

Polk County Wisconsin

CAPITAL ASSET POLICY

Policy 911

Effective Date: 05-20-2008

Capital Asset Policy

Purpose and Scope

The purpose of a capital asset policy is to provide control and accountability over the county's assets and to assist departments in gathering and maintaining information needed for the preparation of the financial statements.

Policy

This capital asset policy is in accordance with Generally Accepted Accounting Principles for proper recording, valuation, depreciation, useful lives and retirements.

The following guidelines will establish capitalization thresholds for capital assets:

- Items that have an estimated useful life of at least two years following the date of acquisition;
- Any item greater than or equal to \$5,000 for the financial reporting threshold and/or any item greater than \$500 for asset tracking purposes;
- It improves the usefulness of an existing asset or extends its useful life;
- It is tangible in nature; meaning it does not materially change its form through use.

Valuation of Capital

Capital assets should be reported at their acquisition cost or historical cost which includes the purchase price or construction cost, sales tax, modifications, attachments, accessories or any other item necessary to make an asset useable or render it into service*. Capitalization also includes cost of freight, site preparation, architect and engineering fees, etc.

* *Exclude the cost of repairs or routine maintenance that does not add to the value of the capital asset.*

If the original cost is not available or if an asset is donated, then the estimated fair-market value determines the asset's cost or acquisition value. Sources to determine fair market value include: recent sales of similar assets, price index table, market appraisal or an outside vendor.

A trade-in can be defined as exchanging an existing asset as part of an agreement to acquire a new asset. Trade-in value, if any, should be included in an asset's cost. *Example: Purchase price + trade-in value = total cost of asset.*

Depreciation of Capital

Depreciation will be calculated using the straight line method. In straight line depreciation, the cost of the asset (less any salvage value) is pro-rated over the estimated useful life of the asset.

Assets may be depreciated individually or in groups. The cost of assets similar in nature (tables, chairs, etc.) or assets dissimilar but related by mode of operation (water treatment) may be grouped together then depreciated as on group.

Land and construction in process are not depreciated.

Useful Life of Capital

Departments are responsible for establishing and utilizing an appropriate useful life for their assets.

	<u>Estimated Useful Life</u>
Land Improvements	15-25 Years
Buildings and Improvements	10-35 Years
Machinery and Equipment	4-20 Years
Infrastructure	25-50 Years

Disposal of Capital

Assets may be disposed of in the following ways: by sale, auction, trade-in, obsolescence, lost, stolen or damage beyond repair. Before disposal takes place, consult with the department head of the appropriate department.

Reporting of Capital

The Department of Administration will annually provide each department with a capital asset list and a statement of values to review at year end. Each department will report any changes with documentation for any additions or disposed assets.