Committee Meeting: Policy and Governance Committee	Date: September 14, 2018
Committee Chair: Kathleen Masiello	
New or Edited: Edited Capital Asset Policy	

POLICY NAME: Capital Asset Policy

POLICY TYPE: Managerial

SUBMITTED BY: Penelope Howard, Executive Vice President for Administration and Finance and Krista Woods, Chief Accountant

ISSUE OR STATEMENT OF PURPOSE: SUNY Erie seeks to establish a uniform policy with respect to capital assets and reporting requirements established by the Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.*

SUNY Erie acquires capital assets in pursuit of its mission. This policy sets forth the methods for acquiring, accounting, maintaining and disposing of capital assets. Individual cost centers will be responsible for following College policy to help ensure timely and accurate financial reporting of capital assets. This policy establishes an internal control structure over fixed assets to actively manage and protect the College from the risk of misuse, misappropriation or loss of College resources.

NEW OR EDITED POLICY: Edited Capital Asset Policy

Cost centers are principally responsible for stewardship of College assets under their control. Stewardship of capital assets involves basic safeguarding and physical security, compliance with College, state and federal record keeping requirements, keeping assets in good working condition, and using them safely and properly. See Appendix A for Classifications & Guidelines.

DOES IT SUPERCEDE A POLICY/WHICH ONE: Capital Asset Policy

POLICY COMMITTEE RECOMMENDED ACTION:
Policy Committee recommends the Board of Trustees accept the Managerial policy under Committee Briefings, Policy and Governance Committee. This Policy supersedes all prior policies/procedures and practices related to Capital Asset Policy.

POLICY COMMITTEE MEMBERS PRESENT: Trustee Kathleen Masiello, Trustee Susan Swarts, Student Trustee TK Adebayo, Executive Vice President for Administration and Finance Penelope Howard, Vice President of Enrollment Steven Smith, Vice President of Student Affairs Nora Clark, Vice President of Facilities and Security Tracy Gast, Director of Registrar Paul Lamanna, Dean of Liberal Arts and Sciences Joanne Colmerauer, College Senate Representative Michael Delaney, Dean of Students Petrina Hill-Cheatom.

POLICY NAME: Capital Asset Policy - **Continued**

DATE OF BOARD ACCEPTANCE: September 27, 2018

POLICY COMMITTEE TEAM FOLLOW-UP:
Following Trustee acceptance this Managerial will be included in the SUNY Erie Community College Board of Trustees Managerial Policy Manual and distributed to cost centers.

INFORMATION/INPUT CONSIDERED DURING POLICY COMMITTEE DELIBERATIONS:

The Policy has been reviewed and discussed at the Policy Committee meeting of July 13, 2018, August 17, 2018 and September 14, 2018.

Capital Asset Policy Appendix A - Guidelines and Procedures – August 2018

Overview

Purpose

To establish a uniform policy with respect to capital assets and reporting requirements established by the Governmental Accounting Standards Board (“GASB”) Statement No. 34, *Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments.*

Policy Statement

SUNY Erie acquires capital assets in pursuit of its mission. This policy sets forth the methods for acquiring, accounting, maintaining and disposing of capital assets. Individual cost centers will be responsible for implementing this College policy to help ensure timely and accurate financial reporting of capital assets. This policy establishes an internal control structure over fixed assets to actively manage and protect the College from the risk of misuse, misappropriation or loss of College resources.

Cost centers are principally responsible for stewardship of College assets under their control. Stewardship of capital assets involves basic safeguarding and physical security, compliance with College, state and federal record keeping requirements, keeping assets in good working condition, and using them safely and properly.

Definitions

Capital asset—tangible or intangible property with a value greater than or equal to the capitalization threshold, that is used to support the operations of the College and that has a useful life of greater than one year.

Trackable asset—tangible property that is used to support the operations of the College and has a value less than the capitalization threshold. Trackable assets may include, but are not limited to, the following items:

- Laptops
- Computers
- Printers
- iPads or tablets
- Phones

The College’s ITS department is responsible for maintaining trackable assets.

