

**Policy Statement:**

All land and building projects with an acquisition cost of greater than \$3,000 and with useful life more than one year are evaluated for capitalization.

Land and Building project costs are evaluated on the basis of unit of property which is defined as a series of components which are “functionally interdependent” to perform a specific function. The costs associated with the unit of property include costs associated with design, contracts negotiation, and contract management.

**Reason for Policy:**

The Institute operates a significant campus facility in support of its instruction, research, and auxiliary programs. The acquisition, improvement, space changes, leasehold improvements and maintenance expenditures are managed to comply with Government property controls in accordance with uniform guidance Title 2 – Subtitle A – Chapter II – Part 200. In conjunction with the system used to control Government property and property purchased by specific sponsored projects, the Institute maintains control of its own property using the same techniques.

**Roles and Responsibilities:**

The Property Administration department manages all project records and with input from Financial Reporting classifies projects as capital or maintenance based upon their nature. Financial reporting manages the subsidiary record for capitalized expenditures by component type and records the capitalization of completed projects to their corresponding general ledger asset accounts.

Property Administration will request separate project funds for significant phases of large projects. Phases should be capitalized (placed in service) within 12 months of the completion of the significant contracts within the phase.

**Procedures:****Land** – (LA; GL Account 840)

The capitalization amount of the land is based upon the information in the purchase documents as follows:

- Amount of purchase agreement or appraisal (if available) plus acquisition costs.
- 10% of the purchase price of a building when a building is acquired and a land appraisal is not available.
- If the acquisition of a property (building & land) is acquired with the intent of retaining the land and demolishing the building, the demolition and land regrading costs must be capitalized to land.

**Land Improvements** – (LI; GL Account 841)

The purchase agreement value or post acquisition projects (total cost) substantially improving the property/land will be capitalized.

Project types that will be capitalized include:

- Infrastructure – Utilities / Irrigation

- Landscaping
- Sidewalks
- Initial paving or replacement of parking lots

**Building Shell** – (GL Account 843/843T)

Capitalized costs will include the capital project costs which have reached 100% of budget and have been finalized by Property Administration. These projects will include substantial renovations and structural changes intended to increase the useful life of the building or alter its use.

Building shell will include the following unit of property categories:

- Building Structure (BD) - original acquisition price, partial demolition costs at acquisition
- Building Improvement (BI) - shell, roof, windows, floors, space changes,
- Building Systems – (BE) - HVAC, plumbing, electrical/cabling, elevators/escalators, fire protection/alarms, security systems, utility distribution systems
- Fixed Equipment – (BF) - (permanently attached) - exhaust fans, transformers, signage, cold rooms, fume hoods, lighting

**Leasehold Improvement** - (LH; GL Account 843L)

Costs associated with capital projects that will be amortized over the corresponding lease term of the underlying lease. These costs will be associated with the building shell unit of property categories.

**Project Administration – Project Evaluation and Classification Process**

Capital projects greater than \$50,000 are identified during the annual Institute Performance Planning Process (these may include significant renewal and replacement projects). Capital projects less than \$50,000 are identified during the annual departmental budget process. Other capital projects may be initiated by Property Administration with Budget Office approval.

Financial reporting reviews the project description and budget indicated on the “Capital Project Fund Create Form” to determine if the project is a capital project (Fund Type 90) or a renewal/replacement project (Fund Type 92). Any questions regarding the classification as capitalized or expended projects are resolved by discussion between the plant accountant and the project manager prior to establishing the project fund.

*Considerations of a Capital Project (Type 90 - Troy, 91 – Troy Leasehold, 9U - Hartford, 9L – Hartford Leasehold) include:*

- Project budget is greater than \$3,000
- Useful Life greater than 10 years
- Consideration of the impact on the unit of property:
  - New construction
  - Improvement
    - Betterment – significantly enhance the service purpose of a unit of property
    - Adaptation - additional costs incurred to re-purpose the asset
  - Restoration – substantially restore a depreciated unit of property

*Consideration of Renewal & Replacement (Type 92 - Troy, 9R - Hartford) include:*

- Project budget is less than or equal to \$3,000 or greater than or equal to \$3,000 and is not a material improvement.
- Renewal will occur more than once within life of the original unit of property (recurring in nature)

- Consideration of the impact on the unit of property:
  - Preservation – maintain the unit of property to perform the original intended purpose

*Capitalization of Administrative Projects to Capital Assets*

The project funds mentioned above are temporary in nature. During the project, costs are reflected as construction in progress (CIP). Once the project is complete, the costs are capitalized to an asset type (Type 96; Type 97).

Property Administration and the project managers will monitor project completion (placed in service date). Once a project has been completed, a project manager submits a “Project Completion Notice” (PCN) to Financial Reporting which contains an allocation of the project costs to the corresponding component categories.

Financial reporting will transfer the project costs from the temporary project fund types to a capital asset 96/97 fund type following receipt of the PCN. The asset may either be noted in the V Building Module as a parent (new asset) or as a child (addition.)

**Property Administration Project Classifications**

<b>Account</b>	<b>Depreciation Class</b>	<b>Asset Type</b>	<b>Project Type</b>
840	Land	Land	Site Improvements
841	Land Improvement	Land Improvement	Sidewalk
			Parking Lots
			Grounds Infrastructure
			Utility Infrastructure
			Irrigation
			Fields (Grass & Turf)
			Landscaping
843/843L	Shell	Building Shell	Foundations
			Shell
			Roof/Drainage
			Windows
			Floors
			Code Work (ADA etc)
			Asbestos Removal
			Design Fees
Shell	Building Improvement	Building Components	Structural Component
Building Systems	Building Systems	Building Systems	HVAC (Heating, Ventilation, Air Conditioning)
			Electrical
			Information Technology Building
			Mechanical
			Elevator/Escalator
			Fire Protection / Alarms
Fixed Equipment	Fixed Equipment	Fixed Equipment	Fume / Exhaust
			Signage
			Cold Rooms
			Clean Rooms

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