

Office of Operations' 2026 Virtual Fall Conference

The Ins and Outs of Reporting for Intangible Assets



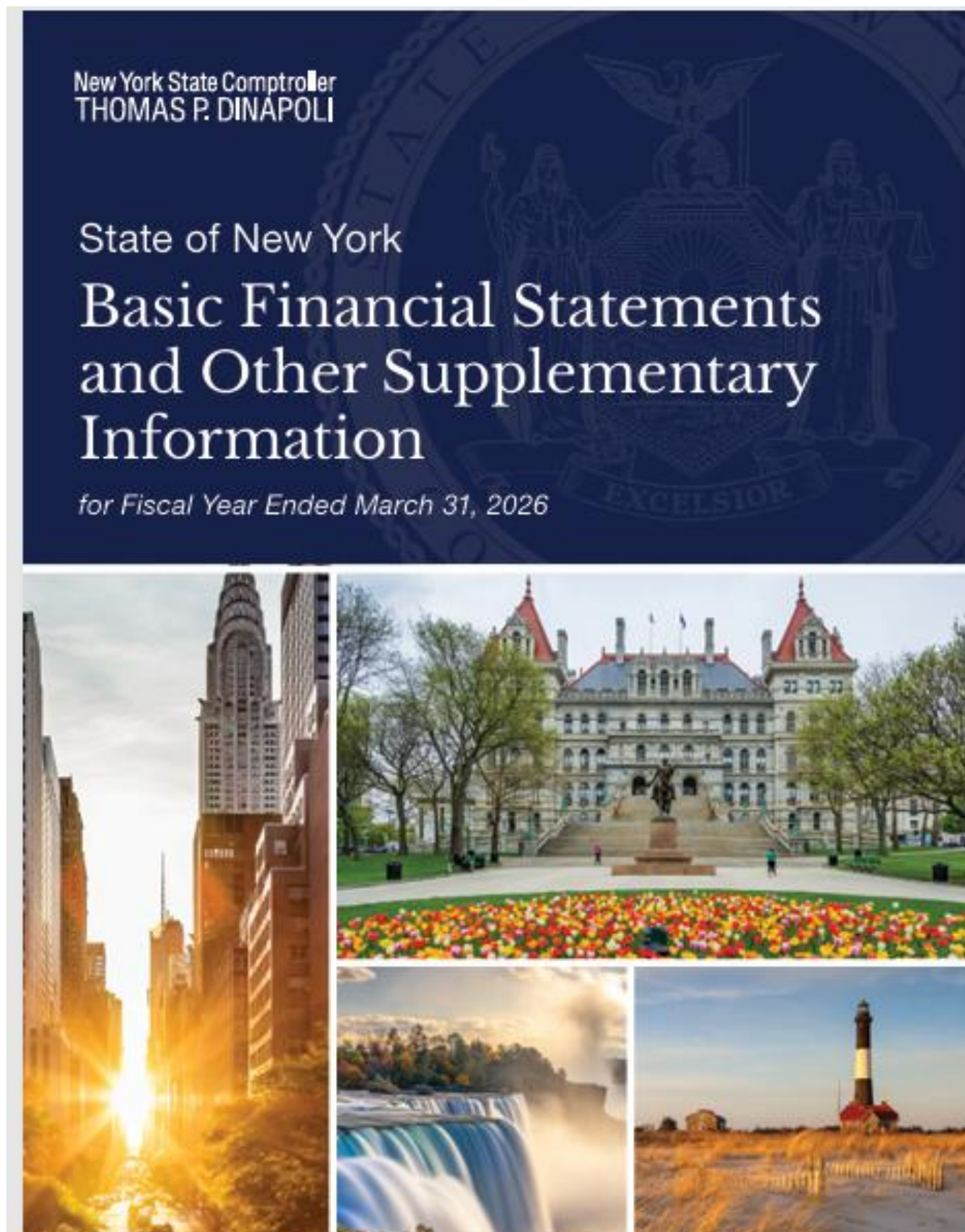
Agenda

- Bureau of Financial Reporting and Oil Spill Remediation – GAAP Reporting
- Intangible Capital Assets
- Reporting Owned Software
- Reporting Right-to-use “Leased” Software
- Capital Asset Impairments
- Resources, Guide to Financial Operations Helpful Sections, and Contact Information