Capital asset classifications—capital asset classifications include:

- Land and land improvements
- Building and building improvements

- Equipment
- Capital leases
- Works of art or historical treasures
- Library collections
- Construction in progress

Cost center—a unit within the College to which related costs/expenses are charged for accounting and reporting purposes.

Acquisition cost—the cost of an asset should include any ancillary costs that are necessary to place the asset in its intended condition for use. Donated capital assets are reported at fair market value at the time of acquisition plus ancillary charges, if any.

Depreciation method—the method for allocating the cost of land improvements, building improvements, equipment and library collections over a period of time.

Residual value—the estimated fair market value of a capital asset at the end of its useful life. In order to properly calculate depreciation for an asset, the estimated residual value must be established. The College purchases assets with the intent to use such assets until their usefulness is fully exhausted; therefore, generally, the estimated residual value of an asset is zero.

Useful life—the estimated lifespan of a depreciable capital asset, during which it is expected to contribute to the institution's mission.

Acquisition date—the date the asset is placed into service.

Accumulated depreciation—the total reduction in the value of an asset over a period of time since its acquisition.

Book value—the estimated value of an asset, net of accumulated depreciation. Book value is calculated by taking the acquisition cost less total accumulated depreciation.

Disposition—final status of an asset when it is removed from the inventory of assets and it is no longer physical property of the College.

Capital Asset Classifications and Guidelines

1. **Land**—surface of the earth, which can be used to support structures and may be used to grow crops, grass, shrubs and trees. Land is characterized as having an unlimited life (indefinite). Land is normally considered an asset of the College sponsor, Erie County, which Erie County holds in trust for the exclusive use and purposes of the College (as established in community college regulations 8 NYCRR part 604.1) and normally does not appear on the College's financial statements. In the event that land is a College asset then this policy is utilized.

Capitalization costs of land may include, but are not limited to, the following:

- Purchase price, or fair market value of land at the date of acquisition
- Broker's commissions
- Professional fees (title searches, architecture, legal, engineering, surveying, environmental assessments)
- Cost of cancellation of an unexpired lease
- Payment of noncurrent taxes accrued on the land at date of purchase

2. **Land improvements**—consist of betterments, site preparations and site improvements (other than buildings) that ready land for its intended use.

   Land improvements include but are not limited to items such as excavation, non-infrastructure utility installation, driveways, sidewalks, parking lots, flagpoles, retaining walls, fencing, outdoor lighting, and other non-building improvements. Land is classified as either exhaustible or non-exhaustible.

   - **Non-exhaustible land improvements**—expenditures for improvements that do not require maintenance or replacement. Expenditures for land improvements that do not deteriorate with use or passage of time are additions to the cost of the land and therefore do not depreciate. Changing the topography of the land, for example bulldozing a hill to make it flat, would be a non-exhaustible land improvement.

   - **Exhaustible land improvements**—expenditures for improvements that are part of a site, such as parking lots, landscaping and fencing, are usually exhaustible and are depreciated.

   Land improvements are normally considered an asset of the College sponsor, Erie County, which Erie County holds in trust for the exclusive use and purposes of the College and normally do not appear on the College's financial statements. In the event that land improvements is a College asset then this policy is utilized.

   Capitalization costs of land improvements may include, but are not limited to, the following:
   - Costs of excavation, filling, grading and utility installation
   - Driveways, sidewalks, parking lots, fencing, lighting and other non-building improvements intended to make the land ready for its intended purpose

3. **Buildings**—a structure permanently attached to the land, has a roof, is partially or completely enclosed by walls and is not intended to be transportable or movable.

Capital Asset Policy Appendix A Guidelines and Procedures - Continued

Buildings are normally considered an asset of the College sponsor, Erie County, which Erie County holds in trust for the exclusive use and purposes of the College and normally do not appear on the College's financial statements. In the event that a building is a College asset then this policy is utilized.

