collects and is compensated by fees from third parties;
- The transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and
- The transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.
- Agencies should retain documentation in the GASB 87 contract evaluation template to identify arrangements that are subject to GASB 94.

# GASB 94 (continued)

OSC is not expecting Agencies to make a final determination as to the applicability of GASB 94, but only to identify arrangements that could meet the definition of a PPP or APA, and identifying those arrangements on the contract evaluation template.

Some types of arrangements that could be subject to GASB 94 include:

- The State 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 State 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 State.
- The State enters into an agreement with a building authority to design/construct/operate a toll bridge.

Agencies should retain documentation in the GASB 87 contract evaluation template to identify arrangements that are subject to GASB 94.

# GASB 96

**GASB 96** provides guidance on the accounting and financial reporting for **subscription-based information technology arrangements (SBITAs)** for government end users.

- Defines a SBITA;
- Establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability;
- Provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and
- 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.



# GASB 96 (continued)

A **SBITA** is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (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.

- Hardware that is a part of SBITA must be accounted for in accordance with GASB 87, and the corresponding subscription must be accounted for in accordance with GASB 96.
- Agencies should identify and document contracts meeting the definition of GASB 96 in the contract evaluation template.
- Hardware components and subscription based components must be separated, which may require allocation of costs (see multiple component hot topic).
- Agencies should retain documentation in the GASB 87 contract evaluation template to identify arrangements that are subject to GASB 96

# Key points to remember!

- The implementation will be a large focus of the auditors
- Properly determining the salient lease terms and documenting your conclusions is critical as these determinations will have a significant impact on what is recorded in the financial statements
  - Errors could lead to internal control findings
  - Significant errors could lead to modified audit opinions
- Consistency amongst the Agencies is important

