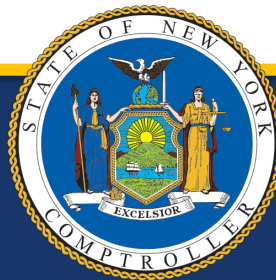


Office of Operations'
2023 Virtual Fall Conference

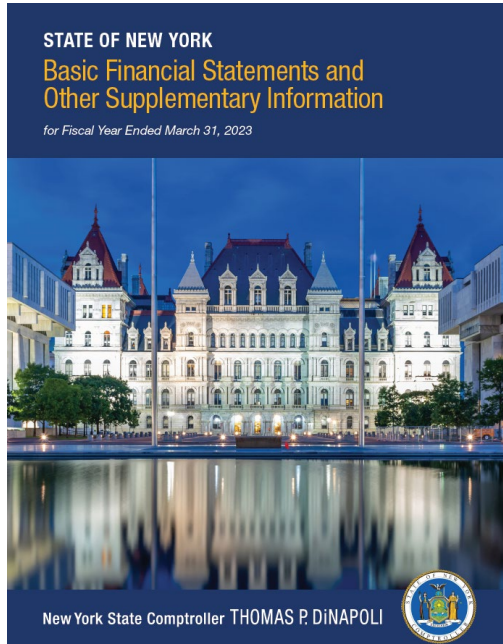
Financial Reporting Updates – GASB Standards Update

Renee Bult, Peter Salony
and Christine Wemette



New York State Comptroller
THOMAS P. DiNAPOLI

Why These Projects Are Important



- The State Comptroller is required to compile annual financial statements.
- These are audited to render an opinion on the fair presentation of the financial statements and in conformity to GAAP.
- Based upon the data in the financial statements, as well as the audit opinion, credit rating agencies will make determinations on the riskiness of New York State debt.



New York State Comptroller
THOMAS P. DiNAPOLI

Agenda

- GASBS 94 Public-Private Partnership Agreements
- GASBS 101 Compensated Absences
- GASBS 87 Leases
- GASBS 96 Subscription-Based IT Arrangements (SBITA)
- Lease and SBITA Reporting
- GASBS 51 Intangible Assets
- GASBS 42 Impairments
- GASBS 83 Asset Retirement Obligations



Public-Private Partnership

GASB Statement 94

- Definitions
 - 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 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. APAs are considered a financing transaction.

**APAs are different from 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.*



Public-Private Partnership

- Definitions (cont'd)
 - A service concession arrangement (SCA) is a type of PPP that meets all 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.



Public-Private Partnership

- Common types of agreements in NYS:
 - SCA agreements
 - Agreements are between a NYS reporting entity (transferor) and another entity, PBC or private company (operator) to manage a physical asset of NYS
 - NYS receives significant compensation: monetary, construction or improvement of a physical asset
 - APA agreements
 - Payments to a firm to design and construct a physical asset
 - Payments over time and beyond the completion of the building



Public-Private Partnership

NYS allows PPP agreements through specific contract wording. The agreements that include specific PPP wording tend to be high-dollar or large projects (Ex: Sports stadiums, bridges, etc.).



New York State Comptroller
THOMAS P. DiNAPOLI

Public-Private Partnership

- OSC is not expecting agencies to make a final determination as to the applicability of GASBS 94, but only to identify arrangements that could meet the definition of a PPP or APA and notify the GASB team.
- Agencies should retain documentation for any arrangements that are subject to GASBS 94.



Compensated Absences

GASB Statement 101

- Updates recognition and measurement requirements (from GASBS 16)
- Aligns recognition and measurement guidance under a unified model
- Amends previously required disclosures
- Implementation Date March 31, 2025



Compensated Absences

Definition

- Leave for which employees may receive one or more of the following:
 - Cash payments when the leave is used for time off
 - Other cash payments, i.e., payment for unused leave upon termination of employment (including voluntary resignation and retirement)
 - Noncash settlements



Compensated Absences

Examples per GASBS 101

- Vacation or annual leave
- Paid time off
- Holiday leave
- Parental leave
- Military leave
- Sabbatical leave (certain types)



Compensated Absences

Do not include

- Sick
- Personal
- Floating holidays



Compensated Absences

Financial Statement Recognition – Leave that has been used

- A liability is recognized when the leave is used but has not yet been paid in cash or settled through noncash means.
- Employees can take this type of leave as needed without specific limits.
- This type of leave will most likely become part of regular payroll accruals, and therefore, would not be reported here.
- Example: An employee has regular holiday time (does not expire) in their bank and uses it to take a day off at the end of March.