Capitalization costs of buildings may include, but are not limited to, the following:

- Original purchase or contract price of acquired or building cost of design and construction
- Expenses incurred in remodeling, reconditioning or altering a purchased building to make it available for the purchase for which it is acquired
- Expenses incurred for the preparation of plans, specifications and blueprints
- Professional fees (legal, architectural, engineering, constructional management, etc.)
- Cost of excavation, grading or filling of land specific to the building
- Cost of unpaid or accrued taxes on the building to the date of purchase
- Cost of cancellation of an unexpired lease
- Other costs required to place the building into service

4. **Building improvements**—capital events that materially extend the useful life of a building, increase the value of a building, or both. A building improvement should be capitalized as a betterment to an existing building or enhance the existing asset with the addition of the new component.

   Building improvements should include major repairs or rehabilitation projects. Capitalization costs may include, but are not limited to, the following:

   - Installation or updating of heating, cooling, ventilation, electrical, plumbing, etc.
   - Roof replacement or structural changes
   - Installation or upgrading of windows or doors
   - Interior renovations including updating lighting fixtures, flooring, ceilings, built-in appliances
   - Exterior renovations including replacement of siding, roofing and masonry

   Building improvements should not include maintenance expense or minor repairs. Items that should be recorded as a general maintenance expense include, but are not limited to, the following:

   - Improvements of minimal or no added life expectancy and/or added value to the building
   - Plumbing, heating, cooling or electrical repairs
   - Interior or exterior decorations
   - Touch-up work, including painting, plastering, carpet/tile replacement or fixture updates

Capital Asset Policy Appendix A Guidelines and Procedures - Continued

5. **Equipment**—fixed or movable, tangible assets to be used for College operations and the benefits of which extend beyond two years from the date acquired and placed into service. Improvements or additions to existing equipment that constitute a capital outlay or increase the value or useful life of the asset should be capitalized as a betterment and recorded as an addition to the value of the existing asset.

   Costs of extended warranties and/or maintenance agreements, which can be separately identified from the piece of equipment, should not be capitalized.

   Capitalization costs of equipment may include, but are not limited to, the following:

   - Original contract or purchase price
   - Freight, import duties, handling, in-transit insurance and storage costs
   - Costs of preparation of foundations and other costs in connection with making a proper site for the asset
   - Installation charges
   - Parts and labor associated with the cost of assembling the equipment
6. **Capital leases**—leases of equipment and facilities should be capitalized if the lease agreement meets any one of the criteria below:

   - The lease transfers ownership of the property to the College by the end of the lease term;
   - The lease contains a bargain purchase option;
   - The lease term is equal to seventy-five percent (75%) or more of the estimated economic life (useful life) of the leased property, or;
   - The present value of the lease payments at the inception of the lease, excluding executory costs, equals at least ninety percent (90%) of the fair value of the leased property.

   Leases that do not meet any of the above requirements should be recorded as an operating lease and disclosed in the notes to the financial statements.

7. **Works of art and historical treasures**—collections or individual items of significance that meet the following conditions:

   - Held for public exhibition, education, or research in furtherance of public service, rather than financial gain, with an external professional appraisal.
   - Protected, kept unencumbered, cared for, and preserved
   - Subject to an organizational policy that requires the proceeds from sales of collection items to be used to acquire other items for collections

Capital Asset Policy Appendix A Guidelines and Procedures - Continued

Gifts of these types are recorded using the fair market value as determined by appraisal by an independent 3rd party at the date of donation. Artwork and historical treasurers are classified as either exhaustible or inexhaustible.

- **Exhaustible collections or items**—items whose useful lives are diminished by display or educational or research applications.

- **Inexhaustible collections or items**—the economic benefit or service potential of these items is used up so slowly that the estimated useful lives are extraordinarily long and are not depreciated. Due to their cultural, aesthetic, or historical value, the holder of the asset applies efforts to protect and preserve the asset in a manner greater than that for similar assets without such cultural, aesthetic, or historical value.

Capitalization costs of works of art or historical treasurers may include, but are not limited to, the following:

- Collection of rare books or manuscripts
- Paintings, sculptures, and designs
- Artifacts, memorabilia and exhibits

8. **Library collections**—purchased library books are recorded at cost or if acquired through contribution are recorded at fair market value at date of donation.

