ICC Austin

Capitalization & Depreciation Policy

As approved by the Executive Director, and incorporating all changes through:

June 1, 2017

Revision History

Date	Author(s)	Summary of Changes
June 2015	Thogersen; Hill	Policy creation
June 2016	Hill	Aligned policy wording with current practice

Review History

Date	Reviewed by
June 2016	Thogersen, Hill, Lassiter
May 2017	Thogersen, Lassiter, Khalil, Hegar

External Cross-references

Section(s)	Policy/Section Referenced

Introduction

Generally Accepted Accounting Principles (GAAP) require the use of a systematic and rational approach to the capitalization and depreciation of assets.

Policy

1. Threshold - Acquisitions of property and equipment in excess of $2,000 are capitalized. Purchases of property and equipment are recorded at cost and depreciated using the straight line method over their estimated useful life. Meeting threshold is determined based on stand-alone unit cost. For example, four new $500 computers would not be capitalized. However, a new server system including a $1,200 computer and $800 software package would be capitalized.

2. Capitalization Criteria - Expenditures in excess of the threshold that replace, enhance the useful life of, or service level of, an asset may be capitalized. Costs to maintain or restore an asset to normal operating condition will be recorded as current-period repair expenses. Individual expenses within Building Improvement Projects and Major renovations will be expensed if they fall below $500 (e.g. window cleaning service would be aggregated with the other costs in a house spruce-up project if the service was over $500, but not included if less than $500).

3. Depreciation - Property and equipment are recorded at cost if purchased or fair value if donated and depreciated on a straight-line basis using the full-year convention* (a full year of depreciation in the fiscal year the asset is placed in service and none in the in the final year) over the estimated useful lives according to the following schedule:

   Commercial equipment- 10 years
   Building improvements and rehabilitations** - 15 years
   Major renovations and sprinkler systems** - 25 years
   Buildings and additions - 40 years

   *Because the majority of capital expenditures generally occur at the beginning of each fiscal year, a reasonable approximation of the matching principle will be obtained. Projects over $500,000 will not use the full-year convention and will be depreciated on a monthly pro-rata basis the first year of service.

   **Major renovations are deemed to be readily distinguishable, stand-alone projects $20,000 or more. Building improvements are defined to be stand-alone projects below $20,000 or groups of closely related projects with no component above $20,000, e.g. a $25,000 "spruce-up" with five $5,000 projects.

4. Construction in Progress (CIP) – Project costs will be held in a CIP until completion and placed in service. At this time, all associated project costs over $500 will be aggregated as one fixed asset and begin depreciation.

5. Implementation and Oversight - Staff will review the schedule of fixed assets once annually at the end of the fiscal year to remove disposed assets and add new assets. All adjustments to depreciation expense with respect to disposed and new assets will be made after the review.