Bureau of Financial Reporting and Oil Spill Remediation – GAAP Reporting

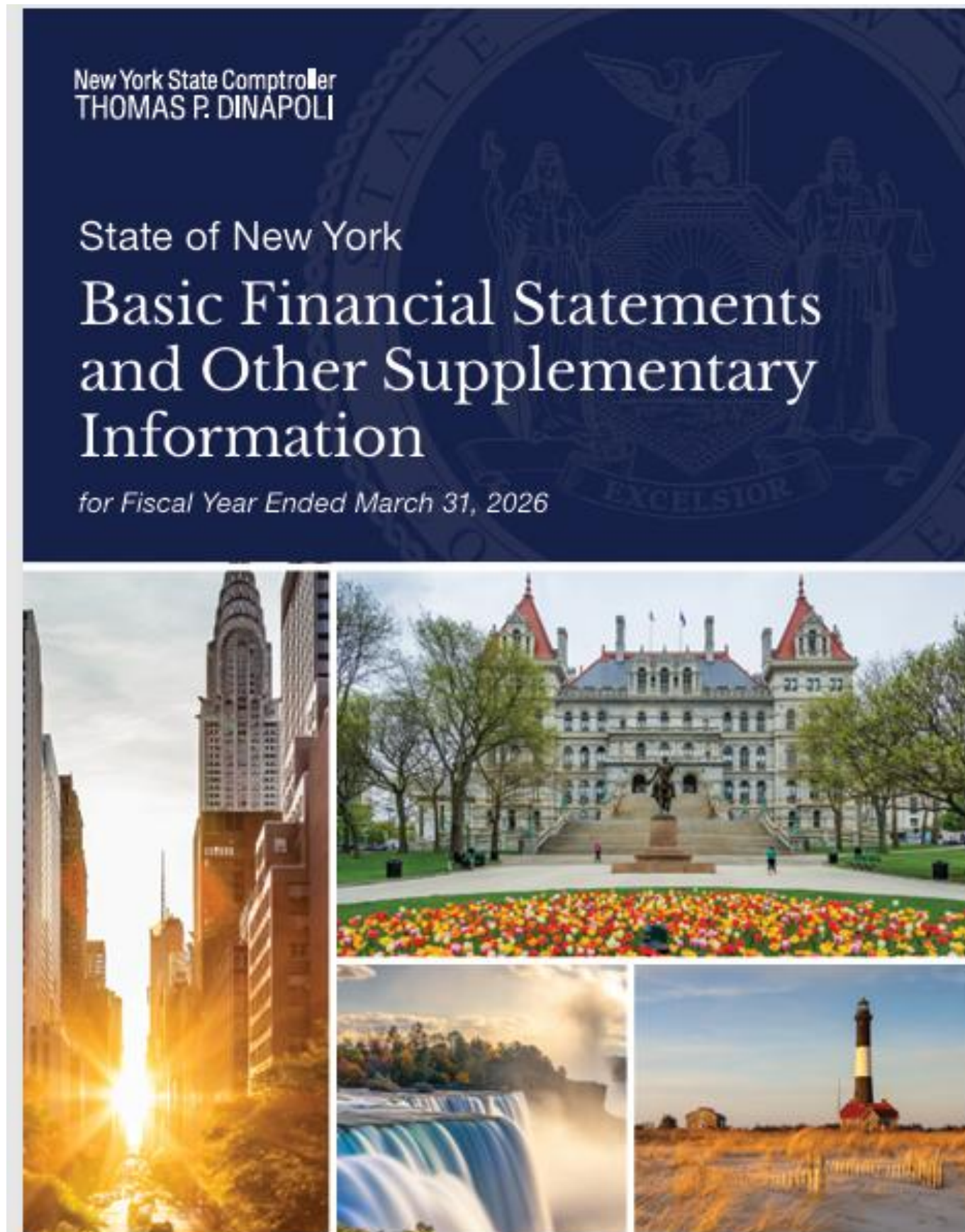


GAAP Unit Reporting – Reporting Requirements



- One of our Bureau's major tasks is preparing the State's annual and interim financial reports on a GAAP basis.
- The annual financial statements (Basic Financial Statements and Other Supplementary Information) are audited and due within 120 days of the end of the fiscal year.
- The Basic Financial Statements are later incorporated into the Annual Comprehensive Financial Report (ACFR).

GAAP Unit Reporting – Reporting Guidance



- GAAP basis means that these statements comply with Generally Accepted Accounting Principles, established in standards issued by the Governmental Accounting Standards Board (GASB).
- Our Bureau implements accounting standards issued by the GASB. These standards may require us to collect additional information to include in the financial statements.

Recent Capital Asset-Related GASB Standards

Fiscal Year 2011

GASBS 51 – Accounting and Financial Reporting for Intangible Assets

Fiscal Year 2023

GASBS 87 – Leases
GASBS 96 – Subscription-Based Information Technology Arrangements

Fiscal Year 2027

GASBS 104 – Disclosure of Certain Capital Assets

Fiscal Year 2021

GASBS 83 – Certain Asset Retirement Obligations

Fiscal Year 2024

GASBS 94 – Public-Private and Public-Public Partnerships and Availability Payment Arrangements

Intangible Capital Assets



What is a Capital Asset?

Per GASBS 34, Paragraph 19, a capital asset:

- ☐ Is a tangible **or** intangible asset used in operations
- ☐ Has an initial useful life extending beyond a single reporting period

Examples

Works of Art

