PURPOSE/POLICY

The purpose of this policy is to establish a uniform basis for recording and management of the agency’s capital assets, including equipment and real property, in accordance with the requirements of Uniform Grant Guidance 2 CFR Part 200 – Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, Generally Accepted Accounting Principles (GAAP), the approved grant agreement and any other applicable laws, regulations, rules and guidelines. Real property means land, land improvements, structures and appurtenances, but excludes moveable machinery and equipment.

It shall be the general policy of the agency to purchase capital assets from the most economical sources, given the relative factors of quality and cost involved, utilizing competitive procurement and to record, utilize, and manage capital assets based upon the following criteria:

The primary goals of this policy are:

- To ensure that the agency’s capital assets are accounted for in conformance with generally accepted accounting principles (GAAP), criteria prescribed by the Governmental Accounting Standards Board (GASB) and State and Federal grant requirements as applicable; and

- To establish a consistent and cost-effective method for accounting for the agency’s capital assets.

- To establish a consistent basis for depreciating the agency’s capital assets and determining their remaining valuations over their useful lives.

As a general rule, capital assets should be recorded as such only if they have a useful life of at more than one year following the date of acquisition within the applicable cost thresholds for the various types of capital assets.

Capitalization thresholds should be applied to individual assets rather than to groups of similar items (e.g., desks, tables). (For assets that qualify for capitalization and depreciation under the “group method”, however, see further information below under the heading “Capitalization Thresholds” for discussion of the appropriate application).

In no case should the agency establish a capitalization threshold of less than $5,000 for any individual asset item acquired on or after November 5, 2008. However, financial control must still be exercised over non-capitalized smaller assets via establishing and maintaining adequate internal controls (i.e., procedures, records, periodic inventories and the like) within the agency as detailed in the inventory policy.
All capital assets having an individual acquisition cost of $5,000 or more must be approved by the Board of Health prior to the acquisition. Capital assets acquired with grant funds must also be authorized in applicable grant budgets if required.

**Capitalization Thresholds**

The agency will capitalize individual assets which have an estimated useful life of more than one year and which have an individual acquisition cost of $5,000 or more. However, assets acquired with debt proceeds may be capitalized regardless of cost.

Individual assets that cost less than $5,000, but operate as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is more than one year. A network is determined based upon where the individual may be below $5,000 but are interdependent and the overall value to the agency is on the entire network and not the individual assets (e.g., computer and telephone systems).

**Valuation**

In accordance with generally accepted accounting principles, the agency will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the agency, the asset will be valued based on the fair market value at the time the asset is donated.

**Capital Assets Inventory Report**

As part of the financial audit, the Division of Administrative Services shall submit a capital asset report to the independent auditor on an annual basis. This report will include the following information:

- Type of asset (i.e. equipment, computer software system, capital improvements)
- Date of acquisition
- Acquisition cost
- Estimated useful life
- Annual depreciation
- Accumulated depreciation

**Depreciation**
The agency will use the Straight-Line Method as its “basic approach” (standard method) to depreciate capital assets.

**Estimated Useful Lives**

The useful lives for depreciating assets will be over a 2-25 year period as applicable given the individual asset item as documented in the agency’s financial management records.

**Capital vs. Repair and Maintenance Expense**

The following criteria are the basis for distinguishing costs as either capital or repair and maintenance expense:

With respect to improvements on capital assets, under the basic approach, costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the assets. Otherwise, the cost should be expensed as repair and maintenance.

**Inventory**

For internal control purposes, the agency will maintain an inventory listing of certain assets (controlled equipment) that do not meet the above reference capitalization amounts as prescribed in the inventory policy.

**Disposal and Transfer of Agency Assets**

Disposition of agency assets will occur in accordance with applicable agency financial policies and procedures, and as may additionally be applicable under grant management provisions where assets were acquired with state or federal grant funds. If the capital asset has a current fair market value of $5,000 or more, the agency shall contact the awarding agency to determine the correct course of action. All dispositions of assets with an individual remaining valuation of $2,000 or more shall require prior authorization of the Administrative Services Division Director.