9. **Construction in progress ("CIP")—**CIP reflects the cumulative cost of construction work undertaken, but not yet completed. No depreciation is recorded on CIP assets until the asset is placed into service. When construction is complete, the CIP should be reclassified to a different asset classification and depreciated accordingly.

Capitalization Thresholds and Depreciation

Capital assets are recorded, maintained and depreciated if the total acquisition cost of the asset meets or exceeds the established capitalization thresholds.

Capitalization thresholds and estimated useful lives for the College are as follows:

Capital Asset Policy Appendix A Guidelines and Procedures - Continued

Asset Classification	Capitalization Threshold	Useful Life (Years)
Land	$ 5,000	indefinite
Land Improvements		
Exhaustible land improvements	100,000	20
Inexhaustibule land improvements	100,000	indefinite
Buildings	100,000	40
Building Improvements	100,000	20
Equipment		
Food service and appliances	5,000	10
Athletic	5,000	10
Audio-visual	5,000	5
Communications	5,000	10
Computer	5,000	3
Furniture and accessories	5,000	10
Maintenance and grounds	5,000	10
Lab, science and engineering	5,000	10
Law enforcement	5,000	10
Vehicles	5,000	4
Machinery and tools	5,000	10
Printers and copiers	5,000	5
Leases	5,000	*
Works of art and historical treasurers		
Exhaustible works of art and items	capitalize all	20
Inexhaustible works of art and items	capitalize all	indefinite
Library collections	capitalize all	10
Construction in progress	100,000	**

*Useful life of a capital lease is dependent on criteria of the lease.
**Useful life of construction in progress project is determined at the completion and capitalization of the project.

Depreciation expense is computed using the straight-line method, using the acquisition cost, less residual value divided by the estimated useful life of the asset.

Buildings, building improvements and exhaustible land improvements are capitalized using a half-year convention depreciation schedule in the year the asset is placed into service. One-half (½) year of depreciation will be expensed in the first and final year of the asset, regardless of the acquisition date.

Depreciation expense for equipment will begin in the month the asset is placed into service.

Capital Asset Policy Appendix A Guidelines and Procedures - Continued

The College uses a “layered” depreciation procedure for library collections, where an annual layer of books/volumes purchased/donated is maintained. A ten percent (10%) charge is applied to gross/historical cost balance each layer/year. When books are disposed of, no gain or loss is recognized, even if cash is received. The disposal is recorded as a reduction of the gross library book value and the related accumulated depreciation balance. Additions in the current year will be grouped by a layer and the total gross asset value is depreciated over 10 years. In the initial year of library book additions, the College will take one-half year worth of deprecation.

Acquisition and Maintenance of Capital Assets

When a cost center identifies the need for an asset, a requisition must be submitted and approved, identifying the equipment or asset specifications. It is the responsibility of the cost center initiating the requisition process to ensure there are sufficient budget funds available and the asset classification category is suitable for the purchase.

Capital asset registration is generally initiated by one of the following methods:

- Purchase order receipt—the cost center initiating the requisition will create a receipt of the goods from the initial purchase order, or
- Supplier Invoice—a supplier invoice for the goods will trigger the asset registration.

The accounting office is responsible for the following:

- registering capital assets in the Enterprise Resource Planning (ERP) utilized by the College
- assigning and distributing asset tag identifiers to the cost center;
- completing requests to transfer assets to other cost centers, and;
- issuing assets to workers

The cost centers are responsible for the following:

- ensuring the asset tag is placed on the asset and providing additional information on the equipment, including serial number, model, manufacturer, location (campus, building and room) and description;
- notifying the accounting department when an asset has physically moved locations or has been transferred to a different cost center.

Conducting physical inventory—the purpose of the physical inventory is to verify the existence, location and condition of equipment and ensure the accuracy of the College’s accounting records. Costs centers must perform a physical inventory of all capital assets each year to reveal and reconcile any discrepancies between the accounting records and the physical assets.

Donated capital assets—capital assets acquired by gift, donation, or payment of a nominal sum not reflective of the asset's market value shall be assigned cost equal to the fair market value at the time of receipt.