Land & Land
Improvements

Buildings and
Building
Improvements

Vehicles &
Machinery

Computer
Software

Capital Assets in the Financial Statements

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of March 31, 2026, the State has \$123.1 billion invested in a broad range of capital assets, including equipment, buildings, construction in progress, land preparation, and infrastructure, which primarily includes roads and bridges (Table 4). This amount represents a net increase (including additions and deductions) of \$2.6 billion over last year.

Table 4
Capital Assets as of March 31, 2026 and 2025
(Net of depreciation, amounts in millions)

	Governmental Activities		Business-Type Activities*		Total Primary Government	
	2026	2025	2026	2025**	2026	2025
Land and land improvements	\$ 5,019	\$ 4,966	\$ 1,181	\$ 1,176	\$ 6,200	\$ 6,142
Land preparation.....	4,492	4,458	-	-	4,492	4,458
Buildings	5,327	5,348	14,366	14,119	19,693	19,467
Equipment and library books	507	443	823	787	1,330	1,230
Leases	2,043	2,034	854	923	2,897	2,957
Construction in progress....	5,721	4,703	2,434	2,152	8,155	6,855
Infrastructure	78,292	77,705	903	827	79,195	78,532
Artwork and historical treasures.....	-	-	47	47	47	47
Intangible assets.....	860	637	269	222	1,129	859
Totals	\$ 102,261	\$ 100,294	\$ 20,877	\$ 20,253	\$ 123,138	\$ 120,547

*As of June 30, 2025 and 2024 for SUNY and CUNY activities

**2025 balances restated due to an adjustment of CUNY's capital assets and related depreciation.

Intangible Asset Characteristics and Examples

Have the following characteristics:

Lack of physical substance

Nonfinancial Nature

Initial useful life extending beyond a single reporting period

Must be Identifiable:

