Sullivan
COUNTY CATSKILLS
Mountains of Opportunities

Fixed Assets and Equipment Policy & Procedure

Effective 1/1/2023

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I. PURPOSE

Sullivan County has a significant investment in capital assets such as land, buildings, machinery, and infrastructure. In order to ensure accurate financial reporting, accountability, and operational efficiencies in managing these assets, the County has implemented this policy. Sullivan County makes valuable use of their assets in pursuing individual department missions. The County will utilize an appropriate computer software to effectively account for its capital assets. Additionally, regardless of the cost of an asset, department heads are responsible for tracking and safeguarding all assets within their respective departments. The following policies set guidelines forCounty personnel to follow in order to accurately account for the County's capital assets.

II. POLICY

Sullivan County will capitalize assets that cost or have a Fair Market Value (FMV) value of $25,000 or greater at the time of acquisition, and a useful life that extends beyond one reporting period. The County will also capitalize all vehicles, regardless of the dollar amount. These assets are defined as *fixed assets*. Legal responsibilities require the County to record and account for all fixed assets on a regular basis.

III. AUTHORITY

County management is responsible for the physical and reporting control of Sullivan County's fixed assets and equipment. The County Manager has assigned the Office of Audit & Control to oversee this process and to perform inventories of all equipment for internal control purposes.

IV. FIXED ASSETS and SIX CLASSES DEFINED

Fixed Assets and Equipment– Items that have a value of $25,000 or greater, any vehicle regardless of dollar amount and has a useful life that extends beyond one reporting period. Fixed assets will be capitalized and depreciated according to GAAP.

There are six classes of fixed assets that are required to be reported in compliance with GASB statement 34:

1. Land – Solid part of earth's surface which includes easements and right of ways.

2. Land Improvements – Improvements that are made to land to increase the value or useful life. (i.e. fencing, trails, retaining walls, yard lighting)

3. Buildings – Any roofed structure that is used to shelter (permanent or temporary) people, animals, equipment, plants, or machinery. Any renovation that is made to a building and adds to the useful space or extends the useful life of the structure is considered a fixed asset.

4. Machinery and Equipment – This includes assets that tend to be moveable in nature. Moveable assets would be any machinery or equipment that is not permanently attached to a building.

5. Infrastructure – Long lived assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most fixed assets. They could include bridges, roads, drainage systems, dams, and water systems.

6. Construction in Progress – Uncompleted capital projects involving the construction or installation of buildings, building improvements, roadways, bridges, large computer or telecommunications systems, etc. Expenditures of incomplete construction projects are capitalized, but will not start to depreciate until project completion.

V. FIXED ASSET VALUATION

Sullivan County has four classes for valuing fixed assets, based upon how they were acquired.

1. Purchased Assets – This includes the purchase price of the asset plus any ancillary charges incurred as part of putting the asset into service at its intended location. Ancillary charges include charges that are directly attributable to the asset acquisition such as freight and transportation costs, professional fees, set-up fees, and site preparation costs.

2. Donated Assets – The asset has no purchase or construction cost, however, the asset needs to be recorded at its FMV at the time of acquisition plus any ancillary charges incurred to put the asset in service.

3. Leased Assets – A leased asset is defined as an asset obtained through a contract that conveys control of the right to use another entity's asset as specified in the contract for a period of time in an exchange-like transaction. Sullivan County records leases in accordance with GASB 87.
   Sullivan County records subscription-based information technology arrangements ("SBITAs") in accordance with GASB 96.
   (See section X for policy details)

4. Infrastructure Assets – Expenditures that extend the useful life of the infrastructure asset or improves its efficiency or capacity, need to be added to the historical cost. Expenditures that do not meet these tests should be reported as repairs/maintenance.

