

RESOLUTION NO. 09 - 57

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY
OF WILDOMAR, CALIFORNIA, ADOPTING THE
FINANCIAL POLICY FOR CAPITAL ASSETS**

WHEREAS, the City Council has reviewed the Financial Policy for Capital Assets.

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

Section 1. The City of Wildomar Financial Policy for Capital Assets as specified in the Staff Report is hereby adopted.

PASSED, APPROVED, AND ADOPTED this 26th day of August 2009.




Scott Farnam
Mayor

APPROVED AS TO FORM:

ATTEST:



Julie Hayward Biggs
City Attorney



Debbie A. Lee, CMC
City Clerk

City of Wildomar

CAPITAL ASSETS POLICY

1. Policy Objective:

To establish procedures to ensure the proper safeguarding, handling and reporting of City-wide capital assets

2. Assigned Responsibility:

Administration of this policy shall be the responsibility of the Finance Department.

3. Overview

The City will maintain a capital asset management system that will meet external financial reporting requirements and the needs of the City in line with these policies.

Capital assets are recorded as expenditures in governmental funds at the time the assets are received and the liability is incurred. These assets will be capitalized at cost in the government wide financial statements.

Per GASB 34:

Capital Assets are defined as land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipments, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period.

Infrastructure Assets are defined as long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets. Examples include roads, bridges, drainage system, water and sewer systems and lighting systems.

4. Capitalization

In general, all capital assets, including land, buildings, vehicles, infrastructure, machinery and equipment with an original cost of \$5,000 or more an expected useful life of three years or more, will be subject to accounting and reporting. All costs with the purchase or construction should be considered, including ancillary

costs such as freight and transportation charges, site preparation expenditures, professional fees, and legal claims directly attributable to asset acquisition. Specific capitalization requirements are described below:

- **The capitalization threshold is applied to individual units of capital assets.** *For example, ten desks purchased through a single purchase order, each costing \$1,000, will not qualify for capitalization even though the total (\$10,000) exceeds the threshold of \$5,000.*
- **For purposes of capitalization, the threshold will generally not be applied to components of capital assets.** *For example, a keyboard, monitor and central processing units, purchased as components of a computer system, will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single fixed asset provided the entire system meets the \$5,000 threshold.*
- **Repairs to existing capital assets will not be subject to capitalization unless it extends the useful life of the asset.** *In this case, it represents an improvement and is subject to the requirements described below:*
- **Improvements to existing capital assets will be presumed (by definition) to extend the useful life of the related fixed asset, and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold.**
- **Capital projects will be categorized as Construction in Progress until the project is substantially complete, accepted and placed into service.** *At that point the costs will be capitalized into the appropriate asset classification.*

5. Acquisition of Capital Assets

Capital assets may be acquired through direct purchase, construction, eminent domain, tax foreclosures, donations and gifts. When a capital asset is acquired, the funding source will be identified in the appropriate fund. Additionally the fund type will be identified as well as the specific fund.

6. Measuring the Cost and/or Value

Capital assets are recorded at their historical cost, which is the original cost of the asset. Contributed capital will be valued at the fair market value at the time of donation. Costs include purchase price (less discounts) and any other reasonable and necessary costs incurred to place the asset in its intended location and prepare it for service.

7. Depreciation

The City will record depreciation expense on all capital assets, except for land. The City will use straight-line depreciation using the half-year convention. Depreciation will be calculated for half a year in year of acquisition and the year of disposition. Depreciation will be calculated over the useful life of the asset.

8. Recommended Lives

The City has established recommended useful lives for capital assets

<u>Asset Class</u>	<u>Useful Life</u>
Buildings and Improvements	10 – 30 years
Equipment and Furniture	3 – 20 years
Vehicles	5 – 10 years
Infrastructure	10 – 50 years
Software	5 – 10 years

9. Physical Inventories

The City performs a physical inventory of movable capital assets annually. In general, inventory control is applied only to movable capital assets and not to land, buildings, or other immovable capital assets.

8. Disposal

Annually a list of surplus, damaged or inoperative equipment is compiled and sent for approval to the City Council. The list is distributed to the departments within the City for transfers. The remaining list is published for bids. All bids are compiled by the City Clerk. Any equipment not sold is then disposed in accordance with the Municipal Code.

Effective Date: 08/26/2009



Gary Nordquist
Finance Director



Frank Oviedo
City Manager

STATE OF CALIFORNIA)
COUNTY OF RIVERSIDE)
CITY OF WILDOMAR)

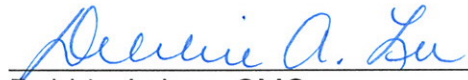
I, Debbie A. Lee, CMC, City Clerk of the City of Wildomar, California, do hereby certify that the foregoing Resolution No. 09-57 was duly adopted at a regular meeting held on August 26, 2009, by the City Council of the City of Wildomar, California, by the following vote:

AYES: Mayor Farnam, Mayor Pro Tem Moore, Council Members Ade, Cashman, and Swanson

NOES: None

ABSTAIN: None

ABSENT: None



Debbie A. Lee, CMC
City Clerk
City of Wildomar