Compensated Absences

Financial Statement Recognition – Leave that has been used

- A liability is recognized only when leave commences. Examples may include...
 - Parental leave
 - Military leave
 - Jury duty
- Example: An employee is on military leave on 3/31/20xx. The State recognizes a liability for the employee's currently approved remaining time.



Compensated Absences

Financial Statement Recognition – Leave that has not been used

- A liability is recognized if the leave:
 - is attributable to services already rendered, and
 - accumulates, and
 - is more likely than not (> 50% chance) to be used for time off or settled through cash or some other means, and
 - does not expire.
- Example: On 3/31, an employee has earned vacation time that does not expire. The State recognizes a liability.



Compensated Absences

BFR Current Process

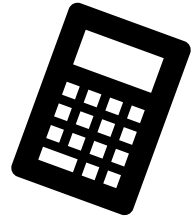
- Obtain a random sample of roughly 4,000 State employees from OSC's payroll office
- Collect vacation/annual balances, hours worked per workweek and salary frequency* as of 3/31 from a sample of State employees

*Salary information for each employee is provided to us in the sample we receive. The frequency reported should correspond with that salary information.



Compensated Absences

BFR Current Process (cont'd)



- Through the wizardry of Excel and statistics, we apply the sample results to the entire State workforce and determine the State's liability.
- Employer's portion of FICA is also calculated and accrued.



Compensated Absences

Collecting Information

- AFRP – new system – 3/31/2025
 - Earlier if you report other financial information
- Details to follow – system in development
 - Data collected will be very similar to what we are currently collecting in the Lotus Notes system
 - New system will operate like the sole custody database
 - Agencywide login goes away – one User ID per person
 - We may need to collect data on other types of leave
 - System may prompt you to check/confirm certain data



Compensated Absences

Collecting Information

- Preliminary work
 - Survey agencies
 - Two years of data; certain types of leave
 - Hours of leave, hourly rates, and workweek hours for 3/31/xx
 - Workweek hours for the majority of agency personnel
 - Payout exchange rate (is leave paid out at a rate other than the employee's pay rate?)
- Determining materiality
 - Calculate
 - Compare
 - Decide
 - Justify



Compensated Absences

Conclusion

- Compensated absences is changing to include other types of leave.
- You may be surveyed – your participation is needed!
- AFRP design will include room for future reporting requirements.
- Some agencies will be contacted to test the system. We appreciate your input!



Leases

GASB Statement 87

- Definition
 - A contract (e.g., an agreement between two or more parties that creates enforceable rights and obligations) that conveys control of the right-to-use another entity's nonfinancial asset (the underlying asset) as specified in the contract for a period of time in an exchange or exchange-like transaction.



Materiality Threshold

- The current materiality for leases is **\$100,000 annual exchange of value**. Continue to use this threshold in your review for leases to be added to the LeaseController™ template submissions.
- **All** leases managed by OGS are maintained in SFS and will be accounted for regardless of materiality. These leases should not be included on LeaseController templates.



Things to Look Out For

- Embedded Leases
 - Contracts that contain the right-to-use an underlying asset as part of a larger agreement.
 - Embedded leases are often found in advertising, service, transportation and construction agreements.
 - GASBS 96 contracts with lease components.
- Subleases
 - Components must be recognized separately.
- Modifications, amendments or transfer of ownership
 - L000001 vs L000001A
 - Variable Payments



Short-term Leases

- Short-term lease: A short-term lease is defined as a lease that has a maximum possible term of 12 months (or less), including any options to extend, regardless of their probability of being exercised.



Reasonably Certain – Agency Responsibility

- GASBS 87 requires that all clauses/options with a financial impact be evaluated for whether the clauses/options are reasonably certain to occur.
- Reasonably certain is a high threshold of probability that must be met to include optional lessee payments in the measurement of lease assets and lease liabilities.
- Lessee or lessor must have a compelling economic reason to exercise the option (or not to exercise the option).



