

## Capital Asset Management Policy

### Purpose

The purpose of this policy is to ensure that the City's capital assets are accounted for in conformance with generally accepted accounting principles; and to establish a consistent and cost-effective method for accounting for assets.

This capital asset policy is in accordance with generally accepted accounting principles and closely conforms to capital asset accounting practices as recommended by the Government Finance Officers Association (GFOA).

### Policy

1. Capitalization Thresholds - Effective July 1, 2025 the City will capitalize individual assets other than Buildings, Building Improvements and Land Improvements and Infrastructure that cost \$15,000 or more and have an estimated useful life of at least two (2) years. The capitalization threshold for Buildings and Building Improvements shall be \$50,000 and for Land Improvements the capitalization threshold shall be \$25,000. However, assets acquired with debt proceeds may be capitalized regardless of cost. In addition, assets acquired prior to July 1, 2025 and capitalized at a lower threshold, may continue to be depreciated on the basis of past practice. Effective July 1, 2025, infrastructure projects and improvements shall be capitalized so as to substantially account for the City's investment in infrastructure and consider related debt. Individual assets that cost less than \$15,000, but that operates as part of a network system may be capitalized in the aggregate, using the group method, if the estimated average useful life of the individual asset is at least two years. A network is determined to be where individual components may be below \$15,000 but are interdependent and the overriding value to the City is on the entire network and not the individual assets (e.g. computer systems and telephone systems).
2. Valuation – In accordance with generally accepted accounting principles, the City will value its capital assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the City the asset will be valued based on the fair market value at the time the asset is donated.
3. Capital Assets Inventory Report – As part of the financial audit, the Finance Department shall submit a capital asset report to the City's external auditor on an annual basis. This report will include the following information:
  - a. Type of asset (i.e. land, building, infrastructure)
  - b. Date of acquisition
  - c. Acquisition cost
  - d. Estimated useful life
  - e. Annual depreciation
  - f. Accumulated depreciation
4. Depreciation – The City will use the Straight-Line Method as its standard approach to depreciate capital assets.
5. Salvage Value – The City will set the salvage value on capital assets at 10 percent of acquisition cost.

6. Estimated Useful Lives – The City will use the following ranges in setting useful lives for depreciating assets.
  - a. Buildings and land improvements – 50 years
  - b. Machinery and equipment – 5-10 years
  - c. Furniture and fixtures – 5-10 years
  - d. Office Equipment – 5-10 years
  - e. Vehicles – 5 years
  - f. Infrastructure assets
    - i. Streets and bridges – 15-50 years
    - ii. Sidewalks – 15 years
    - iii. Utility systems – 20-55 years
  
7. Capital vs. Repair and Maintenance Expense –
  - a. With respect to improvements on non-infrastructure and infrastructure capital assets, costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the assets.
    - i. Otherwise the cost should be expensed as repair and maintenance
  - b. With respect to improvements on infrastructure capital assets under the Modified Approach, costs should be capitalized if expenditures substantially increase the capacity or efficiency of an infrastructure
    - i. Otherwise this cost, including those that preserve the useful life of an infrastructure asset, are expensed.
  
8. Disposal and Transfer of City's Assets – Disposition of City's assets will be performed in accordance with applicable City policies and procedures.