

VILLAGE OF DANSVILLE CAPITAL ASSETS POLICY AND PROCEDURES

TABLE OF CONTENTS

A. Purpose	1
B. Definitions.....	1
C. Capitalization Threshold	2
D. Depreciation Method.....	2
E. Useful Lives	3
F. Intangibles	3
G. Improvement, Repairs and Maintenance Expenses	5
H. Department Responsibilities	5
I. Capital Asset Additions	5
J. Sales and/or Retirement of Assets	6
K. Physical Inventory	6
L. Small Inventory Asset Procedures	6
M. Year End Accounting	6

A. Purpose

The Capital Asset Policy and Procedures provides guidelines to establish and maintain capital asset records that comply with governmental financial reporting standards, provides for adequate stewardship over Village resources, and provides centralized documentation for insurance and asset management purposes.

B. Definitions

1. *Accumulated Depreciation* – The total reduction in value over time of an asset since its acquisition, which is recorded for financial statement purposes.
2. *Acquisition Costs* – Assets should be recorded and reported at historical costs, which include the vendor's invoice, initial installation cost, modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include ancillary charges such as site preparation costs and professional fees.
3. *Capital Assets* – Capital assets are tangible and intangible assets acquired for use in operations that will benefit the Village for more than a single fiscal period.
4. *Construction in Progress* – An asset that is comprised of the substantially incomplete construction costs of, typically, a road, water system or building. Depreciation is not applied to construction in progress.
5. *Depreciation* – A method for allocating the acquisition cost of capital assets over time. Generally Accepted Accounting Principles (GAAP) requires that the value of capital assets must be written off as an expense over the useful life of the asset.
6. *Disposition* – The final status of an asset when it is removed from the capital asset account and is no longer physically located on the Village's property. This can be upon sale, scrap or donation.
7. *General Capital Asset Group* – General fixed assets are those capital assets which are acquired or constructed through governmental fund resources and used to provide general government services. As a result of GASB 34 pronouncement, these assets which meet the minimum capitalization threshold are capitalized and depreciated over their estimated useful lives.
8. *Infrastructure* – Infrastructure shall include roads (including curbs and gutters), bridges, water and sewer mains, pumping stations, lift stations, traffic lights, streetlights, storm water structures, right of ways, easements, etc.

9. *Leased Equipment* – Leased equipment should be capitalized if the lease agreement meets any one of the following criteria:

- a. The lease transfers ownership of the property to the Village by the end of the lease.
- b. The lease contains a purchase option.
- c. The lease term is 75 percent or more of the estimated economic life of the leased property.
- d. The present value of the minimum lease payments at the inception of the lease, excluding executor costs, equals at least 90 percent of the fair value of the leased property.

10. *Net Book Value* – The difference between the acquisition cost and accumulated depreciation.

11. *Proprietary Capital Assets* – Assets acquired or constructed by proprietary funds (Water and Sewer funds) and meet the minimum capitalization threshold, are capitalized and depreciated over their estimated useful lives. Depreciation is computed using the straight-line method.

12. *Surplus/excess equipment* – An item or items that are no longer needed or required.

13. *Useful Life* – The period over which a capital asset has utility to the Village in performing the function for which it was purchased.

C. Capitalization Threshold

The capitalization threshold or minimum value of an asset at the time of acquisition is established at \$50,000 for infrastructure and easements and \$10,000 for all other assets. The threshold is applied on an individual basis. All tangible and intangible capital assets that exceed the threshold will be capitalized and depreciated over the asset's useful life.

D. Depreciation Method

All capital assets are depreciated using the straight line method. All assets are depreciated based on the date the asset is placed in service with the exception of infrastructure, which is depreciated with a full year of depreciation in the year the asset is placed in service. If an asset is not fully depreciated upon disposal, the depreciation is calculated to the date of disposal for all assets other than infrastructure, for which no depreciation is recorded in the year of disposal.

E. Useful Lives

Useful lives will be reviewed annually by the Finance Department. The Village depreciates over the following useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	<u>50</u>
Water, sewer & storm water infrastructure	<u>65</u>
Bridges	<u>50</u>
Other infrastructure	<u>10-20</u>
Land improvements	<u>20</u>
Machinery and equipment	<u>5 - 30</u>
Computer software	<u>5 - 10</u>
Vehicles	<u>5 - 7</u>
Water and sewerage systems	<u>20 – 50</u>

F. Intangibles

The Village is in possession of assets that may be considered intangible assets, including computer software and easements. The Village will account for intangibles in accordance with GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*. Computer software will be capitalized if the acquisition cost meets the capitalization threshold. Easements will be accounted for as follows:

1. A temporary easement will not be recognized as a capital asset.
2. A permanent easement will be recognized as a capital asset subject to all the following conditions:
 - a. The easement is evidenced by a final plat of subdivision and acceptance of related improvements, if appropriate. Any final plan of subdivision should include the total acreage of easements accepted by the Village.