Reasonably Certain – Agency Responsibility (cont'd)

- All economic factors relevant to the assessment must be considered:
 - Significant economic incentive (market rates)
 - Significant economic disincentive (cost to terminate)
 - Abandonment of significant leasehold improvements
 - Costs of identifying another suitable underlying asset
 - Costs of returning the underlying asset in a contractually specified condition or location
 - Condition of the asset
 - History of exercising the options to extend or terminate
 - The extent to which the asset underlying the lease is essential to the provision of government services



Reasonably Certain Contract Options

- **Renewal Clause**
 - Periods in a lease agreement that extend the lease beyond the initial lease period.
- **Termination Clause**
 - A clause in a lease agreement that allows termination by either the lessee, the lessor, or both.
- **Purchase Option**
 - A clause in a lease agreement that allows the lessee the option to purchase the asset.
- **Residual Value Guarantees**
 - A clause in a lease agreement that requires an additional payment at the end of the lease term based on the condition of the asset.
- **Fiscal Funding**
 - A clause in a lease agreement that would allow governmental lessees to cancel a lease if the government does not appropriate funds for the lease payments.



Reasonably Certain

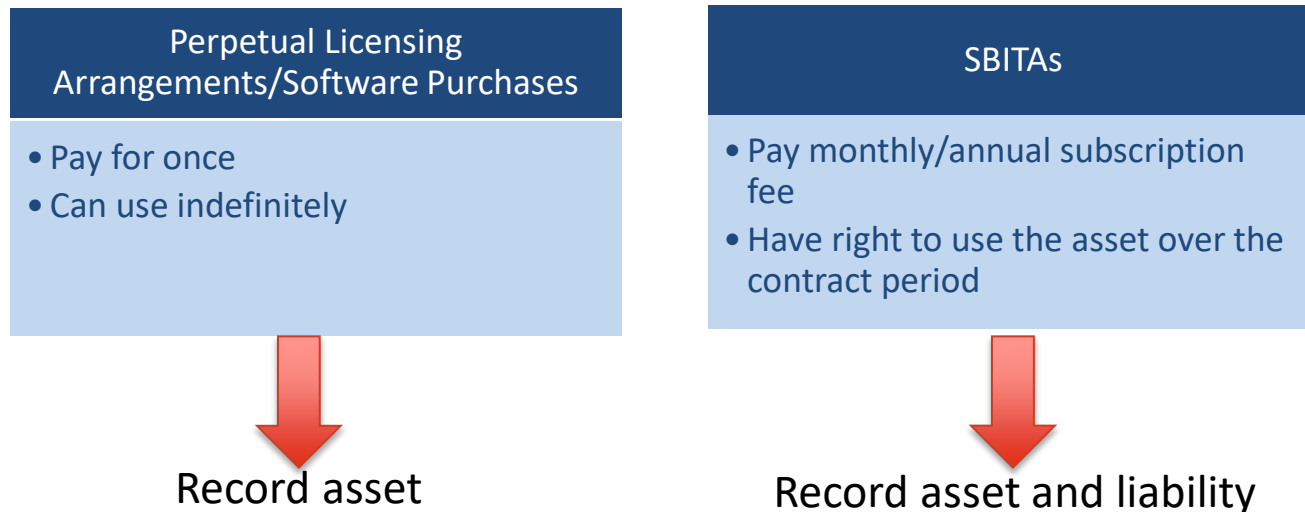
- The reasonably certain decision is made during the initial accounting for the lease. Document how you came to your reasonably certain decision in the comment section on the LeaseController template.
- The reasonably certain decision cannot be changed during the life of the lease unless the NYS reporting entity has signed a document that changes the term of the lease (Ex: a signed contract amendment or written notice to exercise an existing renewal clause).



Subscription-Based IT Arrangements (SBITAs)

GASB Statement 96

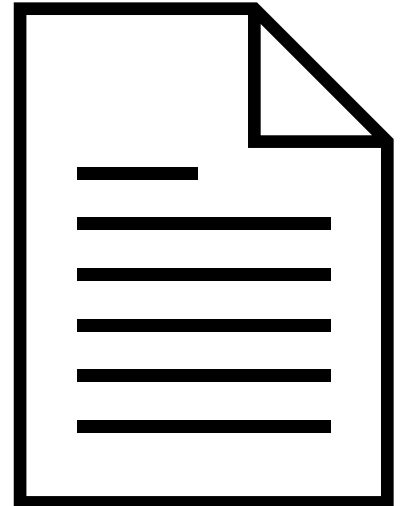
- This guidance was issued to account for an increase in use of software subscriptions by governments.
 - Payment structure of SBITAs is different from a traditional purchase or perpetual licensing arrangement.
- We have to collect information about these agreements to record a liability and corresponding asset on the financial statements.