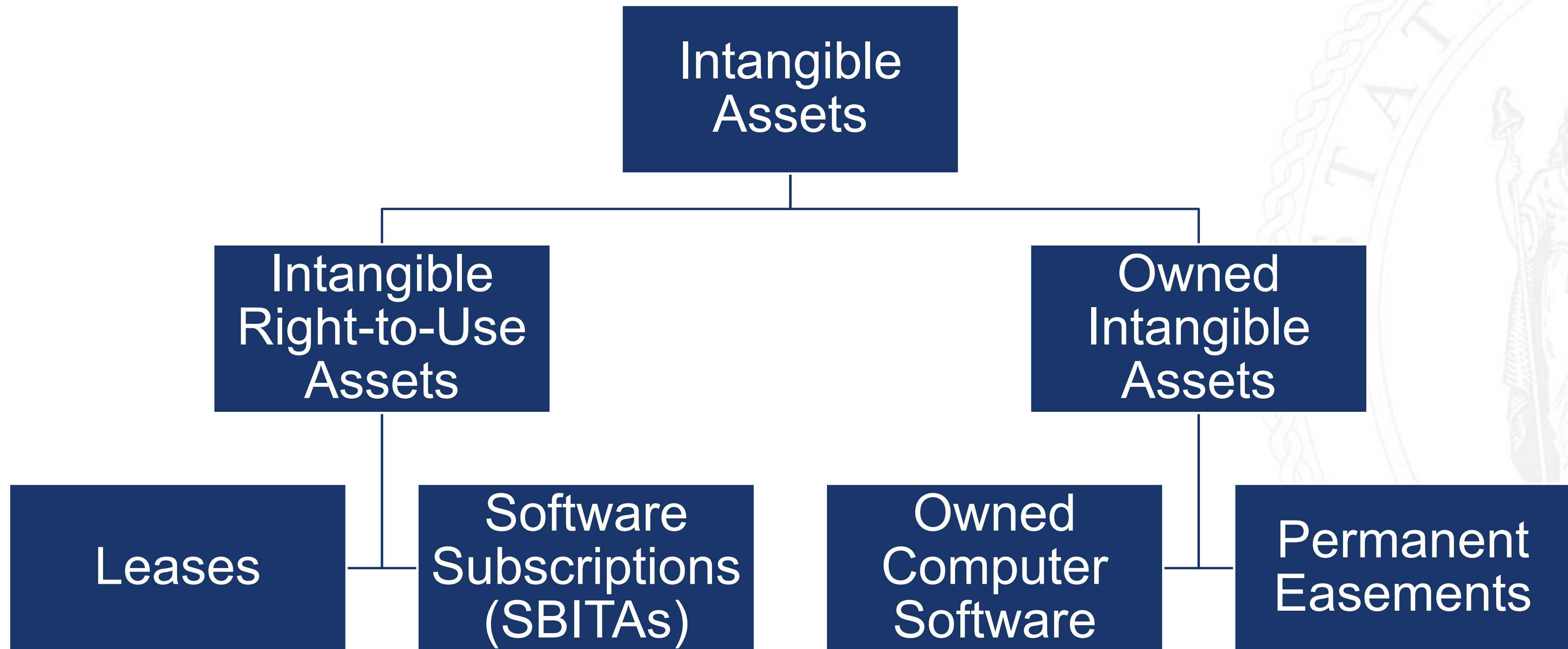
Asset must be capable of being separated or divided from the government, or

The asset arises from contractual or other legal rights.

Examples:

- Easements and other land use rights
- Copyrights, patents, trademarks
- Certain purchased, licensed, or internally-generated software and agency-owned websites

Types of Intangible Capital Assets



Reporting for Software – Owned vs. Right-to-Use

Owned Software

Examples

- Perpetual software licenses
- Software developed inhouse or by a vendor hired by NYS
- **Reported in the Agency Financial Reporting Package (AFRP)**

Right-to-Use Software

Examples

- Subscription-based information technology arrangements (SBITA)
- **Reported in separate LeaseController™ reporting template**

Reporting Owned Software



Owned Software – Costs to be Reported

- The most common type of “owned” intangible asset in NYS is internally generated software.
- Software is considered internally generated if:
 - The software is developed by the government or a contracted entity.
 - The software is acquired from a third party but requires more than minimal incremental effort to put it into service.

