



Greater Tompkins County Municipal Health Insurance Consortium

P.O. Box 7 • Ithaca, New York 14851 • (607) 274-5590

Headquarters: 215 N. Tioga Street, Ithaca, NY 14850

www.healthconsortium.net • consortium@tompkins-co.org

"Individually and collectively we invest in realizing high quality, affordable, dependable health insurance."

RESOLUTION 016-2023: ESTABLISHING A CAPITALIZATION POLICY TO ESTABLISH THE PRINCIPLES RELATED TO THE ACCOUNTING TREATMENT OF THE GREATER TOMPKINS COUNTY MUNICIPAL HEALTH INSURANCE CONSORTIUM'S (GTCMHIC) CAPITAL ASSETS

MOVED by Ms. Drake, seconded by Mr. Snow. The resolution was unanimously adopted by voice vote of members present, and visibly seen members via remote locations to approve the following resolution.

WHEREAS, In order to provide all required services to the Consortium members, the Greater Tompkins County Municipal Health Insurance Consortium (GTCMHIC) has made material investments in its physical assets, and

WHEREAS, The GTCMHIC is required to depreciate its exhaustible capital assets, including infrastructure, and

WHEREAS, The GTCMHIC has established a capitalization policy to establish the principles related to the accounting treatment of the GTCMHIC's capital assets, now, therefore be it,

RESOLVED, On recommendation of the Audit and Finance Committees, that the Executive Committee, on behalf of the Board of Directors, that effective immediately a Capitalization Policy listed below shall be implemented for the GTCMHIC:

Greater Tompkins County Municipal Health Insurance Consortium

CAPITAL ASSET POLICY

ADOPTED: AUGUST 16, 2023

I. SCOPE

In order to provide all required services to the Consortium members, the Greater Tompkins County Municipal Health Insurance Consortium "Consortium" has made material investments in its physical assets. The Consortium is required to depreciate its exhaustible capital assets, including infrastructure.

II. PURPOSE



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This policy is to establish the principles related to the accounting treatment of the Consortium's capital assets.

III. CAPITAL ASSET DEFINITION AND OVERVIEW

Definition. Capital assets primarily include land, improvements to land, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and other tangible assets that are used in operations and have initial useful lives extending beyond a single reporting period.

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

Overview. Capital assets are reported in the statement of net assets at historical cost. The cost of a capital asset should include capitalized interest and ancillary charges (i.e., freight and transportation charges) necessary to place the assets into use. Donated capital assets should be reported at their estimated fair market value at the time of donation, plus ancillary charges, if any.

Capital assets should be depreciated over their estimated useful lives unless they are either in-exhaustible (assets in which service potential is used up so slowly that the estimated useful life is extraordinary long, such as land and land improvements) or are infrastructure assets reported using the modified approach. In no event shall the useful life of an asset be less than the period of probable usefulness established for the purpose of debt issuance as found in Section 11 of the New York State Local Finance Law.

Depreciable assets are reported net of accumulated depreciation in the Statement of Net Assets. Accumulated depreciation may be reported on the face of the statement or disclosed in the Notes to Financial Statements. Capital assets that are not being depreciated, such as land or infrastructure assets reported using the modified approach, should be reported separately

CAPITALIZATION THRESHOLD

The Capitalization threshold is the cost established by the Consortium that must be met or exceeded if the asset is to be recorded and depreciated as a capital asset. As of the date of this Policy, the Consortium has established a threshold of \$5,000.

The threshold will be based on the cost of a single asset. All assets irrespective of the capitalization upon acquisition are recorded as expenditures or expenses in governmental funds. Assets that meet the capitalization threshold will be capitalized on the government – wide financial statements. Other costs incurred for repairs and maintenance are expensed as incurred.

DEPRECIATION AND CAPITALIZATION - ASSETS EXCEEDING THE THRESHOLD

Capital assets purchased with budgeted operating, capital or grant funds are recorded as expenditures in the governmental fund financial statements and are capitalized at cost on the government-wide statement of net position.



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Classification. All reported capital assets, except land and construction in progress, are depreciated. The following class of asset categories and useful lives are used for the Consortium:

Asset Class	Life (In Years)
Land	Not Depreciated
Works of Art	See Below ⁽¹⁾
Land Improvements	15-50
Buildings	15-50
Building Improvements	15-50
Machinery and Equipment	5-30
Infrastructure	5-50
Vehicles	3-10
Small Equipment	3-10

- (1) Depreciation is not required for Works of Art and Historical Treasures that are inexhaustible. If collection/items are exhaustible, then depreciate over estimated useful life.