SBITA Definition

Per GASBS 96, Paragraph 6:

“A 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.”



Identifying SBITAs

What does the payment structure look like?

- SBITA agreements will often have monthly or yearly payments.

How long can I use the software?

- Access granted is temporary (for a finite period of time). NYS will lose the ability to access software once the subscription is over.

Is it a service or a lease of software?

- Does NYS have control of the software?



SBITA Examples

- Software as a Service (SaaS)
- Platform as a Service (PaaS)
- Infrastructure as a Service (IaaS)

Examples:

Microsoft
0365

Zoom

Adobe

Webex

Tableau



SBITA Exclusions

Agreements under NYS
Materiality Threshold –
\$1 million Annual Exchange
of Value (AEV)

Contracts for maintenance/IT
support only

Short-term SBITAs

- SBITAs with a maximum possible term of 12 months or less
- Must include any renewal options in maximum possible term, regardless of their probability of being exercised

Agreements where the
government is the SBITA
“lessor”

Contracts that fall in the
scope of GASBS 87 – *Leases*
and contain an insignificant
software component

Perpetual Licensing
Arrangements



What's a Perpetual Licensing Arrangement?

- License authorizes government to use the software indefinitely.
 - Licensing agreements that automatically renew **are not** perpetual agreements.
 - Check the license grant section of the agreement.
- Perpetual software licenses may be reported on a separate intangible asset survey (sent by OGS) if they are above the materiality threshold.



Materiality

Current Materiality Threshold

\$1,000,000 Annual Exchange of Value (AEV).

Annual Exchange of Value

AEV is an average; it represents the dollar value of the SBITA over a 12-month period.

Formula

$AEV = (\sum \text{reasonably certain right to use payments/reasonably certain term in months}) * 12.$

Notes

- Only SBITA applicable components should be factored into the AEV calculation. Things like maintenance should be excluded if practicable.
- Calculation should include fixed and variable payments.



Implementation Stages

Preliminary Project Stage

- **Examples:**
 - Conceptual formulation and evaluation of alternatives
 - Selecting a SBITA vendor
- **Accounting Treatment:**
Expense as incurred
- **Not reported on template**

Initial Implementation Stage

- **Examples:**
Configuration, coding, testing, installation, and other charges necessary to place the subscription asset into service
- **Accounting Treatment:**
Generally capitalize*
- **Reported on template**

Operation and Additional Implementation Stage

Operation

- **Examples:** Maintenance, troubleshooting, etc.
- **Accounting Treatment:**
Expense as incurred
- **Not reported on template**

Additional Implementation Activities:

- **Accounting Treatment:**
Outlays are capitalized if they meet certain criteria
- **Reported on modification template**

*Training costs are expensed, regardless of the stage in which they are incurred.



Lease and SBITA Reporting

Time Period	Email Request	Due Date
4/1 – 6/30	GASBS 87 & 96 Inventory Request*	July 31st
7/1 – 9/30	GASBS 87 & 96 Inventory Request	October 31st
10/1 – 12/31	GASBS 87 & 96 Inventory Request	January 31st
1/1 – 3/31	GASBS 87 & 96 Inventory Request	April 30th

* New agreements and modifications to previously reported agreements

Time Period	Email Request	Due Date
4/1/20XX – 3/31/20XX	GASBS 87 & 96 Annual Variable Request*	April 30th

* Include the contract number/agreement identifier and variable payment amounts spent during the fiscal year.



Reporting Process – Annual Variable Payment Request

Variable payments are dependent on factors such as:

- Future performance of the government.
- Number of users.
- Usage of the underlying assets.

Some agreements contain both fixed and variable components:

- Some contracts provide the right to use multiple software, some which have fixed pricing, others which have variable pricing.
- Some contracts have amounts that are **fixed in substance**.
 - Example: Contract specifies you will pay \$100,000 for 10 licenses. If you need an extra license, you can add it for an extra \$15,000.
 - Example: Contract wording specifies you will pay the higher of \$X amount or actual usage.