Preliminary Project Stage

Examples:

- Conceptual formulation and evaluation of alternatives.
- Selecting a vendor.

Costs not reported.

Application Development Stage

Examples:

- Configuration, coding, testing, installation, and other charges necessary for the software to go live.

Report costs.

Post-Implementation/ Operation Stage

Examples:

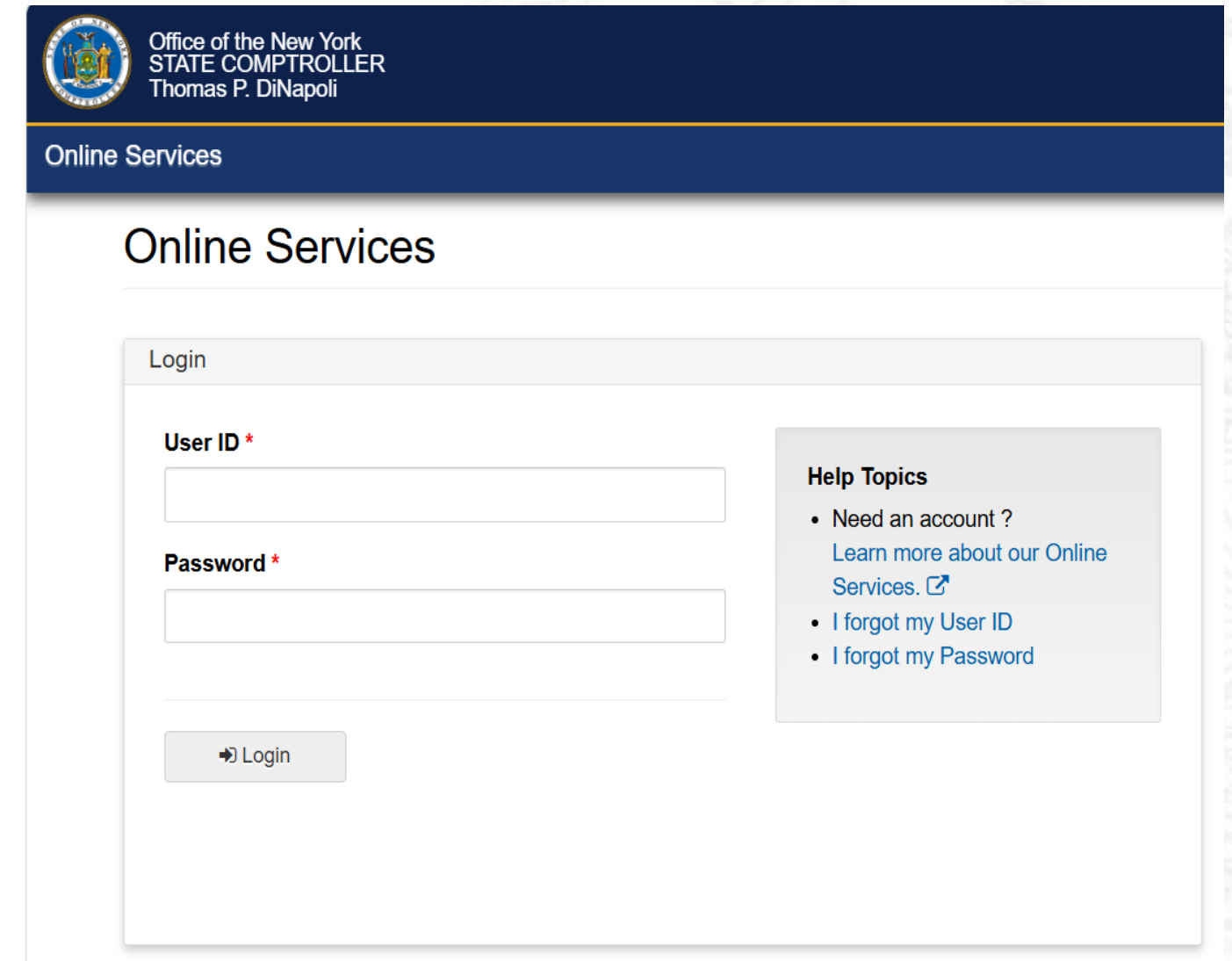
- Application training, software maintenance, troubleshooting, etc.