Capital Asset Disposals

When a cost center determines an asset is no longer in use, is obsolete and/or beyond repair, damaged, and should be removed from the College's records, an asset disposal request must be initiated in order to properly adjust the accounting records.

In addition to initiating the asset disposal request, the cost center is also responsible for the following:

- Contacting Information Technology Services ("ITS") to properly dispose of any IT related assets. IT related assets include, but are not limited to, computer hard drives, monitors, printers, iPads, phones and laptops.
- Contacting Building and Grounds to remove and transport the capital asset to storage until scrapped/sold or released to Erie County
- Completing the 'Request for Approval—Disposition of Perkins/VEA/VATEA/VTEA/CTEA Equipment' for any equipment that was originally purchased with vocational education funding. The form should be completed by a cost center manager, signed and returned to the Financial Coordinator of Grants for final processing. Refer to Appendix B.

Disposal methods reasons;

- Surplused—represents a capital asset that is no longer in use or obsolete and returned to the College's sponsor, Erie County
- Missing—signifies a capital asset that cannot be located
- Stolen—if a capital asset is determined to be stolen, the cost center must notify campus security to file a formal police report in attempt to recover the asset
- Trade-in—represents a capital asset that has been exchanged towards the full or partial acquisition cost of a new/used asset
- Scrapped—represents capital assets that are no longer useable and/or beyond repair

Sale of capital assets—when an asset is sold, a gain or loss must be recognized when;

- Cash is exchanged and the amount paid does not equal the net book value of the asset, or
- Cash is not exchanged and the asset is not yet fully depreciated or has a residual value at the time of disposition.

THE STATE EDUCATION DEPARTMENT
Office of Postsecondary Access, Support, and Success
89 Washington Avenue / Room EBA 971
Albany, NY 12234
518-474-3719

Request for Approval
Disposition of Perkins/VEA/VATEA/VTEA/CTEA Equipment

INSTRUCTIONS

- The attached form applies to equipment originally purchased with funds from the Vocational Education Amendments (VEA) of 1968, the Vocational Education Act (VEA) of 1984, the Vocational and Applied Technology Education Act (VATEA) of 1990, the Vocational and Technical Education Act (VTEA) of 1998 or the Career and Technical Education Act of 2006.

- Complete this form to obtain disposition approval of equipment which had a unit value of $5,000 or greater at the time of purchase.

- An external professional appraiser must establish the current unit value of the equipment. This appraisal does not need to be submitted to SED, but must be retained as documentation in your files.

- Select from the disposition options A-G shown on page 2 and enter the appropriate option next to the corresponding equipment item(s) that you list on page 3.

- The completed form, signed in blue ink by the Chief Executive Officer, must be submitted to SED, at the above address. If SED approval is granted, one copy of this form, signed by the designated SED official, will be returned for your files.

Request for Approval
Disposition of Perkins VEA/VATEA/VTEA/CTEA Equipment

<u>OPTIONS</u>

A. Traded in, with credit applied to the following career/vocational program(s):

____

B. Transferred to the following educational program(s) within the institution:

____

C. Transferred to the following educational agency(s):

____

D. Donated to the following non-educational, nonprofit agency:

____

E. Refunded, to be applied to the following career/vocational program:

____

F. Scrapped.

____

G. Lost or stolen (explain):

____

Request for Approval
Disposition of Perkins VEA/VATEA/VTEA/CTEA Equipment

Name of Institution: ____

Description of equipment proposed for disposition (attach additional sheets if necessary):

Item Name/ Description	Serial Number	Project # Under Which Purchased	Original Cost	Current Value	List from Options on Page 2
			Total Current Value of Equipment:	**$**	

Appendix B

Request for Approval
Disposition of Perkins VEA/VATEA/VTEA/CTEA Equipment

CERTIFICATION

I certify that for the equipment listed for disposition, an external professional appraiser has established the current unit value, and that this equipment will be disposed of as stated.

Institution Signature: ________________________________ Date: ____________________
Chief Executive Officer

SED Approval Signature: ________________________________ Date: ____________________
Unit Manager
Collegiate Development Programs

Updated 3/2018