

Capitalization Policy

Effective August 1, 2009 the capitalization policy for Northeast Texas Regional Advisory Council.

Any items costing more than \$1,000 will be capitalized as of August 1, 2009. Below is the complete capitalization policy.

Capital Equipment - tangible personal property having a useful life of one year or more and an acquisition cost of \$1,000 or more per unit.

Acquisition cost - the net invoice price of the equipment including the cost of modifications, attachments, accessories, or auxiliary apparatus necessary to make the equipment operable. Other charges such as the cost of installation, transportation, taxes, duty or protective in-transit insurance, shall be included in determining the acquisition cost.

Policy

Capital equipment at Northeast Texas Regional Advisory Council tangible personal property having a useful life of one year or more and an acquisition cost of \$1,000 or more per unit. All equipment meeting this definition should be recorded on the NETRAC equipment inventory and should be tagged with a capital equipment number for tracking purposes.

Personal Computers

All personal computer system packages valued at \$1,000 or more are to be recorded on the equipment inventory. PC system packages consist of a central processing unit (CPU), system software, and all accessories necessary to make the property operable.

Software

Software is intangible property and is not considered capital equipment under this policy. The value of pre-loaded computer software may be included in the cost of the equipment recorded on the NETRAC inventory when the cost of this software is not separately identified on the sales invoice. Major systems software valued at \$25,000 or

more may be capitalized for financial statement purposes..

Accessory Equipment

When an accessory meets all the criteria of capital equipment (i.e., it is tangible personal property having a useful life of one or more years and an acquisition cost of \$1,000 or more), it should be treated as a separate item of capital equipment and assigned a capital equipment number and recorded on the College's equipment inventory.

Repairs, Replacements, and Upgrades

Equipment repair, replacement, and upgrade costs will be capitalized only when these costs are \$1,000 or more and they extend the useful life of the original piece of equipment by one year or more. When these costs are capitalized, the asset value and useful life of the original piece of equipment – as recorded on the NETRAC equipment inventory – should be updated to reflect the new value and remaining useful life of the asset.

Donated Equipment

Equipment donated to NETRAC by a third party is covered by this policy. For capitalization and inventory purposes, the recorded value of the donated equipment should be the fair market value of the equipment at the date of the gift.

Capitalized Manufactured Equipment

Capitalized manufactured equipment is equipment that is assembled or manufactured by NETRAC using purchased materials, in-house machinery or tools and labor. Manufactured equipment valued at \$1,000 or more and having a useful life of one year or more shall be capitalized and recorded on the NETRAC equipment inventory. Councils manufacturing equipment are responsible for determining the cost of the equipment. Additionally, it is the responsibility of the Council to notify the Executive Director of the equipment's existence.