TOWN OF LANCASTER
CAPITAL ASSET POLICY
Adopted 12/17/2018

Purpose

The following capital asset policy is to ensure a standard set of guidelines are followed for the physical and reporting control of the Town of Lancaster's capital assets and to obtain timely and accurate accountability over our capital assets, provide centralized documentation, and meet financial reporting needs.

Policy Statement

It is the intent of the Town to properly safeguard, value, and account for capital and controlled assets by:

- Identifying the Town's capital and controlled assets
- Keeping capital assets records updated with appropriate information
- Reporting the depreciation and values of the Town's capital assets per GASB 34 guidelines
- Tracking capital project costs

Capital Asset Definitions and Guidelines

a. **Capital Asset Classifications**

Capital assets are real or personal property that have value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than one year.

b. **Capitalization Thresholds and Useful Lives**

Class of Asset	Capitalization Threshold	Useful Life
Land	$40,000	Note 1
Land Improvements (other than buildings)	$40,000	20 years
Building	$40,000	40 years
Building Improvements (only if part of a major repair or rehab project which increases the value and/or useful life)	$40,000	20 years
Machinery & Equipment: (Note 2)		
Office Equipment	$40,000	5 years
Furniture	$40,000	10 years
Computers	$40,000	5 years
Vehicles	$40,000	5 year
Heavy Equipment	$40,000	10 years
Small Equipment & Tools	$40,000	5 years
Other	$40,000	5-10 years
Infrastructure:		
Bridges (including culverts)	$40,000	30 years
Roads	$40,000	20 years
Traffic Control Systems	$40,000	40 years
Sewer Systems	$40,000	40 years
Water Systems	$40,000	40 years
Construction in Progress		Note 3
Note 1 – Not Depreciated Note 2 – For control and accountability purposes, capital assets costing less than $40,000 may be recorded in the capital assets inventory		

Note 3 – Depreciation is not required on Construction in Progress. Upon completion, the asset will be recorded in appropriate asset classification and depreciation will being in accordance with the useful life.		

c. Recording Assets

The designee assigned by the Director of Administration & Finance will record all assets at the time the asset is inventoried. All transfers and disposals will be recorded upon receiving the appropriate documentation.

d. Disposing of Assets

Assets may eventually need to be removed from the asset listing for any one of a number of reasons. Authorization to dispose of a property item should be documented to include the type of disposition (e.g. sale, trade, scrapped, auctioned), the date of the disposition, the initial cost of the property and the estimated fair market value at the time of the disposition. Authorization documentation, including signed approvals, are to be given to the Supervisor's office within 10 days of disposal.

Capital-type and controlled capital-type assets that have value at the time of disposition should be either auctioned off or sold for scrap. The Department head shall request in writing that the Town Board deem such assets surplus property and the board shall do so by resolution prior to the asset being disposed. The decision to auction or scrap must be approved by the Department Head. Assets with an original cost of less than $100 or that have no value may be disposed of by any means at the Department Head's discretion and can be disposed of by authorization of the Department Head alone.

Each department should designate an individual to be responsible for preparing and maintaining a complete listing of assets within the department. The listing should be updated at least annually and a written copy provided to the Supervisor's not later than February 15 each year.

e. Capital Asset Acquisition Cost

Capital assets shall be recorded at their historical costs, or estimated historical cost if the actual historical cost is unknown. The cost of a capital asset shall include any ancillary costs that are necessary to place the asset in its intended condition for use. These include the vendor's invoice (plus the value of any trade-in, if reflected on the invoice), initial installation cost (excluding in-house labor costs), modifications, attachments, accessories or apparatus necessary to make the asset usable and render it into service. Historical costs also include charges such as freight and transportation charges, site preparation costs and professional fees. The costs of capital assets for government activities do not include capitalized interest.

f. Capital Asset Donations

Donations are defined as voluntary contributions of resources to a governmental entity by a non-governmental entity. Donated capital assets shall be reported at fair market value at the time of acquisition plus ancillary charges, if any. Fair market value is the amount at which an asset could be exchanged in a current transaction between willing parties.