NOTE*

Grant Funded Assets or Purchases -Special attention may need to be given to assets received through a grant or as a gift, as additional procedures may need to be followed to properly record, monitor, transfer or dispose of the asset. Pursuant to grant guidelines, grant funded assets may be required to be tagged and tracked at lower thresholds, or inventory counts may be required at specific intervals. It is the grant recipient's responsibility to adhere to all grant-related requirements for the asset.

VI. RECORDING, TAGGING, TRANSFERRING & DISPOSING OF ASSETS

The Office of Audit & Control will record all assets at the time the asset is inventoried and tagged. The tags will have a barcode and number that is unique to that asset. The Asset ID Tags will need to be placed in an area where the tag will not be damaged in the normal use of the asset. The location of the tag will be noted in the County's records when practical.

All transfers and disposals will be recorded upon receiving the appropriate documentation. All fixed assets that will be moved or transferred need to be accompanied by an Asset Transfer Form. Transfers will not be authorized without the form. The purpose of the Asset Transfer Form will be to maintain an accurate and current record of the location of all fixed assets, which needs to be done for compliance. Once the Asset Transfer Form is authorized by the department head and the asset is transferred, the form must be timely forwarded to the Office of Audit & Control.

Assets will eventually need to be removed from the County records for any one of a number of reasons. Disposing of an asset may be required due to its sale, scrapping, disappearance (lost or stolen), fire or flood.

Prior to disposal, an Asset Disposal Form will need to be completed in its entirety and forwarded to the Office of Audit & Control. The Asset Disposal Form will have all pertinent information related to the asset being disposed of. Assets that are still in satisfactory working condition should be made available to other county departments, for further utilization, before completing an Asset Disposal Form.

Assets that are disposed of due to "disappearance" may require additional reports for the police dept. and/or insurance companies.

VII. PERSONAL USE

Assets purchased by, or donated to, Sullivan County are the property of Sullivan County and **ARE NOT** permitted for personal use.

The County is dedicated to safeguarding its assets, and to ensure the proper use of County assets, any County employee or resident who believes they see improper use of a County asset are encouraged to call the Office of Audit and Control at 845-807-0547 or call the Compliance Hotline at 1-833-955-1559 to report the incident. The information will be utilized to investigate the allegation.

VIII. PHYSICAL INVENTORY

Periodically, every department will be required to take part in a physical inventory of their assets, which will be performed under the direction of the Office of Audit & Control. Any discrepancies will be addressed at the end of the inventory.

Once the inventory is complete, the employee(s) working with staff to perform the inventory will be required to sign off on the report. Any discrepancies will be discussed with the department head. Upon completion of physical inventory, a report will be provided to the County Manager.

IX. RESPONSIBILITIES

The responsibility each Department and/or Department Head has in relation to the Fixed Assets and Equipment Policy & Procedures are as follows:

1. Read and understand the Fixed Assets and Equipment Policy & Procedures.

2. Secure an area where all incoming assets, that meet the tagging requirements, **MUST** remain until they are properly tagged and inventoried by an authorized individual. Assets should not be put into service until they have been accounted for. Weekly, scheduled times will be set up to have assets tagged and inventoried.

   Contact the Office of Audit & Control if there is an emergency and the asset needs to be put into service immediately. Arrangements will be made to accommodate these situations when practical.

3. Department heads are required to communicate asset transfers and disposals to appropriate personnel (as outlined in this policy).

4. Department heads are required to inform the Office of Audit & Control as soon as possible if any asset tags become illegible, loose, missing or hinder the asset from being used for its intended purpose.

5. Department heads are responsible for tracking and safeguarding **all assets, regardless of cost**, in their respective departments.

****NOTE** The Adult Care Center follows this policy as well as their own internal policy which is geared towards the health care industry and the maximization of reimbursement rate calculations.

X. GASB DETAILS

1. GASB 87 -LEASE VALUATION AND POLICY FOR ACCOUNTING FOR LEASES

PURPOSE: Establishes the County's policy for leases in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87 concerning leases. The Statement defines a lease as a contract that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract meeting this definition should be accounted for under the guidance contained in this statement.

