

Resolution # 2019-0620-1

A Capitalization Policy for Downers Grove Township and Downers Grove Township Road District,
DuPage County, IL

WHEREAS, Downers Grove Township and Downers Grove Township Road District, DuPage County, Illinois, believe it to be in the best interest to periodically examine and update a capitalization policy for accounting purposes and compliance with the Governmental Accounting Standards Board Statement 34 (GASB34),

NOW THEREFORE BE IT RESOLVED by the Board of Trustees of Downers Grove Township and the Highway Commissioner of Downers Grove Township Road District, DuPage County, Illinois, that for the purposes of The Governmental Accounting Standards Board Statement 34, the following capitalization Policy is updated.

SECTION 1 – RECORDING OF CAPITAL ASSETS: *Capital assets are to be recorded at historical cost which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include, for example, freight and transportation charges, site preparation costs, etc.*

For construction projects extending beyond one year, all costs, regardless of magnitude, shall be accumulated into a suspense or “Construction in Progress” account to be reported as a separate asset on the capital asset records. When the project is completed and the asset is put into service, the costs accumulated in the “Construction in Progress” account shall be transferred to the capital asset ledger as an identifiable asset and depreciated forward over its useful life.

Donated capital assets are recorded at their estimated fair value at the time of acquisition.

All land, including right of ways, is to be capitalized at the time of acquisition regardless of its historical cost (or fair value if donated).

Assets purchased with federal grants having a cost at or above a threshold of \$5,000 on a unit basis are to be reported for federal compliance purposes. Reporting is to include designation as ‘federally funded’ and an indication of the ‘percentage’ of federal funding for the specific asset.

The minimum capitalization amount for individual equipment is \$5,000, for buildings and improvements is \$10,000, and for infrastructure assets (roads, bridges, culverts, curbs, sidewalks, lighting systems, gutters, drainage systems and similar) is \$50,000.

SECTION 2 – ASSET ADDITIONS AND RETIREMENTS: Assets will be placed in service when complete or received.

When an asset is disposed of, scrapped, sold, demolished, etc. it is to be removed from the property record and the appropriate reduction will be made to the asset’s historical cost, accumulated depreciation, and net book value amounts on the property record.

SECTION 3 – DEPRECIATION METHOD: The cost for infrastructure will be capitalized and depreciated on a prospective basis beginning the year placed in service. *Depreciation will be calculated using the straight-line method and full-year convention. No salvage value or residual value will be considered.*

SECTION 4 – CAPITALIZATION vs. EXPENSE: The cost for maintenance will be expensed. *With regard to improvements to buildings and general infrastructure, a capital outlay must be significant and increase capacity, increase efficiency, or extend the asset’s estimated useful life beyond the original expectation.*

A change in capacity increases the level of service provided by the asset. For example, widening a road with additional lanes increases capacity and, hence, the capital outlay is capitalized. The resurfacing of existing roads or the 're-claiming' of chip and seal roads does not generally result in an increased capacity or efficiency; hence, these expenditures are to be expensed as maintenance in the current year. These expenses often merely restore the asset to the original service potential but do not necessarily improve its efficiency or capacity.

SECTION 5 – USEFUL LIVES OF ASSETS: The following depreciable lives are established:


- Computers, servers, peripherals – 3 years, straight line
- Appliances – 5 years, straight line
- Tools – 5 years, straight line
- Equipment – 7 years, straight line
- Vehicles under 13,000 gross vehicle weight – 5 years, straight line
- Vehicles 13,000 or more gross weight – 7 years, straight line
- Other Improvements – 10 years, straight line
- Buildings – 40 years, straight line
- Road Improvements – 10 years, straight line
- New Infrastructure – 40 years, straight line

SECTION 6: MINOR BUT SENSITIVE ASSETS

Equipment having a cost below the capitalization threshold but considered "Minor but Sensitive" may include, for example, radios, personal computers, laptop computers, printers, fax machines, and small power tools. If lost or stolen, these minor but sensitive items could have significant liability attached to them. For these reasons these items shall be inventoried and controlled at the department level.

Each department having minor but sensitive assets will maintain a complete and confidential updated list of these assets. Data elements are to include, at a minimum, an asset description, location, make, model, serial number, and other information that assists control or deemed relevant.

APPROVED this 20th day of June, 2019, by the Board of Trustees of Downers Grove Township and the Highway Commissioner of Downers Grove Township Road District, DuPage County, Illinois.


Township/Road District Clerk


Supervisor


Highway Commissioner

(Seal)