SBITA Variable Payments


As of March 31, 2023, the State had minimum principal and interest payment requirements for SBITA, with a remaining term in excess of one year, as follows (amounts in millions):

Fiscal Year	Principal	Interest	Total
2024	\$ 15	\$ 1	\$ 16
2025	14	-	14
2026	12	-	12
2027	5	-	5
2028	1	-	1
2029-2033	4	-	4
Total.....	\$ 51	\$ 1	\$ 52

The State has a variety of variable payment clauses within its SBITA, including variable payments based on future performance, usage of the underlying asset, number of software licenses, or hours of access necessary. Such amounts are recognized as an expense in the period in which the obligation for those payments is incurred. Components of variable payments that are fixed in substance, are included in the measurement of the SBITA liability presented in the table above. During the year, the State recorded \$47 million for variable payments related to SBITA. As of March 31, 2023, the State had no losses reported from impairments of SBITA or payments for arrangements that have not yet commenced.



LeaseController Templates



Office of the NEW YORK
STATE COMPTROLLER
NYS Comptroller Thomas P. DiNapoli

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[Forms for State Agencies and Employees](#)

[New York State Payroll](#)

[Procurement and Contracting in New York](#)

New GASB Standards

New York State will implement Governmental Accounting Standards Board Statement (GASBS) 87 - Leases, as well as GASBS 96, Subscription-Based Information Technology Arrangements beginning with the fiscal year 2022-23 annual financial statements.

Additionally, New York State must implement GASBS 94, Public-Private Partnerships and Public-Public Partnerships, in fiscal year 2023-24 annual financial statements.

These standards fundamentally change how New York State is required to disclose certain agreements related to capital assets, infrastructure and software subscriptions.

GASB Reporting Tools

Statement 87, Leases

[New Lease Reporting Template - Lessee](#)

[New Lease Reporting Template - Lessor \(revenue\)](#)

[Lease Modification Reporting Template – Lessee](#)

[Lease Modification Reporting Template – Lessor \(revenue\)](#)

Statement 96, Subscription-Based IT Arrangements (SBITA)

[SBITA Reporting Template](#)

[SBITA Modification Reporting Template](#)

*Fixed costs should be included on the reporting template payment schedule.



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LeaseController Templates

Add Rows Button

A	B	C	D	E	F	G	H
Deloitte.							
LeaseID	LeaseCategoryID	LeaseDesc	Entity_UID			isLeaseGASB87Comm	Asset
<div> <div>Add Rows</div> <div> <div>How many rows would you like to add?</div> <div>1</div> <div>OK Cancel</div> </div> </div>							
1	2	3	4			7	8
Lease ID * <small>ENTER the Procurement Contract NYS Contract ID (L #)</small>	Lease Type * <small>Enter the Value "LESSEE"</small>	Lease Description	Legal Entity * <small>Enter your SFS GL BU ID Value</small>			GASB87 Comment *	Asset <small>Leave Field</small>
<small>The lease ID is the unique ID assigned to a particular lease.</small>		<small>Enter a brief description of the lease i.e. the name of the parties (Lessor and Lessee) and the asset details. (Ex: - Equipment Lease (AXXXX) between XYZ Limited and ABC Limited)</small>	<small>Entity ID associated to a lease</small>	<small>Type of leased asset (selected from predetermined list during initial setup/creation of lease)</small>	<small>Does this contract meet the definition of a lease under GASB87?</small>	<small>If Parent Question 'isLeaseGASB87' is 'NO', Please provide evidence of why this contract is not considered a lease under GASB87</small> <small>Child question to Parent question 6 : isLease840</small>	<small>The asset ID is the unique ID from company's system. Under current assets owned by the Company Intercompany</small>



Template-Payment Schedule Tab

- Information on this tab is used to calculate a liability for lease/subscription payments.
- The payment tab start and end dates must cover the contract period regardless of when the payments are made.
- Payments associated with any reasonably certain renewals should be included on the payment schedule.
- Only lease/subscription payments should be reported on the Payment Schedule. Other costs, such as implementation costs/variable payments should not be reported here.



