

CITY OF ESSEXVILLE
GASB 34 CAPITALIZATION POLICY
(Adopted by City Council December 9, 2003)

To comply with GASB 34, the City of Essexville establishes this policy for capital assets and depreciation. The policy establishes threshold for capital assets, depreciation methods to be used and the useful lives for various classes of assets. Listed below are the classes of assets and the associated capitalization threshold:

<u>Classes of Assets</u>	<u>Threshold</u>	<u>Useful Life</u>
Land	\$100,000	Capitalize only
Land Improvements	\$ 5,000	10-20 years
Buildings	\$100,000	25-40 years
Building Improvements	\$ 5,000	25-40 years
Vehicles	\$ 5,000	5-10 years
Equipment/Machinery	\$ 5,000	5-10 years
Infrastructure	\$100,000	20-40 years
Utility Systems	\$100,000	25-40 years

In determining the useful life of an asset the following items will be taken into consideration: quality, application or use, and environmental conditions.

A \$5,000 minimum on all individual assets with a useful life of 5 years or more will be capitalized. Individual assets that cost less than \$5,000, but that operate as part of a network system, will be capitalized in the aggregate using the group method, if considered material or significant.

Asset improvements that cost over \$5,000 should be capitalized if:

- The estimated life of the asset is extended by more than 25%, or
- The cost results in an increase in the capacity of the asset, or
- The efficiency of the asset is increased by more than 10%, or
- Significantly changes the character of the asset, or
- In the case of streets and roads-if the work done impacts the "base" structure.

Otherwise, the cost should be expensed as repair and maintenance.

The City of Essexville will utilize the straight-line method of depreciation for all assets.

All fixed assets with a useful life of more than one year and an original cost between \$1,000 and \$4,999.99 will be recorded and inventoried, but will not be capitalized or depreciated.