Qualifying leases:

For the purposes of this policy, the following assets are examples of qualifying leases:

a) Office Space/Buildings/Facilities
b) Land/Easements
c) Equipment/Machinery
d) Vehicles

Excluded leases:

For the purposes of this policy, the following assets are examples of non-qualifying leases:

a) Short-term leases – less than 12 months.
b) Leases of intangible assets, including rights to explore for or to exploit natural resources such as oil, gas, and minerals and similar nonregenerative resources; licensing contracts for items such as motion picture films, video recordings, plays, manuscripts, patents, and copyrights; and licensing contracts for computer software. In sublease transactions, however, this Statement does apply to the intangible right-to-use assets that are created by the original leases of tangible underlying assets.
c) Leases of biological assets, including timber, living plants, and living animals.
d) Leases of inventory.
e) Contracts that meet the definition of a service concession arrangement in paragraph 4 of Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements.
f) Leases in which the underlying asset is financed with outstanding conduit debt, unless both the underlying asset and the conduit debt are reported by the lessor.
g) Supply contracts, such as power purchase agreements.

THRESHOLD AMOUNT: <u>$100,000</u>. The County is utilizing a lease dollar value of <u>$100,000</u> for compliance with Statement No. 87. This amount is calculated using the present value of all future lease payments including all optional extensions.

If the County is the "Lessee":

a) The lease liability is measured as the present value of future lease payments under the expected term of the lease (including any expected renewals).
b) The lease asset (an intangible asset) should initially equal the lease liability plus any payments made to the lessor at or before the commencement of the term; amortized over the shorter of the lease term and the asset's useful life.
c) The lease liability is reduced over time as lease payments are made with a portion of the payments comprised of a current interest expense and the remainder is a reduction of the liability.
d) The lease liability and payments will be accounted for in the Debt Service Fund.

If the County is the "Lessor":

a) The County recognizes a lease receivable and an offsetting deferred inflow of resources representing the future lease payments.
b) The lease receivable is measured at the present value of lease payments expected to be received.
c) The deferred inflow of resources will equal the value of the lease receivable plus any payment received at or before the lease term commences.
d) The County should recognize interest revenue on the lease receivable and an inflow of resources from the deferred inflows of resources.

If a lease involves multiple underlying assets, lessees and lessors should account for each underlying asset as a separate lease contract.

Leases should be recognized and measured using the facts and circumstance that exist at the beginning of the period of implementation.

DEPARTMENTS' RESPONSIBILITIES: The Office of Audit & Control **must be notified immediately by the contracting department** when any lease is entered into or modified by the County, whether the County is the lessor or lessee. The department shall provide the Office of Audit & Control with a copy of the lease and the legislative resolution authorizing the lease as approved by the County Legislature.

DISCLOSURES/ NOTES TO THE FINANCIAL STATEMENTS:
To comply with Statement 87, a department, in coordination with its lessor, should provide adequate information to the Office of Audit & Control in order to facilitate the disclosure of the following information in the County's annual audited/published financial statements:

a) A general description of its leasing arrangements, including (1) the basis, terms, and conditions on which variable payments not included in the measurement of the lease liability are determined; and (2) the existence, terms, and conditions of residual value guarantees provided by the lessee not included in the measurement of the lease liability.
b) The total amount of lease assets, and the related accumulated amortization, disclosed separately from other capital assets.

c) The amount of lease assets by major classes of underlying assets, disclosed separately from other capital assets.
d) The amount of outflows of resources recognized in the reporting period for variable payments not previously included in the measurement of the lease liability.
e) The amount of outflows of resources recognized in the reporting period for other payments, such as residual value guarantees or termination penalties, not previously included in the measurement of the lease liability.
f) Principal and interest requirements to maturity, presented separately, for the lease liability for each of the five subsequent fiscal years and in five-year increments thereafter.
g) Commitments under leases before the commencement of the lease term.
h) The components of any loss associated with an impairment (the impairment loss and any related change in the lease liability, as discussed in paragraph 34 of Statement 87).