Examples

Payment is the Same Each Payment Period

If the payment does not change over the term, only one line will need to be added. For example, a 3-year contract (4/1/22 – 3/31/25) with an annual payment of \$100,000 and a one-year renewal of \$125,000 would be entered as follows:

44

Payment Period *

Select the appropriate option (i.e. whether payments are made monthly, quarterly, half-yearly and yearly)

Year

LEASE PAYMENT SCHEDULE					
1	2	3	4	5	6
Lease ID *	Stream Type *	Stream Comment	Payment Start Date (YYYY-MM-DD) *	Payment End Date (YYYY-MM-DD) *	Payment Amount per Period *
The lease ID is the unique ID assigned to a particular lease.	Select type of payment stream (Minimum Lease Payments, ASC842 / IFRS16 Renewal Term Payments, ASC840 / IAS17 Renewal Term Payments, Non-Allocated Lease Payments, ASC842 Executory Costs, Evergreen Payments) Use "Minimum Lease Payments" for the base period and "ASC842 / IFRS16 Renewal Term Payments" for renewal terms	Enter a comment for each payment stream type entered	Start date of the payment stream	End date of the payment stream	Amount of the payment stream
ABC123	Minimum Lease Payments	Year	2022-04-01	2025-03-31	100,000.00
ABC123	ASC842 / IFRS16 Renewal Term Payments	1-Year Renewal	2025-04-01	2026-03-31	125,000.00



Examples

Payments Vary Each Year

If the payment changes each year, there will have to be a separate line for each payment amount.

LEASE PAYMENT SCHEDULE					
1	2	3	4	5	6
Lease ID *	Stream Type *	Stream Comment	Payment Start Date (YYYY-MM-DD) *	Payment End Date (YYYY-MM-DD) *	Payment Amount per Period *
The lease ID is the unique ID assigned to a particular lease.	Select type of payment stream (Minimum Lease Payments, ASC842 / IFRS16 Renewal Term Payments, ASC840 / IAS17 Renewal Term Payments, Non-Allocated Lease Payments, ASC842 Executory Costs, Evergreen Payments) Use "Minimum Lease Payments" for the base period and "ASC842 / IFRS16 Renewal Term Payments" for renewal terms	Enter a comment for each payment stream type entered	Start date of the payment stream	End date of the payment stream	Amount of the payment stream
ABC123	Minimum Lease Payments	Year	2022-04-01	2023-03-31	100,000.00
ABC123	Minimum Lease Payments	Year	2023-04-01	2024-03-31	125,000.00
ABC123	Minimum Lease Payments	Year	2024-04-01	2025-03-31	150,000.00



Examples

Contract is Paid Upfront

A 3-year (4/1/23-3/31/26) prepaid contract for \$5 million would be entered as follows:

Lease ID *	Stream Type *	Stream Comment	Payment Start Date (YYYY-MM-DD) *	Payment End Date (YYYY-MM-DD) *	Payment Amount per Period *
The lease ID is the unique ID assigned to a particular lease.	Select type of payment stream (Minimum Lease Payments, ASC842 / IFRS16 Renewal Term Payments, ASC840 / IAS17 Renewal Term Payments, Non-Allocated Lease Payments, ASC842 Executory Costs, Evergreen Payments) Use "Minimum Lease Payments" for the base period and "ASC842 / IFRS16 Renewal Term Payments" for renewal terms	Enter a comment for each payment stream type entered	Start date of the payment stream	End date of the payment stream	Amount of the payment stream
ABC123	Minimum Lease Payments	Prepaid	2023-04-01	2026-03-31	-

57	58	59
Are there any security deposits/prepayments associated with the SBITA? * YES/NO	Refundable Security Deposit Amount *	Non-Refundable Security Deposit/Prepayment Amount *
A security deposit is an amount that a subscriber is required to pay to the vendor at the commencement of the SBITA to secure any associated tangible capital assets. These deposits can be both refundable/non-refundable.	Enter the amount of the refundable security deposit. Child question to Parent question 57 : SecurityDeposits	Enter the amount of the non-refundable security deposit/prepayment amount Child question to Parent question 57 : SecurityDeposits
YES	-	5,000,000.00



Chart of Accounts (COA) Fund

- This is the fund from which the payments are made.
- If the payment is made from multiple funds, note the percentage breakout in the comments box.