Costs not reported.

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

Owned Software Reporting

- **Materiality Threshold** (\$1 million) – Costs for the project or license must exceed \$1 million.
- **Reporting Frequency** – Information is collected about owned intangible assets annually in the AFRP.



The screenshot shows the 'Online Services' login page for the Office of the New York State Comptroller, Thomas P. DiNapoli. The page features a dark blue header with the office's name and logo. Below the header, the 'Online Services' title is repeated. The main content area contains a 'Login' form with two input fields: 'User ID *' and 'Password *'. A 'Login' button is positioned below the password field. To the right of the login form, a 'Help Topics' box lists links for 'Need an account?', 'Learn more about our Online Services', 'I forgot my User ID', and 'I forgot my Password'.

Office of the New York
STATE COMPTROLLER
Thomas P. DiNapoli

Online Services

Online Services

Login

User ID *

Password *

Login

Help Topics

- Need an account ?
[Learn more about our Online Services.](#)
- I forgot my User ID
- I forgot my Password

Reporting Owned Intangible Assets in the AFRP

- The AFRP opens for reporting in late March, and submissions are due in early May.
- Agencies should also complete the OGS Capital Asset Survey, but submitting information in the AFRP is not contingent on first completing the Capital Asset Survey.
- Reminder – Software in development (WIP) should be reported if project or development costs are expected to exceed \$1 million.

Reporting Software Upgrades – Criteria

Increase in Functionality

- Computer software can perform new tasks it was previously incapable of performing.

Increase in Efficiency

- Level of service provided by the computer software increases.

Extends Useful Life

- Modifications to defer obsolescence.

Reporting Right-to-Use “Leased” Software



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.”

In a SBITA agreement, you make periodic (monthly/quarterly/annual) payments for the right to use a software. If you don’t make the payments, you won’t have access to the software.

SBITA Examples

SBITAs are often cloud computing arrangements, including:

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

Examples:

Microsoft
0365

Zoom

Adobe

WebEx

Tableau

Major SBITA Exclusions

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

Short-term SBITAs

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

Perpetual Licensing
Arrangements

Agreements where the
government is the SBITA
“lessor”

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

Contracts for maintenance/IT
support only

SBITA Exclusions – Materiality

Current Materiality Threshold

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

Annual Exchange of Value

AEV represents the dollar value of the SBITA over a 12-month period

Formula

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

Materiality – AEV Calculation

This is not just the contract value divided by the number of years

Included in Calculation of AEV

- Subscription payment costs
- Implementation costs

Not Included in Calculation of AEV

- Maintenance services
- Payments for perpetual licensing arrangements

AEV Example #1

Contract Details

An agency has a five-year contract for a software subscription. Subscription costs total \$2 million each year. Implementation costs are \$500K.

AEV Calculation	
Year 1	\$2,000,000
Year 2	+2,000,000
Year 3	+2,000,000
Year 4	+2,000,000
Year 5	+2,000,000
Implementation Costs	<u>+ 500,000</u>
Total Payments	\$10,500,000
$\$10,500,000 \div 5$	\$2,100,000 AEV

AEV Example #2

Contract Details

An agency has a three-year contract for a software subscription. Subscription costs total \$950K each year. The contract has a one-year renewal option at \$1,250,000. The agency is reasonably certain to exercise this option.

AEV Calculation	
Year 1	\$ 950,000
Year 2	+ 950,000
Year 3	+ 950,000
Reasonably Certain Renewal	<u>+1,250,000</u>
Total Payments	\$4,100,000
 \$4,100,000 ÷ 4	 \$1,025,000 AEV

SBITA Exclusions – Short-Term SBITAs

- SBITAs are considered short-term if the **maximum possible term** is one year or less.
- A SBITA should be reported if one of the following is true:
 - NYS has the right to use the software for a period greater than 12 months, or
 - The subscription term is for 12 months or shorter, but the contract includes the option to extend the contract beyond 12 months.