- b. A permanent easement will be valued at 10% of the current land-cash fee rate for improved land of equivalent acreage.
- c. A permanent easement will be capitalized if it has a value of \$50,000 or more. Easements will be aggregated within a general area (e.g., a subdivision) for the purposes of determining whether the \$50,000 threshold is met.
- d. A permanent easement associated with a proprietary fund activity will be recorded in the appropriate proprietary fund. Other permanent easements will be recorded in the general fixed asset account group for inclusion in the Village's government-wide financial statements.
- e. The value of a permanent easement will not be amortized.

G. Improvement, Repair and Maintenance Expenses

Routine repair and maintenance costs will be expensed as incurred and will not be capitalized. Street regrinding, patching, etc. is considered maintenance and will not be capitalized. Repairs of water and sewer assets will not be capitalized unless the repairs materially extend the life of the original asset.

H. Department Responsibilities

Departments are responsible for protecting and controlling the use of Village assets assigned to their department. The department will be responsible for completing an Asset Control Sheet upon acquisition, disposition or transfer of an asset. All Asset Control Sheets must be submitted to the Finance Department with supporting documentation.

I. Capital Asset Additions

The Village may acquire assets through purchase, lease or donation. When an asset is purchased or leased, the department will forward a copy of the invoice to the Clerk/Treasurer for payment. The Clerk/Treasurer will identify assets that meet the capitalization requirements. The Clerk/Treasurer will assign a unique inventory control number to the asset, assign an inventory ID tag (if applicable) and start an Asset Control Sheet which will be forwarded along with the inventory tag to the responsible department for completion. The Department Head is responsible for completing the Asset Control Sheet and returning it to the Clerk/Treasurer. The Clerk/Treasurer will then enter the information into the capital asset software system. Individual assets as well as infrastructure are included as entries in the capital asset software. The Village may also acquire assets through donations (e.g., developer conveyance). Prior to acceptance, the Village must obtain documentation of the value of the asset being donated. When a donation is accepted through the Village local law or resolution process, the Clerk/Treasurer will obtain the supporting documentation and enter the information into the capital asset software system.

Inventory tags are to be used when feasible. The tags should be placed on the principal body of the asset and removed only when the item is sold, scrapped, or otherwise disposed of.

J. Sales and/or Retirements of Assets

Disposal, sale or retirement of an asset may only occur after the asset is declared surplus/excess and approved by the Village Board. When a capital asset is disposed of, its cost and accumulated depreciation are removed from the Village's books and a gain or loss, if any, is recognized. The Department Head will document the disposal on the Asset Control Sheet and forward it to the Clerk/Treasurer. The Clerk/Treasurer will remove the item from the capital asset software system and record the disposal in the general ledger.

K. Physical Inventory

The Village and each department will conduct a physical inventory at least once per year at fiscal year-end. The Clerk/Treasurer will provide each department with an inventory worksheet identifying all capital assets under their control. Each department will be responsible for completing the physical inventory of the items, verifying the existence and condition of each item on the worksheet, and making note of any additions, deletions, or leases of property that are not reflected on the list. The final list will be reviewed by the Department Head, who will sign as acknowledgement of their approval and then return it to the Clerk/Treasurer. The inventory should be performed by a team including at least one representative from the department and one individual from an independent department not responsible for the safeguarding of assets. The Clerk/Treasurer will perform a sample verification of the physical inventory items and reconcile the listings to the capital asset software system.

L. Small Inventory Asset Procedures

Assets that do not meet the capitalization requirements, but qualify as a small asset for inventory tracking, shall be expensed when purchased. Small assets include all computer equipment, office equipment, and any other department specific items that are designated as small asset items by the Department Head. These items will be maintained in the capital asset software for inventory tracking purposes only. The item will be noted on a Small Inventory Asset Control Sheet for processing. The Department Heads will be responsible for completing a Small Inventory Asset Control Sheet and submitting this to the Clerk/Treasurer along with the invoice for payment. The Clerk/Treasurer will enter the information into the capital asset software, but designate the item as a non-capital asset inventory item. The departments will maintain control over their small inventory asset listing.

M. Year End Accounting

At year-end, the Clerk/Treasurer will generate the following reports from the capital asset software system:

1. Property Accounting Summary – This report summarizes the original cost, accumulated depreciation and book value in a summarized format. Separate reports are generated for the governmental funds and proprietary funds.

2. Net Changes Summary – This report summarizes the additions and disposals in a summarized format.

3. Depreciation Detail – This report includes the beginning accumulated depreciation, current year depreciation and ending accumulated depreciation in detail.

The Clerk/Treasurer will prepare the necessary journal entries to record changes in capital assets and depreciation. In addition, the Clerk/Treasurer will prepare all journal entries necessary to present the general fixed asset account group in the government-wide financial statements, in accordance with GASB Statement No. 34.

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