

# Capital Asset Policy

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**Policy Number:** 01-06

**Date:** January 9, 2017

**Purpose:** Capital assets purchased or acquired with an original cost of \$25,000 or more are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. General capital assets are long-lived assets of the City as a whole. Infrastructure such as streets, traffic signals and signs are capitalized. In the case of the initial capitalization of general infrastructure assets (i.e., those reported by the governmental activities) the government chose to include all such items regardless of their acquisition date. The valuation basis for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement costs.

Capital assets in the proprietary funds are capitalized in the fund in which they are utilized. The valuation bases for proprietary fund capital assets are the same as those used for the general capital assets. Donated capital assets are capitalized at estimated fair market value on the date donated.

Depreciation on all assets is computed and recorded using the straight-line method of depreciation over the following estimated useful lives:

Buildings and Building Improvements	40 to 50 Years
Equipment	10 to 20 Years
Vehicles	3 to 20 Years
Infrastructure	25 to 50 Years
Water Distribution System	40 to 65 Years

When capital assets are purchased with the use of federal funds the following procedures will be completed by the City. Administration of these procedures will be the responsibility of the City's Finance Director and the Finance Director will sign off that these procedures have been adhered to for the purchase of every federal funded capital asset. Those procedures are as follows:

Capital assets purchased with federal funds will be tagged with a special notation of "F" in addition to the regular identification number system used by the City.

The description of the capital asset in the City's capital asset records will also include the words "federally funded" before the description of the specific asset acquired.

The source of federal funds must be noted and include a description of who holds title to the assets, along with the asset acquisition date, the asset cost, location of the asset, condition and use/purpose of the asset.

The portion of the asset that is federally funded must also be noted in the City's capital asset records. Upon disposition of any federally acquired assets, the City must note in the capital asset records the disposition date and sale price.

A physical inventory of all assets acquired with federal funds will be performed on a biennial basis. The results of the City's inventory of federally funded capital assets will be reconciled to the City's capital asset records to ensure accuracy. This inventory will be overseen and approved by the City's Finance Director.