



Capital Asset Guidelines

October 30, 2024

Finance Directors/Bookkeepers are encouraged to use the following guidelines to develop capital asset policies and procedures that are unique to your organization.

- **Capital Asset Information:** This information needs to be captured when an asset is purchased and placed into service:
 - Name and description of asset that is sufficient to specifically define and identify the asset, including make, model, and serial or VIN numbers
 - Category of assets such as buildings, vehicles, equipment, etc.
 - General ledger fund number and expenditure codes used for purchase
 - Individual or department assigned custody of the asset
 - Date purchased and placed into service
 - Source of payment such as PO or check number
 - Historical cost (or estimate if historical cost not available)
 - Estimated useful life
 - Disposition information, including the sale/scrap date and sale proceeds

- **Capitalization Asset Threshold Amounts:** Best practices include utilizing different dollar amount expenditure thresholds depending on the category. (Examples: Buildings - \$50,000, Vehicles - \$20,000, Equipment - \$5,000, Infrastructure \$100,000). Your specific dollar threshold amounts should be unique to your local government.

- **Valuation and Costs:** Historic cost should be used for the value of the asset purchased. If historical cost is not available, use an appropriate estimate from a reputable third-party source such as Kelly Blue Book (KBB), National Automobile Dealers Association (NADA), or other valuation services. Assets donated to local government should use the acquisition cost such as the developers cost when donating roads and other infrastructure.

- **Useful Depreciable Lives:** Determine the useful lives for the major categories of assets. You can utilize different lives for specific assets within a category if those assets are used more frequently than others. Discuss with department heads on asset usage when determining useful life, contact CTAS county consultant and auditor if necessary.



- **Depreciation:** Use straight line depreciation method to allocate the cost over the useful lives of the asset. Include any estimated salvage value when applicable. Review your depreciation accounting software calculations to determine correctness. If assets are added to the software only at year end, it is common for depreciation to be incorrectly calculated. Items such as land, easements, purchased rights of way (ROW), and construction in progress (CIP) should not be depreciated.
- **Asset Management:** Develop internal control policies and procedures for adding acquired assets into depreciation software on a monthly or quarterly basis. It is not recommended to perform this process at year-end only. Remove any assets sold, traded, disposed of or scrapped from software by entering the date sold/scrapped and proceeds received. The depreciation software should properly calculate the gain or loss on the disposal. Reclassify construction in progress to the appropriate category once the asset is fully constructed and placed into service.
- **Inventory of Sensitive Equipment NOT Depreciated**
Develop a process for recording assets purchased that are less than the capitalization threshold dollar amounts that should to be tracked in a sensitive equipment inventory listing. Periodic internal inspections will need to be conducted by the departments to ensure these assets are still in the possession of the office when originally assigned.
- **Insurance Coverage**
Assets will also need to be added to the insurance policy when purchased. Assets no longer in the possession of the local government will need to be removed. Annually compare your listing of insurance coverages from your agent to your depreciation schedules of buildings, building improvements, vehicles, and machinery and equipment. Review for items on your insurance listing that may not be in your depreciation records that either need to be added or removed.
- **Budgeting and Planning:** Local governments need to have meetings with county officials and department heads regarding long-term planning of acquiring new assets to continue to provide the same level of services. Develop a schedule of replacing assets at intervals. Certain assets may require debt borrowings that will need to be approved in future budgets by the legislative body.

