Today's Presenter

Chris is a certified public accountant with over two decades of experience working on both sides of the governmental accounting and auditing industry as both an auditor and governmental finance director. He graduated from Columbus State University (GA) in 1993 with a BBA and again in 2006 with a MPA. After leaving a public accounting firm in 2003, he has been finance director for the Georgia cities of Morrow, Griffin, and Dunwoody as well as assistant finance director at Orlando International Airport. He is now a private consultant assisting governments on a variety of issues and specializing in implementing software reaching across multiple departments (ERP). Chris is regularly sought out and scheduled for a variety of conference and training events as well as professional organizations and publications. He has been featured in the Atlanta Business Chronicle and Wall Street Journal. He has spoken for the Georgia Recreation and Parks Association, Georgia Government Finance Officers Association, Georgia Association of Business Tax Officials, UGA's Carl Vinson Institute, International City/County Management Association and Georgia Municipal Association.

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Learning Objectives

At the end of this session, you should be able to:

- Recite potential accounting and financial reporting guidance for cloud computing arrangements

- Explore the rise in cloud-computer use

- Recall why these arrangements are increasing in popularity and acceptance with a focus on how these providers may improve your security of financial data

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Section 1

GASB 96 Overview

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Do you currently have subscription-based IT arrangements?

**- Yes
- No
- I don't know**

Poll Question #1

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GASB 96 - SBITA

Subscription-Based Information Technology Arrangements–This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). GASB 96:

(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

GASB 96 - SBITA

SBITA = contract that conveys control of the right to use another party's (a SBITA vendor's) 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

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GASB 96 - SBITA

✓ Term includes period in which a government has a noncancelable right to use the underlying IT assets, as well as options to extend/terminate, if reasonably certain government or vendor will extend/will not terminate

✓ Generally recognize right-to-use subscription asset (intangible) & corresponding subscription liability

✓ Subscription liability initially measured at present value of subscription payments expected to be made during the subscription term, discounted using rate charged by vendor or incremental borrowing rate

GASB 96 - SBITA

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GASB 96 - SBITA

Subscription Asset =

    Initial subscription liability
+ payments made to vendor before commencement of term
+ capitalizable implementation costs
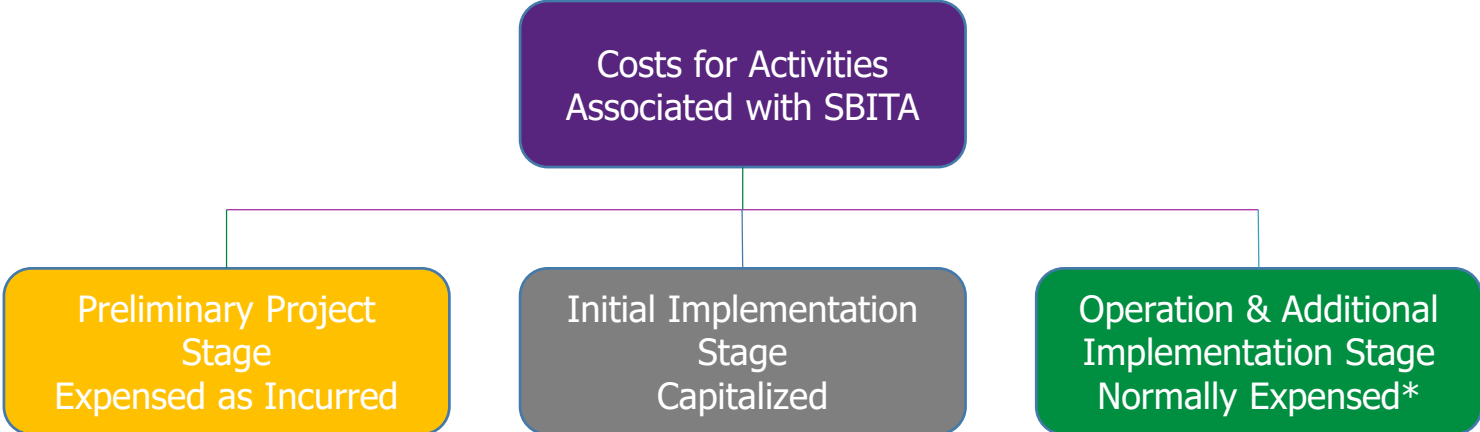– incentives received from vendor at or before commencement

GASB 96 - SBITA

Amortization of discount on subscription liability in subsequent financial reporting periods = outflow of resources (interest expense)

Amortization of subscription asset over the subscription term = outflow of resources

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GASB 96 - SBITA

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            ┌─────────────────────────┐
            │   Costs for Activities  │
            │   Associated with SBITA │
            └─────────────────────────┘
                         │
        ┌────────────────┼────────────────┐
        │                │                │
┌───────────────┐ ┌───────────────┐ ┌────────────────────┐
│ Preliminary   │ │ Initial       │ │ Operation &        │
│ Project Stage │ │ Implementation│ │ Additional         │
│ Expensed as   │ │ Stage         │ │ Implementation     │
│ Incurred      │ │ Capitalized   │ │ Stage              │
│               │ │               │ │ Normally Expensed* │
└───────────────┘ └───────────────┘ └────────────────────┘
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*Capitalized if specific criteria is met

GASB 96 - SBITA

Training Costs should be expensed, regardless of stage in which incurred

SIDE NOTE: Review this with your Purchasing Department to determine if you should require schedules that separate the various components (e.g. Training Costs) with SBITA contracts.

