

**TOWN OF KEYSTONE
Summit County, Colorado**

RESOLUTION 2025-30

**A RESOLUTION OF TOWN COUNCIL OF THE TOWN OF KEYSTONE, COLORADO,
APPROVING CAPITALIZATION AND DEPRECIATION POLICY**

WHEREAS, the Town of Keystone (“Town”) is a home rule municipality governed by the Keystone Home Rule Charter; and

WHEREAS, the Town Council recognizes the need for clear and consistent financial policies to ensure proper stewardship of public resources; and

WHEREAS, Governmental Accounting Standards Board (GASB) pronouncements and best practices from the Government Finance Officers Association (GFOA), Colorado Municipal League (CML), and Colorado Government Finance Officers Association (CGFOA) recommend adoption of formal asset capitalization and depreciation policies; and

WHEREAS, the Finance Director has prepared and presented a Capitalization and Depreciation Policy for the Town Council’s consideration that meets these standards and supports accurate financial reporting, compliance, and asset management;

Now, Therefore, be it Resolved by the Town Council of the Town of Keystone, Colorado, that:

Section 1. The Capitalization and Depreciation Policy, attached hereto and incorporated herein as “Exhibit A”, is hereby adopted by the Town Council of the Town of Keystone.

Section 2. . Town staff are directed to implement the policy and ensure its integration into the Town’s financial procedures and internal controls.

Section 3. Effective Date. This Resolution shall take effect upon its approval by the Town Council.

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ADOPTED by a vote of 6 in favor and 0 against, this 26th day of August 2025.

Signed by:
By: Kenneth D. Riley
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Kenneth D. Riley, Mayor

ATTEST:

Approved as to Form:

DocuSigned by:
By: Madeline Sieb
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Town Clerk

Signed by:
By: Jennifer Madsen
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Town Attorney

Town of Keystone

Capitalization and Depreciation Policy

- I. **PURPOSE OF POLICY:** The purpose of this policy is to establish a uniform framework for capitalizing and depreciating capital assets in accordance with Generally Accepted Accounting Principles (GAAP), the Governmental Accounting Standards Board (GASB), and best practices as recommended by the Government Finance Officers Association (GFOA), Colorado Municipal League (CML), and Colorado Government Finance Officers Association (CGFOA). This ensures accurate financial reporting, effective asset management, and audit compliance
- II. **SCOPE:**

This policy applies to all departments and funds of the Town of Keystone, including governmental and proprietary (enterprise or internal service) funds. It covers the acquisition, capitalization, depreciation, inventory, and disposal of capital assets.
- III. **DEFINITIONS:**

For the purpose of this Policy:

Capital Asset

A tangible or intangible asset used in operations with an initial useful life of more than one year and a value above the Town's capitalization threshold.

Capitalization Threshold

The minimum dollar amount at which an asset is recorded as a capital asset in the Town's accounting records.

Depreciation

The systematic allocation of the cost of a capital asset over its estimated useful life.

Useful Life

The period over which a capital asset is expected to be used in operations, as determined by its physical life, legal or contractual limits, and technological obsolescence.

Book Value

The original cost of a capital asset minus accumulated depreciation.

Straight-Line Depreciation

A method of depreciation where the cost of the asset is expensed evenly over its useful life.

Salvage Value

The estimated value of an asset at the end of its useful life. Keystone assumes salvage value is zero unless otherwise justified.

Infrastructure

Long-lived capital assets that are normally stationary and can be preserved for significantly more years than most capital assets. Examples include roads, bridges, sidewalks, stormwater systems, and trails.

Building Improvements

Capital outlays that materially extend the useful life or increase the value of a building, as opposed to routine maintenance which is expensed.

Construction in Progress (CIP)

Costs incurred for construction projects that are not yet completed or placed in service. CIP is not depreciated until the project is completed.

Lease Asset

A right-to-use capital asset recognized under GASB 87 for leases that meet certain criteria. Lease assets are amortized over the term of the lease.

Donated Asset

An asset received by the Town without cost. Donated assets are recorded at their estimated fair market value at the time of acquisition.

Fixed Asset Register

The Town's official record of capital assets, including acquisition cost, useful life, depreciation, location, and disposal information.

IV. POLICY:

Capitalization Thresholds

Capital assets are defined as tangible or intangible assets with a useful life of at least one year. Assets will be capitalized if they meet or exceed the following thresholds:

Asset Category	Capitalization Threshold
Land	Capitalize all
Buildings	\$50,000
Building Improvements	\$25,000
Infrastructure	\$100,000
Machinery & Equipment	\$10,000
Vehicles	\$10,000
Computer Hardware	\$10,000
Software (internally developed or purchased)	\$25,000
Lease Assets (GASB 87)	Per lease standard
Intangible Assets	\$25,000

Assets below the thresholds are expensed in the year of acquisition.

Depreciation

All depreciable capital assets will be depreciated using the straight-line method over the following standard estimated useful lives, with no salvage value unless documented otherwise:

Asset Category	Useful Life (Years)
Buildings	25–50
Building Improvements	10–30
Infrastructure	20–50
Machinery & Equipment	5–15
Vehicles	5–10
Computer Hardware	3–5
Software	5–10
Lease Assets (GASB 87)	Term of Lease

Land and construction in progress are not depreciated.

Capital Asset Categories

Assets shall be recorded under the following categories:

Land: Real property owned by the Town; non-depreciable.

Buildings and Improvements: Structures and renovations that extend useful life.

Infrastructure: Roads, sidewalks, stormwater systems, etc.

Machinery and Equipment: Tools, furnishings, and equipment used in operations.

Vehicles: Autos, trucks, snowplows, etc.

Software/Intangibles: Licenses, internally developed systems.

Lease Assets: Right-of-use assets under GASB 87.

Construction in Progress: Costs incurred on assets not yet placed in service.

Donated assets are recorded at fair market value at the time of donation.

Timing of Capitalization

Assets are capitalized and depreciated beginning in the month placed into service, not at the time of purchase or payment.

Improvements vs. Repairs

Capitalized Improvements: Expenditures that extend the asset's useful life, increase capacity, or significantly enhance value.

Expensed Repairs/Maintenance: Routine or recurring costs to maintain current service level.

Asset Management & Inventory

The Finance Department will maintain a fixed asset register. Departments are responsible for:

- Notifying Finance of new acquisitions, transfers, or disposals
- Participating in biennial physical inventory

Disposals and Write-offs

Departments must submit documentation to Finance for approval of asset disposals. Disposed assets will be removed from the asset register, and any gain/loss will be recorded in accordance with GASB standards.

Reporting and Compliance

This policy ensures compliance with:

GASB 34: Basic Financial Statements for State and Local Governments

GASB 87: Leases

GASB 96: Subscription-Based IT Arrangements

GFOA Best Practices: Capital Asset Accounting and Control

CML/CGFOA Guidelines: Small and Mid-Size Government Financial Operations

Annual financial reports shall include disclosures on capital asset activity and depreciation schedules.

Review Cycle: This policy will be reviewed at least once every year, or upon adoption of new GASB standards.

V. APPROVAL:

This Policy was approved by Town Council through Resolution No. _____.