

INVENTORIES OF CAPITAL ASSETS

Every city or town should have a complete inventory of all capital assets owned which reflect their acquisition value. Such inventory should be recorded in the Capital Assets Ledger, City and Town Form No. 211, segregated by departments of the city or town, i.e., fire department, police department, park department, street department, sanitation department, etc. Water, electric, gas, and sewage utilities are to be inventoried separately showing capital assets belonging to each utility. A complete inventory should be taken at least once a year for good internal control and for verifying account balances carried in the accounting records.

Capitalization Policy

The governing body should establish capitalization policy that sets a dollar amount as a threshold to be used in determining which items will be recorded.

Land

The records of each city and town should reflect land owned, its location, its acquisition date and cost (purchase price).

Infrastructure

A capital asset account for the cost of infrastructure should reflect the location of each road, bridge, tunnel, drainage system, stormwater system, dam, or lighting system.

Buildings

A capital asset account for buildings should reflect the location of each building and the cost value (being the purchase or construction cost) and, if improvements are made to the building, the cost of such improvements would be included. If a building is acquired by gift, the account would reflect its appraised value at the time of acquisition.

Improvement Other Than Buildings

A capital asset account should reflect the acquisition value of permanent improvements, other than buildings, which have been added to the land. Examples of such improvements are fences, retaining walls, sidewalks, gutters, tunnels and bridges. The improvements would be valued at the purchase or construction cost.

Equipment

Tangible property of a permanent nature, other than land, buildings and improvements, should be inventoried. Examples including machinery, trucks, cars, furniture, typewriters, adding machines, calculators, bookkeeping machines, data processing equipment, desks, safes, cabinets, etc. The value of such items should be carried in the inventory at the purchase cost.

Construction Work In Progress

Where construction work has not been completed in the current calendar year, the cost of the project should be carried as “construction work in progress.” When the project is completed, it will be placed on the inventory applicable to the assigned asset accounts.

ESTABLISHING THE ESTIMATED COST OF CAPITAL ASSETS

When it is not possible to determine the historical cost of capital assets owned by a governmental unit, the following procedure should be followed.

Develop an inventory of all capital assets which are significant for which records of the historical costs are not available. Obtain an estimate of the replacement costs of these assets. Through inquiry determine the year or approximate year of acquisition. Then multiply the estimated replacement cost by the factor for the year of acquisition from the Table of Cost Indexes. The resulting amount will be the estimated cost of the asset.

In some cases estimated replacement cost can be obtained from insurance policies; however, if estimated replacement costs are not available from insurance policies, you should obtain or make an estimate of the replacement costs.

If the replacement cost is estimated to be \$76,000.00 and the asset was constructed about 1928, then the estimated cost of the asset should be reported as \$6,080.00.

$$\$76,000.00 \times .08 = \$6,080.00$$

TABLE OF COST INDEXES
1913 to 2011

<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>	<u>Year</u>	<u>Index</u>
2011	1.00	1985	.48	1961	.13	1937	.07
2010	.97	1984	.46	1960	.13	1936	.06
2009	.95	1983	.44	1959	.13	1935	.06
2008	.96	1982	.43	1958	.13	1934	.06
2007	.92	1981	.40	1957	.13	1933	.06
2006	.90	1980	.37	1956	.12	1932	.06
2005	.87	1979	.32	1955	.12	1931	.07
2004	.84	1978	.29	1954	.12	1930	.07
2003	.82	1977	.27	1953	.12	1929	.08
2002	.80	1976	.25	1952	.12	1928	.08
2001	.79	1975	.24	1951	.12	1927	.08
2000	.77	1974	.22	1950	.11	1926	.08
1999	.74	1973	.20	1949	.11	1925	.08
1998	.73	1972	.19	1948	.11	1924	.08
1997	.71	1971	.18	1947	.10	1923	.08
1996	.70	1970	.17	1946	.09	1922	.08
1995	.68	1969	.16	1945	.08	1921	.08
1994	.66	1968	.16	1944	.08	1920	.09
1993	.64	1967	.15	1943	.08	1919	.08
1992	.62	1966	.14	1942	.07	1918	.07
1991	.61	1965	.14	1941	.07	1917	.06
1990	.58	1964	.14	1940	.06	1916	.05
1989	.55	1963	.14	1939	.06	1915	.05
1988	.53	1962	.13	1938	.06	1914	.05
1987	.51					1913	.04
1986	.49						