



Staff Report

TO: City Council
FROM: Lisa Leach, CPA, Assistant Finance Director
DATE: December 3, 2024
SUBJECT: 2024 City of Beaumont Financial Policies for GASB 87 and 96

Description Establish a materiality level for GASB 87 and GASB 96

Background and Analysis:

Financial policies provide guidelines for financial decision-making and are central to a strategic, long-term approach to financial management. Effective June 30, 2022, GASB 87 (Accounting for Leases) was adopted in the City's Annual Comprehensive Financial Report (ACFR). This Standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Effective June 30, 2023, GASB 96 (Accounting for Subscription-Based Information Technology Arrangements) also was adopted in the City's ACFR. This Standard establishes a single model for subscription-based software accounting based on the foundational principle that subscriptions are financings of the right to use information technology software alone or in combination with tangible capital assets.

The Finance department has determined that the cost to implement both GASB 87 and GASB 96 outweighs the benefits for implementing the standard on all transactions. Best accounting practices allow cities to establish a materiality level, per transaction, to reduce the cost to implement pronouncements while ensuring that the City's ACFR does not omit material financial information. The Finance department is recommending the materiality level be set at the total contract level of \$25,000 and up.

On November 18, 2024, the policies were presented to the Finance and Audit Committee and the committee reviewed and recommended they be forwarded to City Council for approval.

Fiscal Impact:

The estimated cost to prepare this report is \$150.

Recommended Action:

Review and approve the 2024 City of Beaumont Financial Policies for GASB 87 and 96.

Attachments:

- A. GASB 87 Financial Policy
- B. GASB 96 Financial Policy