Allegany County Land Bank
6087 Route 19 N – Box 300
Belmont, NY 14813
585-268-7472 Ext 7
alleganycountylandbank@gmail.com

Allegany County Land Bank Corporation [ACLBC]

Capitalization Policy

Physical assets acquired with unit costs in excess of five thousand U.S. dollars ($5,000) are capitalized as property and equipment on ACLBC's financial statements. Items with unit costs below this threshold shall be expensed in the year purchased.

Capitalized property and equipment additions are accounted for at their historical cost and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Contributed Assets

Assets with fair market value in excess of five thousand U.S. dollars ($5,000) (per unit) that are contributed to ACLBC shall be capitalized as fixed assets on ACLBC's financial statements. Contributed items with market values below this threshold shall be expensed in the year contributed.

Capitalized contributed assets are accounted for at their market value at the time of donation and all such assets, except land and certain works of art and historical treasures, are subject to depreciation over their estimated useful lives, as described later.

Equipment and Furniture Purchased with Federal Funds (*2 CFR Part 200.313*)

ACLBC may occasionally purchase equipment and furniture that will be used exclusively on a program funded by a federal agency. Equipment and furniture charged to federal awards will be subject to certain additional policies as described below.

All purchases of equipment and furniture with federal funds shall be approved, in advance and in writing, by the federal awarding agency. In addition, the following policies shall apply regarding equipment purchased and charged to federal awards:

1. Adequate insurance coverage will be maintained with respect to equipment and furniture charged to federal awards.

2. For equipment (or residual inventories of supplies) with a remaining per unit fair market value of five thousand U.S. dollars ($5,000) or less at the conclusion of the award, ACLBC shall retain the equipment without any requirement for notifying the federal awarding agency.

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3. If the remaining per unit fair market value is five thousand U.S. dollars ($5,000) or more, ACLBC shall gain written understanding with the federal awarding agency regarding disposition of the equipment. This understanding may involve returning the equipment to the federal awarding agency, keeping the equipment and compensating the federal awarding agency, or selling the equipment and remitting the proceeds, less allowable selling costs not to exceed five hundred U.S. dollars ($500), to the federal awarding agency. (*2 CFR Part 200.313(e)*)

4. The Grant Manager shall determine whether a specific award with a federal agency includes additional equipment requirements or thresholds and requirements that differ from those described in this policy.

5. A physical inventory of all equipment purchased with federal funds shall be performed annually by the Audit Committee as part of Assessment of Internal Controls. The results of the physical inventory shall be reconciled to the accounting records of and federal reports filed.

Establishment and Maintenance of a Property Log

All capitalized property and equipment shall be recorded in a Property Log. This Log shall include the following information with respect to each asset: (*2 CFR Part 200.313(d)(1)*)

- Date of Acquisition
- Purchase Price
- Vendor/Supplier Name
- Purchase Method (i.e. check, cash, credit card, etc.)
- Transaction Number (i.e. check number, receipt number, etc)
- Depreciation Method
- Location, use and condition
- Estimated useful life
- Description (including color, model, and serial number or other identification number)
- Funding Source
- Contract Number
- Ultimate disposition data, including the date of disposal and sale price

A physical inventory of all assets capitalized under the preceding policies will be taken on an annual basis by ACLBC. This physical inventory shall be reconciled to the Property Log and adjustments made as necessary. All adjustments resulting from this reconciliation will be approved by the Chairman of the Board.

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Receipt of Newly Purchased Equipment and Furniture

At the time of arrival, all newly purchased equipment or furniture shall be examined for obvious physical damage. If an asset appears damaged or is not in working order, it shall be returned to the contractor immediately.

In addition, descriptions and quantities of assets per the packing slip or bill of lading shall be compared to the assets delivered. Discrepancies should be resolved with the contractor immediately.

Depreciation and Useful Lives

All capitalized assets are maintained in the special property and equipment account group and are not to be included as an operating expense. Property and equipment are depreciated over their estimated useful lives using the straight-line method.

In the year of acquisition, depreciation is recorded based on the number of months the asset is in service, counting the month of acquisition as a full month (Example: an asset purchased on the 15th day of the 5th month shall have 8 full months of depreciation [eight-twelfths of one year]) recorded for that year.

Estimated useful lives of capitalized assets shall be determined by the Finance Department in conjunction with the Department or employee that shall utilize the asset. The following is a list of the estimated useful lives of each category of fixed asset for depreciation purposes:

- Furniture, and fixtures……Up to 10 years
- General office equipment……..5 years
- Computer hardware and peripherals
  (which exceed the capitalization threshold)……3 to 5 years
- Computer software……2 to 3 years
- Leased assets……Life of lease
- Leasehold Improvements……Remaining lease term

For accounting and interim financial reporting purposes, depreciation expense will be recorded on a monthly basis.

Changes in Estimated Useful Lives

If it becomes apparent that the useful live of a particular capitalized asset will be less than the life originally established, an adjustment to the estimated useful life shall be made. All such changes

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in estimated useful lives of capitalized assets must be approved by the Chairman of the Board.

When a change in estimated useful life is made, the new life is used for purposes of calculating annual depreciation expense. In the year in which the change in estimate is made, the cumulative effect of the change shall be reflected as depreciation expense in ACLBC's *Statement of Activities*. For example, if in the fourth (4th) year of an asset's life it is determined that the asset will last five (5) years instead of the original estimate of seven (7) years, depreciation expense for the year shall be equal to the difference between four-fifths (4/5) of the asset's basis (accumulated depreciation at the end of year four), and three-sevenths (3/7) of the asset's basis (accumulated depreciation at the beginning of the year).

Repairs of Property and Equipment

Expenditures to repair capitalized assets shall be expensed as incurred if the repairs do not materially add to the value of the property or materially prolong the estimated life of the property.

Expenditures to repair capitalized assets shall be capitalized if the repairs increase the value of the property, prolong its estimated useful life, or adapt it to a new or different use. Such capitalized repair costs shall be depreciated over the remaining useful life of the property. If the repairs significantly extend the estimated useful life of the property, the original cost of the property shall also be depreciated over its new, extended useful life.

Dispositions of Property and Equipment

In the event that a non-expendable asset is sold, scrapped, donated or stolen, adjustments need to be made to the Property Log. If money is received for the asset, then the difference between the money received and the "book value" (purchase price less depreciation) of the asset will be recorded as a loss if the money received is less than the book value, and a gain if the money received is more than the book value.

Write-Offs of Property and Equipment

The Chairman of the Board approves the disposal of all capitalized fixed assets that may be worn out or obsolete. Property that is discovered to be missing or stolen will be reported to the Chairman of the Board. If not located, this property will be written off the books with the proper notation specifying the reason.