SBITA Exclusions – Perpetual Licensing Arrangements

- 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 in the AFRP as owned intangible assets if they are above the materiality threshold.

Reporting Timeline



Payment Type – Fixed vs. Variable

Fixed

- Future payments are known at the start of the contract and will not change.
- Not dependent on usage of asset.
- **Example** – Contract budget specifies you will pay \$1.5 million per year for 5 years.

Variable

- Payments can vary based on factors such as usage of the asset or number of licenses.
- **Example** – Contract budget specifies you will pay \$500 per license.

Payment Type – Fixed in Substance

- A payment is “fixed in substance” if there is a set minimum you will have to pay as outlined by the contract.
- You may not know the total amount you will pay under the contract, but there is a floor.
- **Example:** You must pay \$100K per license. The contract specifies you will pay the higher of \$1.5 million or actual usage.
- **In this example, the \$1.5 million is fixed in substance, as you will pay this amount at a minimum, regardless of actual usage.**

Reporting Variable vs. Fixed Payments

Fixed

- Reported on LeaseController Template.

Variable

- Report to OSC the amounts spent on variable payments during the fiscal year.

Fixed in Substance

- Report the fixed component on a LeaseController template.
- Amounts above the fixed payment portion are variable payments. Report amounts spent on these variable payments during the fiscal year.

Reporting Fixed Payment SBITAs – Lease Controller Templates

- SBITA Reporting Templates and Modification Reporting Templates are available on the OSC website and can be found at the link below: [New GASB Standards | Office of the New York State Comptroller.](#)
- Reach out to finrepGASB@osc.ny.gov if you need assistance completing a SBITA Reporting Template.

Reporting Variable Payment SBITAs

- LeaseController templates **do not** have to be completed for variable payment SBITAs.
- If you have a contract with only variable payments, report the contract number in the quarter the contract commences.
- By April 30th, report amounts incurred for SBITA variable payments in the fiscal year (4/1/202X – 3/31/202x).
- Responses should be sent to finrepGASB@osc.ny.gov.

Capital Asset Impairments



Capital Asset Impairments – Definition

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

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 plant 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

Reporting Impairments

- Impairments are reported annually in the AFRP.
- For the 2027 fiscal year, submissions will be due in early May.
- The reporting form will ask about vacant buildings/facilities and other impairments.
- Agencies should still complete the OGS Capital Asset Survey when received from OGS.

Resources – Guide to Financial Operations (GFO)

Located on the OSC Website:



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I. OSC Guide to Financial Operations Overview

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III. Statewide Financial System (SFS)

IV. Accounting Codes - Uses and Descriptions

V. Chart of Accounts (COA) Governance

VI. Budgets

VII. State Revenues and Appropriated Loan Receivables

VIII. Accounts Payable Journal Vouchers & General Ledger Journal Entries

IX. Federal Grants

X. Guide to Vendor/Customer Management

Guide to Financial Operations

Search Guide to Financial Operations

The New York State Guide to Financial Operations (GFO) acts as a reference source for statewide accounting policies, procedures and the Office of the State Comptroller (OSC) related-mandates for use by State agencies.

The Guide provides policies and procedural guidance for State agencies using the SFS as well as traditional legacy financial management systems where applicable.

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GFO Helpful Sections

Intangible Assets

- XVI. Financial Reporting > 4. Accounting Policies and Principles Applicable to Agencies > H. Intangible Assets

Intangible Right-To-Use Assets

- XVI. Financial Reporting > 4. Accounting Policies and Principles Applicable to Agencies > O. Intangible Right-To-Use Assets

Feedback

Are there any topics you would like our Bureau to cover in future Fall Conference presentations?



For any additional questions email: FinRep@osc.ny.gov

Thank you.