103
COA Fund
The Fund for your BU from Provided List
10050, 30000

97
Comments
This is a free text box for additional information that may be useful to have documented such as notes on contacts for the SBITA, notes on parties involved, specific SBITA wording/details, etc.
Fund 30000 = 20% Fund 10050 = 80%



Intangible Assets Review

GASB Statement 51

- Lacks physical substance
- Non-financial in nature
- Useful life extends beyond one reporting period
- Asset arises from contractual or other legal rights



Intangible Assets Review

Types of intangible assets

- Internally-generated computer software, including websites
- Easements
- Timber, Water, and Mineral rights
- Copyrights
- Patents
- Trademarks



Intangible Assets Review

What to report

- Must be identifiable
 - Asset is capable of being separated
 - Asset arises from contractual or legal rights
- Reporting threshold is \$1,000,000; report total life-to-date historical cost
- If software, the asset is in service or substantially complete



Intangible Assets Review

What to report (cont'd)

- For internally-generated software, report modification costs that result in any of the following:
 - Increased functionality of the software (new tasks available)
 - Increased efficiency of the software (level of service provided)
 - Extension of estimated useful life



Intangible Assets Review

What not to report

- Assets acquired/created primarily for obtaining a profit
- Goodwill created through the combination of government and another entity
- Assets resulting from a lease transaction
- Internally generated software created prior to 4/1/2010
- Subscription-based IT arrangements



Capital Asset Impairments

GASB Statement 42

Definition:

Asset impairment is “a **significant, unexpected** decline in the service utility of a capital asset.” – GASBS 42, paragraph 5

- Events that lead to impairments are not normal/ordinary – they would not have been expected to occur.
- Capital asset impairments are permanent.

Significant

“The expenses associated with continued operation and maintenance (including depreciation) or costs associated with restoration of the capital asset are significant in relation to the current service utility.”

Source: GASBS 42, paragraph 11a

Unexpected

“The restoration cost or other impairment circumstance is not a part of the normal life cycle of the capital asset.”

Source: GASBS 42, paragraph 11b



Why Are Impairments Important?

STATE OF NEW YORK

Statement of Net Position

March 31, 2023

(Amounts in millions)

	Primary Government			Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS:				
Cash and investments.....	\$ 88,392	\$ 10,994	\$ 99,386	\$ 68,766
Receivables, net of allowances for uncollectibles:				
Taxes.....	19,698	-	19,698	-
Leases.....	32	7	39	3,039
Due from Federal government.....	20,995	39	21,034	-
Loans and notes.....	-	-	-	31,287
Other.....	6,568	4,678	11,246	4,619
Internal balances.....	415	244	659	-
Net pension asset.....	3,254	665	3,919	178
Net other postemployment benefits asset.....	-	85	85	151
Other assets.....	918	268	1,186	3,808
Capital assets:				
Land, infrastructure and construction in progress.....	87,805	3,663	91,468	26,734
Buildings, equipment, land improvements and infrastructure, net of depreciation.....	6,436	14,903	21,339	91,125
Leases, net of amortization.....	2,229	911	3,140	3,006
Intangible assets, net of amortization.....	594	138	732	497
Derivative instruments.....	-	-	-	271
Total assets.....	237,336	36,595	273,931	233,481



New York State Comptroller
THOMAS P. DiNAPOLI

Why Are Impairments Important?

- A portion of historical cost may need to be written off to reflect an asset impairment (loss of service utility).
- Impaired capital assets that will no longer be used in operations should be reported at lower of carrying value or fair value (cost or market).



Impairment Indicators

- Asset is damaged
- Asset has become obsolete due to the enactment of laws or technological development
- Asset is not used in the same manner/for as long as expected
- Construction or development of software is abandoned before completion



Impairment Indicators

Indicators	Examples
Evidence of physical damage (resulting in a loss of service utility)	A building damaged by fire or flood
Enactment or approval of laws or regulations or other changes in environmental factors	A water treatment plan that cannot meet and cannot be modified to meet new water quality standards
Technological development or evidence of obsolescence	An MRI machine or some other type of research equipment that is rarely used because newer equipment provides better service
Change in the manner or expected duration of use of a capital asset	The closure of a school prior to the end of its useful life
Construction stoppage or development stoppage of internally generated intangible assets	Construction stoppage of a building or development stoppage of software due to lack of funding

Source: GASBS 42, Paragraph 9



**New York State Comptroller
THOMAS P. DiNAPOLI**

Impairment Reporting

**NEW YORK STATE
OFFICE OF GENERAL SERVICES**

2022-23 FISCAL YEAR

IMPAIRED ASSET REPORTING FORM

IMPAIRED ASSET DESCRIPTION	DATE ACQUIRED	DATE & CAUSE OF IMPAIRMENT	HISTORICAL COST OF ASSET	GENERAL LOCATION
Storage shed	05/30/80	07/02/2007 Shed destroyed by fire.	\$200,000	Region 1
Bridge	11/11/92	08/05/2007 Bridge destroyed by flood	\$1,000,000	Central Office

SAMPLE



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Reporting an Impairment

- Provide enough detail so the asset can be identified
- Make sure to include vacant facilities
- Consider future plans for the asset:
 - Will it be sold, repurposed, or are you unsure?
- If an asset was physically damaged:
 - Were there insurance recoveries?
 - What was the extent of the damages?