Modified Accrual Basis of Accounting – Do not report revenue from the donation of a capital asset when using the modified accrual basis of accounting, except in the following situation: If the Town receives a donation of a capital asset and intends to sell the asset immediately, revenue shall be recognized in the period the asset is donated, and the capital asset shall be reported in the same fund used to report the revenue as "Assets Held for Sale". Intent to sell should be evidenced by a sale of or contract to sell the capital asset before the financial statements are issued.

Revenue shall be measured at the amount at which the capital asset is sold or its contract price. If the Town does not intend to sell the donated capital asset immediately or does not meet the criteria to sell as stated above, the donation shall not be reported in the operations of the governmental funds.

Revenue from donations of financial resources such as cash, securities or capital assets shall be recognized when the Town has an enforceable legal claim to the donation and when it is probable the donation will be received, regardless of when the financial resources are actually received. Revenue shall be measured at the fair value of the financial resource donated.

Governmental funds will have to meet the standards of GASB Statement No. 33. Donations must be recorded and reported at fair value on the date of acquisition. Recipients of donated capital assets will recognize the donation and related revenue when the transaction is complete and the assets are received, providing all eligibility requirements have been met. Promises of capital asset donations should be recognized as receivables and revenues (net of estimated uncollectible amounts) when all applicable eligibility requirements have been met, providing that the promise is verifiable and the resources are measurable and probable of collection.

In some cases, donated capital assets are given with the stipulation (time requirement) that the assets cannot be sold, disbursed or consumed until a specified number of years have passed or a specific event has occurred. For such cases, the capital asset should be reported in the statement of Net Assets as "Net Assets – Restricted" as long as the restrictions or time requirements remain in effect.

g. Leased Equipment

Equipment shall be capitalized if the lease agreement meets any one of the following criteria:

- The lease transfers ownership of the property to the lessee by the end of the lease term.
- The lease contains a bargain purchase option.
- The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
- The present value of the minimum lease payments at the inception of the lease, excluding executory costs, equals at least 90 percent of the fair market value of the leased property.

Leases that do not meet any of the above requirements shall be recorded as an operating lease and reported in the Notes to Financial Statements, if material.

*Note, implementation of GASB 87, *Leases* required during the fiscal year ended March 31, 2021 will affect requirements for leased equipment.

h. Depreciating Capital Assets

Capital assets should be depreciated over their estimated useful lives unless they are inexhaustible.

The straight-line depreciation method (historical cost less residual value, divided by useful life) is method that will be used.

Depreciation will be recorded on an annual basis. A full year of depreciation shall be included in the year of completion or acquisition of the asset. Depreciation expense shall not be included in the year of disposition.

i. Sale of Capital Assets

When an asset is sold, a gain or loss shall be recognized when:

- Cash is exchanged and the amount paid does not equal the net book value of the asset.
- Cash is not exchanged and the asset is fully depreciated.

When an asset is sold, a gain or loss shall not be reported when:

- Cash exchanged equals the net book value, and the asset does not have a residual value.
- Cash is not exchanged and the asset is fully depreciated and has no residual value.

To compute a gain or loss from sale of capital assets, proceeds received shall be subtracted from the asset's net book value.

Examples:	Gain	Loss
Asset's Historical Cost	$10,000	$10,000
Less: Accumulated Depreciation	7,000	7,000
Net Book Value	$3,000	$3,000
Less: Proceeds Received	5,000	2,000
Gain/Loss from Sale of Asset	$2,000	$1000

Construction-in-Progress (CIP)

Construction-in-Progress (CIP) contains amounts expended on new construction, land or building improvement, infrastructure, additions, alterations, reconstruction, installation, maintenance and repairs or other tangible capital construction projects that will be finished in a future period and meet the capitalization threshold.

Construction work in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the asset is placed into service.

Depreciation is not applicable while assets are accounted for as construction work in progress. Upon asset completion and placement into service, the value of such asset is removed from the construction in progress account and transferred to the appropriate capital asset classification account. Depreciation then begins based upon depreciation life of the appropriate asset category.