

**Village of Lake Isabella
CAPITAL ASSETS POLICY - 2020**

The purpose of this policy is to establish procedures for capitalization and fixed assets.

- **CAPITALIZATION**

Items with a cost greater than \$2,500 and with a useful life of greater than two years shall be capitalized. A listing of such assets will be maintained with the related depreciation. A group of like items costing individually less than this threshold may be grouped together and reported as a capitalized asset if in the judgment of the Village Manager it would be in the best interest to capitalize the group of items as the value together is significant to the Village of Lake Isabella.

An Inventory individual items of value with a cost under the capitalization threshold shall still be listed and monitored to ensure safekeeping of these assets and that no misappropriation occurs.

If the Village of Lake Isabella disposed, sells, or otherwise no longer owns any item capitalized, it shall be removed from the list of capitalized assets regardless of its depreciation status.

- **BETTERMENT**

A repair or replacement costing in excess of \$5000 and which extends the useful life of an asset by more than 5 years shall meet the requirement capitalization.

- **USEFUL LIFE**

Useful Life of assets shall be based on the following table:

GUIDELINES FOR DEPRECIATION LIVES

	DEPRECIATION LIFE ON ASSETS		
	TAX (*5)	BOOK (*4)(*6)	AMT(*1)
<u>OFFICE RELATED</u>			
Office Furniture	7	15	10
Computers	5	3-5	5
Typewriters	5	10	6
Printers	5	5	6
Copiers	5	10	6
Fax Machine	7	7	10
Phone System	7	5-10	10
Radios	7	5	10
<u>TRANSPORTATION</u>			
Vehicles	5	4-10	5
Trailers	3	7-12	4
Tractors	5	4-10	5

OTHER

Appliances	7	5-20	9
Building Improvements – C	39.5	40	40
Building Improvements – R	27.5	40	40
Carpet, etc.	5	10-15	9
Fences	5	10-20	20
Initial landscaping costs	15	10	20
Initial pavement, parking lots	26	20	30
Roof – C	39.5	15-25	40
Roof – R	27.5	15-25	40
Shelves	7	10	10
Signs	5	10	9

- *1 Same as tax for personal asset placed in service after 12/31/01
- *2 Assets used in wholesale and retail trade, and personal and professional services
- *3 Many times these can be expensed, if cost is small (i.e. under \$150)
- *4 Used estimated useful live, guidelines might not apply to your particular asset
- *5 Use MACRS which is an accelerated method (refer to IRS table)
- *6 Use a straight-line method

Other useful lives may be established based on the Village’s experience or when grouping assets for depreciation purposes. In such an event, the decision to use such life shall be documented.

- **DEPRECIATION**

Depreciation will be determined using the straight-line method based on the useful life of the asset. A full year of depreciation will be taken in the year of disposition of an asset.

- **DISPOSAL OF ASSETS**

Any Village asset which is no longer needed for use by the Village, and thus considered surplus, with an estimated value of at least one-thousand dollars (\$1,000) shall be disposed of as directed by the Village Council. Any surplus item with an estimated value of less than one-thousand dollars (\$1,000) shall be disposed or sold at the direction of the Village Manager.

When disposing of outdated and surplus equipment, the following order of preference shall be used:

- a) Trickle Down: Equipment no longer utilized for its original intended purpose shall be installed and utilized elsewhere for use where appropriate.
- b) Sale: Equipment that cannot be used shall be sold. If the item is technology related, prior to sale all software purchased by the Village shall be removed, and the item factory reset. The manner of sale shall be at the direction of the Village Manager including competitive bids, auction, set price, trade-in, or a negotiated sale and data sanitized.

- c) Donating: Equipment that cannot be reused and would have an estimated resale value of less than two-hundred fifty dollars(\$250) may be donated where possible. If the item is technology related, prior to donation all software purchased by the Village shall be removed, and the item factory reset and data sanitized.
- d) Trashing: Equipment that cannot be sold or donated shall be trashed. If the item is technology related, prior to trashing all software purchased by the Village shall be removed, and the item factory reset and data sanitized.
- e) When an item is sold, donated, or trashed, the Village Manager shall submit a report to the Village Clerk detailing the item that was sold, donated, or trashed.