



# CATHOLIC DIOCESE OF CLEVELAND

## Financial Policy & Procedure Statement K-1



### ACQUISITION OF CAPITAL ASSETS

#### ACQUISITION OF CAPITAL ASSETS

This statement is intended to establish a uniform and consistent Diocesan policy for parishes and schools to follow when recording the acquisition of Capital Assets. A Capital Asset is real or personal property or a major repair or improvement costing \$1,500 or more AND which has a useful life of over one year. The acquisition of Capital Assets are recorded under the Capital Disbursement sections of the charts of accounts for parishes and elementary schools.

#### METHODS OF ACQUIRING CAPITAL ASSETS

Capital Assets are acquired in four different ways: (1) direct purchase from a vendor or contractor; (2) donation; (3) construction or repair by "in-house" personnel or (4) construction or repair by volunteers.

#### DIRECT PURCHASE

When real or personal property or repairs and improvements are purchased from a vendor or contractor, the applicable Capital Disbursement account should be charged when payment is made. Shipping, installation, architectural and other related costs should also be charged to the same account.

#### DONATED PROPERTY

When a Capital Asset is donated to the parish or school and has a market value of \$1,500 or more and a useful life of over one year, the fair market value of the property or the donor's basis, whichever is lower, should be charged to the applicable Capital Disbursement account. Also, the applicable parish or school Operating Receipt account should be credited for the amount charged to Capital Disbursements. Additional costs incurred to ship, install or repair the donated Capital Asset should be charged to the same Capital Disbursement account.

#### "IN-HOUSE" CONSTRUCTION OR REPAIR PROJECTS

Parishes or schools frequently have maintenance or janitorial personnel make major repairs or perform construction work rather than having the work done by outside vendors or contractors. Normally, the costs of minor or routine maintenance costs are charged to Plant Operation expenses. However, if the cost of the work - including the gross compensation of the in-house personnel involved - exceeds \$1,500 and the asset has a useful life of over one year, the total costs should be charged to the applicable Capital Disbursement account. In this scenario, the gross compensation of the employees involved must be transferred from the normal disbursement account to which their compensation is normally charged to the Capital Disbursement account so that the disbursement is not recorded twice.

#### "VOLUNTEER" CONSTRUCTION OR REPAIR PROJECTS

At times, volunteers do major repairs or construction work. The cost of supplies such as paint, drywall, nails, etc., are normally charged to Plant Operation expenses. However, if these costs are \$1,500 or more and the project has a useful life of over one year, the costs should be charged to the applicable Capital Disbursement account. The value of the volunteer's work should not be recorded.

DATE ISSUED	REPLACES	STATEMENT	PAGE
October 1, 1994		K	K-1.1



# CATHOLIC DIOCESE OF CLEVELAND

## Financial Policy & Procedure Statement K-1



### ACQUISITION OF CAPITAL ASSETS

#### AGGREGATE COSTS

If a piece of furniture or equipment costs less than \$1,500, the cost is charged to an Operating Disbursement account. However, if several identical or related items (each costing less than \$1,500) are purchased at the same time but have an aggregate value of more than \$1,500, the costs should be charged to a Capital Disbursement account. For example, the components of a new computer system for the school might each cost less than \$1,500 but in aggregate cost more than \$1,500. In this case, the total costs should be charged to a Capital Disbursement account 6005.06 (Computers and Related Equipment). If only a single computer component costing less than \$1,500 was acquired for a classroom, the costs should be charged to account 5103.06 (Computer Instruction).

#### REPLACEMENT COSTS

When a parish or school replaces furniture or equipment due to wear or obsolescence, the costs should be charged to the applicable Operating Disbursement account. However, if the aggregate cost of the replacement exceeds \$1,500 and a useful life of more than a year, the costs should be charged to a Capital Disbursement account. For example, if the cost to replace a single school desk is \$100, the cost would be charged to Instructional Expense account 5104 (Replacement of Instructional Equipment). However, if 50 replacement desks were purchased at one time, the cost would be charged to Capital Disbursement account 6005.02 (Classroom Furniture).

DATE ISSUED	REPLACES	STATEMENT	PAGE
October 1, 1994		K	K - 1.2