

## CONWAY TOWNSHIP

### Policy No. 5

#### CAPITAL ASSETS POLICY

##### 1. Definitions:

*Capital Assets.* Capital Assets are tangible assets of a durable nature that are employed in the operating activities of Conway Township, are relatively permanent and are needed for the processing of materials or the providing of services. This broad group of assets will be separated into classes according to the physical characteristics of the items (e.g., land, building, furniture, equipment, improvement and technology).

Characteristics which distinguish a capital asset from an expendable asset include:

- The item has an anticipated useful life of three or more years.
- The item retains its original shape and appearance with use.
- The item is non-expendable: that is, if the article is damaged or some of its parts are lost or worn out, it is more feasible to repair it than to replace it with an entirely new unit.
- It does not lose its identity through incorporation into a different unit.

*Capital Outlays.* Capital Outlays are expenditures that benefit both the current and future fiscal periods of the Township. These include, but are not limited to, the cost of acquiring land or structures; construction or improvement of buildings, structures or other capital assets; and equipment purchases having an appreciable and calculable period of usefulness. These are also expenditures that result in the acquisition of or additions to the Township's capital assets.

*Historical Cost.* Historical Cost is the cash-equivalent price exchange for goods and services at the date of acquisition. Land, building and equipment are common examples of items recognized for accounting purposes using the historical cost approach.

##### 2. Criteria for Capitalizing Land; New Construction; Extraordinary Building Repairs; Betterments; or Improvements and Replacements

- A. Capitalize all land acquisitions, regardless of cost. All ancillary costs, such as legal and title fees, surveying fees, appraisal and negotiation fees, site preparation costs and costs related to demolition of unwanted structures should be included. Donated land will be recorded at fair market value on the date of transfer, plus any associated costs. Depreciation is not calculated on land.
- B. Capitalize improvements to land, attached or not easily removed, and with a life expectancy of greater than two years and a cost of \$1000 or more. Examples are sidewalks, parking areas and drives, fencing, retaining walls, automatic sprinkling systems, outside fountains, planters and other similar items. Donated improvements will be recorded at fair market value on the date of transfer, together with any associated costs.
- C. Capitalize all costs of new construction that exceed \$1,000. This cost includes professional fees of architects, engineers, attorneys and appraisers, as well as any other costs necessary to place a building into its intended state of operation. Depreciation is not calculated for construction in progress.
- D. Capitalize buildings at full cost with no subcategories for tracking the cost of attachments. Examples of attachments are roofs, heating, cooling, plumbing or any part of the basic building. Cost of items designed or purchased exclusively for the building will be included. Donated buildings will be recorded at fair market value on the date of transfer with any associated cost.
- E. Capitalize the cost of repairs, betterments or improvements that increase future benefits from an existing capital asset beyond its previously assessed standard of performance if the cost is \$1,000 or more. Increased future benefits included and extension in the estimated useful life of the asset; an increase in the capacity of an existing capital asset; or a substantial improvement in the quality of output or a reduction in previously assessed operating costs. Depreciation is calculated using the appropriate estimated useful life.

### **3. Criteria for Capitalizing Vehicles, furniture, Equipment and Computers**

- A. Capitalize all vehicles, furniture and equipment with an individual value of \$1,000 or more. In addition to the cost of the item itself, the capitalized cost should include any other normal or necessary costs required to place the asset in its intended state of operation, such as transportation charges, installation costs and any extended maintenance or warranty contracts purchased at the same time as the capital asset.

Donations in this category will be capitalized if they have an individual value of \$1,000 or more.

- B. Capitalize computers with a total cost of \$1,000 or more. Computers are defined as the central processing unit (CPU), monitor, keyboard and mouse. The cost of any preinstalled software should be included.
- C. Capitalize improvements or renovations to vehicles, furniture, equipment or technology only if the total cost exceeds \$1,000 and the total costs will be greater than the current book value and less than the fair market value.

#### 4. Depreciation Guidelines

<b>Asset Classification</b>	<b>Individual or Cumulative Purchases Greater than Amount</b>	<b>Depreciation Life</b>
Furniture & Fixtures	\$1,000	5 years
Office Equipment (not including computer equipment)	\$1,000	5 years
Technology Equipment	\$1,000	3 years
Vehicle	\$1,000	5 years
Building	\$1,000	30 years

The straight-line method of depreciation will be used to calculate depreciation expense.

I, Cindy Dickerson, hereby certify that this Capital Asset Policy was approved at a regular meeting of the Conway Township Board of Trustees on April 19 2011

Cindy Dickerson, Clerk \_\_\_\_\_