Asset Retirement Obligations (AROs)

GASB Statement 83

ARO Definition

- A **legally enforceable** liability associated with the retirement of a tangible capital asset
 - AROs result from the **normal operation** of a tangible capital asset

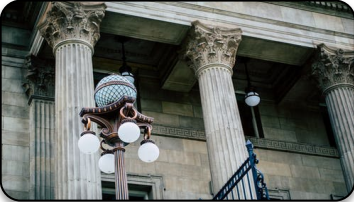
AROs could include liabilities related to:

- Retirement of a tangible capital asset
- Disposal of a replaced part of a tangible capital asset
- Environmental remediation associated with the retirement of a tangible capital asset



Asset Retirement Obligations

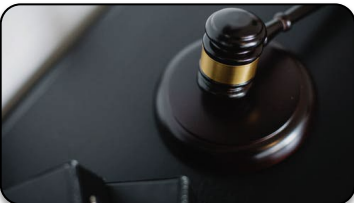
ARO are **legally** enforceable.



Federal, State, or local laws or regulations



Legally binding contracts



Court judgements



NYS ARO Examples



Petroleum bulk storage
(PBS) tanks*



Certain laboratory
equipment



Sewage treatment
plants/water treatment
plants



Dams

*We obtain a list of registered PBS tanks from DEC. Other agencies do not have to report them.



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What Not to Report

- Obligations that arise solely from a plan to sell/dispose of a tangible capital asset or prepare it for an alternate use
- Landfill closure and post-closure care obligations
- Capital asset maintenance costs/replacement part costs
- Obligations related to pollution remediation, such as asbestos removal, due to other-than-normal operation of an asset



Why is this Important?

- Accurately reflect liabilities in the State's financial statements
- Allocate the costs of future retirement over the useful life of the asset

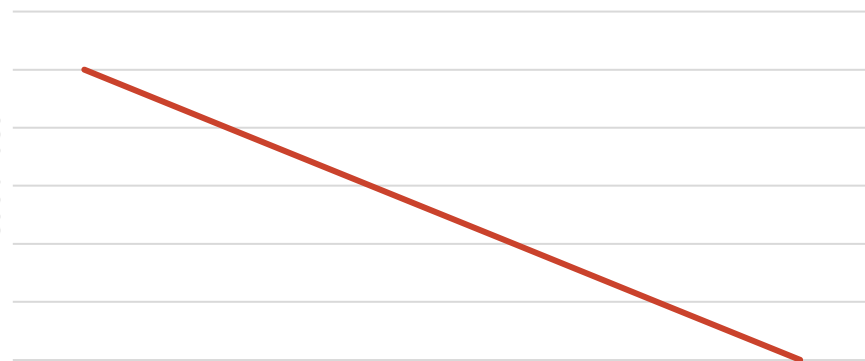
Initial Measurement 4/1/XX (Current Value)

Deferred Outflow (ARO)	XXX	
	ARO Liability	XXX
<i>Initial Measurement</i>		

Amortization of Deferred Outflow over Life of Asset

Expense	XXX	
	Deferred Outflow (ARO)	XXX
<i>Write down of Deferred Outflow</i>		

Deferred Outflows of
Resources



Reporting an ARO to OSC

- Asset and asset description
- The legal obligation to retire the asset
- Statutory reference (if required by State, Federal, Local Law or regulation)
- Asset's estimated remaining useful life
- Break out short-term and long-term costs
- Estimated cost to retire (should be reviewed each year for changes)
- Any method used to estimate cost
- Any funding or assurance provisions (if applicable)



Reminders

- Materiality threshold:
 - Currently no materiality threshold is set for AROs.
- Review previously reported retirement costs each year for changes.
 - Costs may have to be updated for changes in technology, new laws, etc.
- An asset should be reported if it is required to be retired in a certain way, even if there are not plans to retire the asset in the near future.
 - Even if an asset will be retired 20 years from now, it should be reported.



Further GASB Resources

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