Depreciation. Capital assets shall be depreciated over their estimated useful lives in accordance with this Policy unless they are deemed inexhaustible.

The straight-line depreciation method (historical cost less estimated residual value, divided by useful life) is the method that shall be used by the Consortium for depreciating capital assets. Depreciation shall be calculated on an annual basis. A full year of depreciation shall be included in the year of completion or acquisition of the asset. Depreciation expense shall not be included in the year of disposition. Accumulated depreciation will be summarized and posted to the accounting general ledger.

ASSETS PROVIDED TO CONSORTIUM EMPLOYEES

Certain Consortium assets may be issued to individual employees for their exclusive use in the conduct of their work for the Consortium. This includes, but is not limited to, items such as laptops, tablets, cellular phones, and other types of department specific small equipment. Separated employees are responsible for returning all Consortium owned assets regardless of value.



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LEASED EQUIPMENT OR ASSETS

Equipment shall be capitalized if the lease agreement meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 5% or more of the estimated economic life of the leased property.
4. The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair market value of the leased property.

Leases that do not meet any of the above requirements shall be recorded as an operating lease and reported in the Notes to Financial Statements, if deemed material.

RESIDUAL VALUE

Residual value is the estimated fair market value of a capital asset or infrastructure remaining at the end of its useful life. To calculate depreciation for an asset, the estimated residual value must be established before depreciation can be calculated. The use of historical sales information is a valuable method for determining the estimated residual value. Proceeds from sale of assets shall be netted against residual value in computing net gain or loss from sale.

The Consortium generally purchases assets with the intent to use such assets until their usefulness is exhausted. Therefore, unless otherwise applicable, the Consortium policy shall generally be to estimate residual value as zero for all capital assets.

DISPOSITION OF CAPITAL ASSETS

When an asset is sold, a gain or loss shall be recognized when:

1. Cash is exchanged and the amount paid does not equal the net book value of the asset.
2. Cash is not exchanged, and the asset is fully depreciated or has a residual value.

When an asset is sold, a gain or loss shall not be reported when:

1. Cash exchanged equals the net book value, and the asset does not have a residual value.
2. Cash is not exchanged, and the asset is fully depreciated and has no residual value.



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To compute a gain or loss from the sale of capital assets, proceeds received shall be subtracted from the asset's net book value.

The methods of disposition to be used by the Consortium are as follows:

1. For dispositions with an estimated value up to \$5,000.00 dollars, the decision will be left to the discretion of the Consortium Executive Director.
2. For dispositions with an estimated value greater than \$5,000, there shall be required a written offer for sale and a written offer to purchase from three (3) offerors. A good faith effort shall be made to obtain the required number of offers to purchase. If the Consortium is unable to obtain the required number of offers to purchase, the attempts made shall be documented and become part of the disposition record. In no event will the inability to obtain the required number of offers to purchase be a bar to the disposition.
3. The above notwithstanding, the Consortium Executive Director may require standards which exceed those presented in this policy.

Documentation. Documentation of actions taken in connection with each method of disposition is required, as follows, and will be maintained as part of the disposition record.

1. Where a written offer for sale is required or made, a copy of that written offer for sale, and any written offer for purchase, submitted by offerors in response to that request.
2. Where a verbal offer for sale is required or made, a listing of the offerors contacted and the response, if any, that each offeror made.
3. Any memoranda, forms, notations, or other documentation used in establishing the basis of the disposition decision.
4. No documentation other than the independent estimate itself is required when the disposition is left to the discretion of the Consortium Executive Director.

Awards to Other than Highest Responsible Dollar Offeror. Whenever any disposition is awarded to other than the highest responsible dollar offeror, the reasons such an award furthers the purpose of the Consortium as set forth herein above shall be documented by the Consortium's Finance Manager and be maintained as part of the disposition record.

ANNUAL REVIEW & AMENDMENTS

On an annual basis, or as deemed necessary, the Consortium Audit & Finance Committee shall review the Capital Asset Policy and shall approve policy revisions, if any, by formal resolution.



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STATE OF NEW YORK)
GTCMHIC) ss:
COUNTY OF TOMPKINS)

I hereby certify that the foregoing is a true and correct transcript of a resolution adopted by the Greater Tompkins County Municipal Health Insurance Consortium Executive Committee on behalf of the Board of Directors on August 16, 2023.

Lynne Sheldon, Clerk of the GTCMHIC Board