

TRUCKEE TAHOE AIRPORT DISTRICT

POLICY INSTRUCTION

PI NUMBER 307

Formerly PI 211

Effective: June 22, 2006

Approved: January 26, 2012

[November 30, 2022](#)

SUBJECT: CAPITALIZATION POLICY

PURPOSE: It is essential that the Truckee Tahoe Airport District follow a uniform policy with respect to the acquisition, capitalization, management and disposition of equipment and other capital assets for financial statement purposes and to maintain adequate control over the District's resources, to minimize the risk of loss or misuse.

BACKGROUND and DEFINITIONS:

The term *capital assets* is used to describe assets of significant value that are used in operations and have initial lives extending beyond a single reporting period. Capital assets may be either tangible or intangible. The *useful life* of a capital asset is the estimated number of reporting periods in which it will provide a benefit to the District. The monetary criterion used to determine whether a given capital asset should be reported on the balance sheet is known as the *capitalization threshold*. A capital asset's *acquisition value* or *historical cost* includes the cost of the equipment and any associated costs incurred to make the equipment usable for the purpose for which it was intended, including installation costs. *Depreciation* is the process by which the initial acquisition value is allocated to the reporting periods which benefit from the capital asset. The *disposition* of capital assets may be accomplished through sale, exchange, or disposal. Capital assets may also experience a significant, unexpected decline in their service utility; this is considered an *impairment* of a capital asset.

POLICY:

1. Items shall only be capitalized if they have an estimated useful life of at least two years following the date of acquisition.
2. The District shall use a capitalization threshold of \$5,000. This amount shall be applied to individual items rather than groups of similar items, unless doing so would exclude a significant capital item. On occasion an asset may be donated to the District, in which case the appraised value at the date of receipt would be used in determining if the asset should be capitalized. As the District receives federal awards in the form of FAA grants, the threshold will be adjusted if necessary to be in line with federally specified maximum amounts for purposes of federal reimbursement (currently \$5,000).
3. The useful life of an asset will be established by the General Manager through consultation with the Director of Finance, Director of Operations, District Engineer, or any other authority deemed appropriate.

4. The District shall record capital assets upon receipt and capital projects upon completion in the accounting records at their acquisition value, including any grant funding, and shall depreciate the assets over their estimated useful lives.
5. The Board of Directors will review possible capital acquisitions for the upcoming year in conjunction with the budget approval process. Capital asset additions will be shown separately from budgeted operating expenditures. When the budget is approved the Board has the option of approving a capital addition outright, or conditionally approving the item for inclusion in the budget, subject to additional review before funds are expended.
6. Once purchased, a capital asset will be included in the fixed asset register of the District. The register will show: acquisition cost, useful life, accumulated depreciation and net book value. Depreciation will be estimated monthly and recorded annually in the fixed asset register. When a disposition or an impairment of a capital asset occurs, the asset and its related accumulated depreciation will be retired from the fixed asset register.
7. The District will perform a physical inventory of all capital assets either simultaneously or on a rotating basis, so that all of the District's capital assets are physically accounted for at least once every five years.

Steve Swigard**Kat Rohlf**, President