

CITY OF PRESQUE ISLE

Asset Capitalization Policy



Adopted by City Council on December 16, 2002

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Asset Capitalization Policy

This Policy is adopted to establish procedures for keeping an inventory of fixed assets owned by the City of Presque Isle. It results from, and is intended to, implement the Governmental Accounting Standards Board Statement #34.

Definitions: Assets, which meet the following minimum standards, will be considered capital assets:

- Having a value of \$5,000 or more. This requirement can be for an individual item in excess of \$5,000 or for a “collection” such as a telephone system or computer network system.
- Having an estimated useful life of two years or more.
- Major asset categories will be land, land improvements, buildings, building improvements, art works and historical treasures, machinery and equipment, vehicles, furniture and fixtures, and infrastructure.

Capitalization Method: All capital assets will be recorded at historical cost as of the date acquired or constructed, except for infrastructure, which is discussed on the next page. If historical cost information is not available, assets will be recorded as estimated historical cost by calculating current replacement cost and by deflating the cost using the appropriate price-level index.

New Acquisitions: The City will capitalize new assets that meet its Capitalization Policy as stated above. Following the receipt of the item(s) that meet the criteria stated above, the value should be noted by the Department Head and City Treasurer for inclusion in the asset base. Additions, improvements, repairs, or replacements to existing capital assets are not considered new acquisitions and are discussed below.

Extraordinary Repairs or Improvements: The City will capitalize outlays that increase future benefits from an existing capital asset beyond its previously assessed value or condition if they meet the City’s Capitalization Policy as stated above.

Collections: The City will capitalize the items listed below as collections:

- ❖ Computers
- ❖ Radios and Pagers
- ❖ Art Works and Historical Treasures
- ❖ Telephone Systems
- ❖ Furniture and Fixtures
- ❖ Any other assets bought in a bulk purchase that meets the Capitalization Policy as stated above.

Infrastructure: The City of Presque Isle will retrospectively report infrastructure to comply with G.A.S.B. #34. The City will report its infrastructure assets at historical cost (if purchased or constructed) or estimated fair value (if donated). The City will use an estimated historical cost when the actual cost cannot be identified. The replacement cost for infrastructure assets will be based on current year construction costs for similar assets or other information that approximates current replacement cost. The City of Presque Isle will report newly acquired or constructed infrastructure assets in the period it acquires or constructs infrastructure assets. Also, the City will use any existing sources of information to provide support for the initial cost estimates for its infrastructure assets, such as bone documents, engineering documents, and capital budgets.

Signed by the City Council of Presque Isle:

City Council Chair: typed name

Deputy City Council Chair: typed name

City Councilor: typed name

City Councilor: typed name

City Councilor: typed name

City Councilor: typed name

City Councilor: typed name

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