2. ACCOUNTING FOR SUBSCRIPTION-BASED IT ARRANGEMENTS IN ACCORDANCE WITH GASB 96

PURPOSE: Establishes the County's policy for SBITAs in accordance with Governmental Accounting Standards Board (GASB) Statement No. 96 concerning subscription-based IT arrangements.

Qualifying SBITAs:

The Statement defines a SBITA as a contract that conveys control of the right to use another party's information technology (IT) software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. Any contract meeting this definition should be accounted for under the guidance contained in this statement.

Qualifying SBITAs commonly include IT software that includes provisions such as remote access to software applications or cloud data storage and allows for temporary use that ends when the subscription expires.

For purposes of this policy, the following are examples of potential SBITAs[1]:

a) Accounting software
b) Microsoft
c) Cisco

Terminology:

<u>"Control of the right to use"</u> – requires both a right to obtain present service capacity from the use of the underlying IT assets and the right to determine the nature and manner of use of the underlying IT assets.

<u>"Period of time"</u> – the subscription term is the period of time that the government has a noncancellable right to use the underlying IT assets plus any periods that the government or vendor have the option to extend the contract and it is reasonably certain that the option with be exercised.

Excluded SBITAs:

For the purposes of this policy, the following are examples of non-qualifying SBITAs:

- Short-term SBITAs. A SBITA is considered short-term if, at commencement of the subscription term, it has a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised.
- Contracts that convey control of the right to use another party's combination of IT software and tangible capital assets that meets the definition of a lease in Statement No. 87, *Leases*, in which the software component is insignificant when compared to the cost of the underlying tangible capital asset.
- Governments that provide the right to use their IT software and associated tangible capital assets to other entities through SBITAs.
- Contracts that meet the definition of a public-private or public-public partnership as defined in GASB No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*
- Licensing arrangements that provide a perpetual license to governments to use a vendor's computer software.

THRESHOLD AMOUNT: <u>$50,000</u>. The County is utilizing a SBITA dollar value of <u>$50,000</u> for compliance with Statement No. 96. This amount is calculated using the present value of all future SBITA payments including all optional extensions.

If the County has a qualifying SBITA:

1. The subscription asset should be initially measured as the sum of:
    a. The initial subscription liability amount;
    b. Payments made to the SBITA vendor before commencement of the subscription term; and
    c. Capitalizable implementation costs, less any incentives received from the SBITA vendor at or before the commencement of the subscription term.
2. The subscription liability should be recognized at the commencement of the subscription term, which is when the subscription asset is placed into service. The subscription liability should be initially measured at the present value of

subscription payments expected to be made during the subscription term. Future subscription payments should be discounted using the interest rate the SBITA vendor charges the County, which may be implicit, or the County's incremental borrowing rate if the interest rate is not readily determinable.

3. The SBITA liability is reduced over time as payments are made, with a portion of the payments comprised of a current interest expense and the remainder is a reduction of the liability.
4. The SBITA liability and payments will be accounted for in the applicable governmental fund or enterprise fund.

If a SBITA contract contains multiple components, the County should account for each component separately as a subscription component or non-subscription component and allocate the contract price to the different components. If it is not practicable to determine a best estimate for price allocation for some or all components in the contract, the County should account for those components as a single SBITA.

Periods for which both the government and the SBITA vendor have an option to terminate without permission from the other party are cancelable periods and are excluded from the subscription term.

DEPARTMENTS' RESPONSIBILITIES: The Office of Audit & Control **must be notified immediately by the contracting department** when any SBITA is entered into or modified by the County. The department shall provide the Office of Audit & Control with a copy of the SBITA agreement or copy of purchase order, with detailed information on specific terms agreed upon, and the legislative resolution authorizing the SBITA as approved by the County Legislature.