GASB 96 - SBITA

- ✓ Guidance included for SBITA with multiple components

- ✓ Exception for short-term SBITA with a maximum possible term of 12 months or less

- ✓ Disclosure requirements including descriptive information about SBITAs

GASB 96 - SBITA

✓Recognize & measure assets & liabilities from SBITAs using facts & circumstances at the beginning of the fiscal year of implementation

GASB 96 - SBITA

✓ Permitted, but not required, to include capitalizable outlays associated with the initial implementation stage & operation & additional implementation stage incurred prior to implementation in the initial measurement of the subscription asset at adoption

GASB 96 – SOUND FAMILIAR

What older GASB Statement does this sound like?

A. Statement No. 74/75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

B. Statement No. 87, Leases

C. Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period

D. None – This sounds new

Poll Question #2

Effective Date

June 30, 2023

September 30, 2023

December 31, 2023

... OR …

NOW!

Section 2

Examples and Why GASB Is Addressing SBITA Now

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Examples & Why GASB Is Addressing
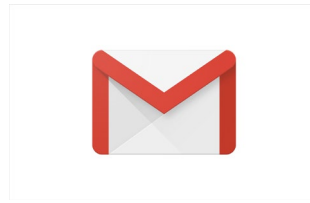
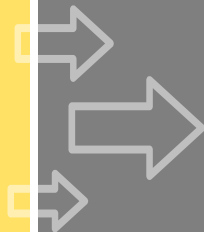# Examples & Why GASB Is Addressing

Government Demands are Constantly Evolving	Agility is a Must	A Global, 360- degree View is Required	New Technology Impacts Expectations	Real-Time Employee/ Constituent Engagement is Essential

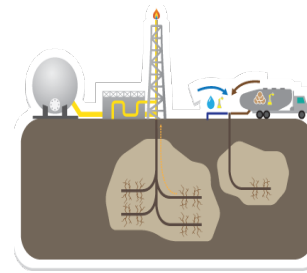# Examples & Why GASB Is Addressing

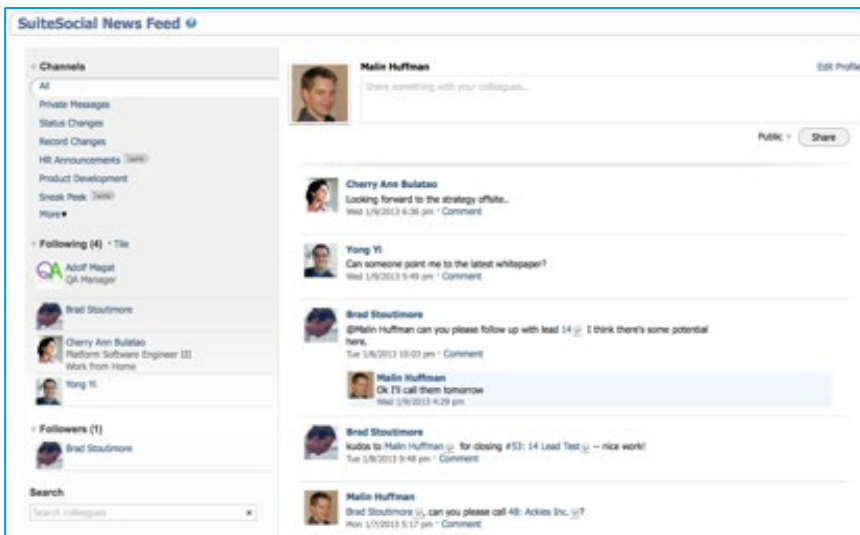| Dinosaurs	Struck Oil!	Fracking	New Paradigm
Mainframe Applications	Client-Server Windows UI Applications	"Fake Cloud" (Hosted, "Browser Based", RIA)	True Cloud

Examples & Why GASB Is Addressing

- Faster Innovations

- No Version Lock

- Lower-Cost Model

- Efficiencies of Scale

- Vendor-Managed Updates

- Top-Tier Security

Examples & Why GASB Is Addressing

Designed for the Way People Live Today

Examples & Why GASB Is Addressing

Data Center	Network and Host	Database	Application
• Guarded premises • Managed physical access • Separation of duties	• Continuous monitoring through multiple intrusion detection systems (IDS) • Third party scans and penetration tests • DDOS protection & redundant backbone connections • Operations Security Team • 25,000+ Checks Hourly	• No direct access to database • Real-time replication between data centers • Opt-in access for services & support • Per-account virtual private database • Hot Backups	• Anomaly detection • Application Security Team Security Features • Granular roles and permissions system • Per-role authentication requirements • IP address restriction • Configurable password policies • Two-factor authentication • SAML • Full audit log available via built-In reporting

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Which feature of cloud software do you find most appealing?

A – Increased security over in-house software
B – Ability to work on multiple platforms at multiple locations
C – Subscription pricing that spreads my costs
D – Increased compatibility with other cloud software
E – Version control; always using the most current version without complicated upgrades

Poll Question #3

QUESTIONS?

Thank You!

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