XI. DEFINITIONS

The following definitions are to be used solely with this policy:

Accumulated Depreciation – Total depreciation expense since the acquisition of the asset.

Acquisition Cost – The total cost/value of an asset at the time of acquisition. This includes all ancillary charges. (i.e. shipping, professional fees, set up, site preparation, etc). If it was donated, then the value is the FMV plus any ancillary charges.

Asset ID – This is a tag (with a number and barcode) that is affixed to the asset at the time it is inventoried. The barcode and number are unique to each asset.

Building – Any roofed structure that is used to shelter (permanent or temporary) people, animals, equipment, plants, or machinery.

Construction in Progress – Uncompleted capital projects involving the construction or installation of buildings, improvements, roadways, bridges, large computer or telecommunications systems, etc.

Depreciation – The decline in value of an asset over its useful life.

Disposal – The removal of an asset from inventory. This could be due to sale, scrapping, theft, lost, fire, etc. *An Asset Disposal Form must be completed prior to disposal.*

Expense – A charge incurred for the current fiscal period.

Fair Market Value (FMV) – The reasonable value given to an asset that you could expect to receive if sold. Fixed assets should have a qualified appraisal if there is no historical cost.

Fixed Asset – A vehicle of any value, or an asset that has a minimum acquisition cost of $25,000, and will have a useful life that extends beyond one reporting period.

GAAP – Generally Accepted Accounting Principles are the rules and guidelines that must be followed when reporting financial information.

GASB – Government Accounting Standards Board, which are additional rules that must be followed by governmental agencies when reporting financial information.

Infrastructure – Long lived assets that normally are stationary in nature and can normally be preserved for a significantly greater number of years than most capital assets.

Intangible Asset – Assets that have no physical substance.

Land – Solid part of earth's surface, easements, right of ways

Land Improvements – Enhancements made to land to increase the value or useful life.

Machinery & Equipment – Assets that are normally moveable in nature

Renovations – Construction to an existing facility that changes and/or improves the function of all or part of the building. Renovations will only be capitalized if useful space was added or useful life was extended.

Tangible Asset – Assets that have physical substance.

Transfer – The relocation of an asset from one department to another. *An Asset Transfer Form must be completed at the time the asset is to be relocated.*

Useful Life – The period of time for which the asset is estimated to remain functional and useful for its intended purpose.

*Note - The useful life of the County's assets is used for depreciation purposes only, and determined using the standards established by the NYS Office of General Services, industry standards or generally accepted useful lives. For bonding purposes, the period of probable usefulness is determined by the New York Local Finance Law.

XII. FORMS

Asset Disposal Form

Asset Transfer Form

Asset Disposal Form

County Asset ID#____

Make of Asset____

Model# ____

Serial#____

Description of Asset____

____

Location of Asset ____

Use of Asset ____

Was Asset Originally Acquired Through a Grant? Yes: _________ No: ___________

Was asset made available for transfer? _______________________________

Reason for Disposal ____

Disposal Method____

Requested by:______________________________ Date:_____________

Dept:______________________________________

Supervisor's authorization: ____________________ Date:_____________

Dept. Head authorization: _____________________ Date:_____________

Note: Please attach photo

For Office Use Only
Date Received/Authorized Signature:
Date Processed/Authorized Signature:

Asset Transfer Form

County Asset ID#____

Make of Asset____

Model# ____

Serial#____

Description of Asset ____

____

Current Location of Asset____

Proposed Location of Asset ____

Use of Asset ____

Was Asset Originally Acquired Through a Grant? Yes: _________ No: ____________

Reason for Transfer ____

Requested by:______________________________Date:_____________

Dept:____

Supervisor's authorization:____________________ Date:____________

Note: Please attach photo

For Office Use Only

Date Received/Authorized Signature:

Date Processed/Authorized Signature: