

RESOLUTION #08/09-07
CITY OF DAYTON, OREGON

Title: *A Resolution Adopting Fixed Asset Capitalization Policy for the City of Dayton*

WHEREAS, the City Council of the City of Dayton has a goal of updating written policies and/or establishing written policies where none exist at the present time; and

WHEREAS, the City has adopted certain Purchasing Rules and General Fiscal Policies, it does not have a written Fixed Asset Capitalization Policy; and

WHEREAS, such policies are required by Generally Accepted Accounting Principles and will clearly define for staff how to value, track and depreciate fixed assets;

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL FOR THE CITY OF DAYTON:

- 1) **THAT** the City of Dayton, Oregon, Fixed Asset Capitalization Policy, (attached hereto as Exhibit A and by this reference made a part hereof) is hereby adopted; and
- 2) **THAT** these policies shall be retroactive to July 1, 2008.

ADOPTED this 7th day of July, 2008.

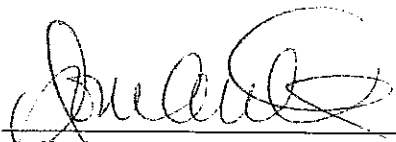
Final Vote:

In Favor Dickson, Evers, Hensley, White

Opposed None

Absent Blackburn, Hutchins, Webb

Abstained None

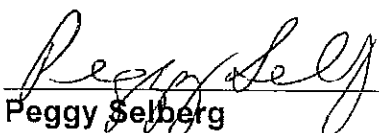


Jolie White, Mayor

7/8/2008

Date

ATTEST:



Peggy Selberg
City Recorder

7/7/08

Date

Attachment - Exhibit A

WKS4\RESOLUTIONS\08-09\R0809.07.ADOPTED

**CITY OF DAYTON, OREGON
FIXED ASSET CAPITALIZATION POLICY**

1 Purpose & Scope

The purpose of this policy is to establish standard procedures for capitalizing fixed assets to facilitate the identification, reporting and safeguarding of city assets in compliance with generally accepted financial reporting requirements.

2 Definition of Fixed Asset

For the purposes of Governmental Accounting Standards Board Statement No. 34 (GASB 34), fixed assets are defined as any capital purchase, donation or dedication of land, infrastructure, buildings and/or equipment in excess of \$5,000 for a single acquisition, and has a useful life of 5 years or more.

3 Asset Value

- A. Capital assets are valued at their historical cost. In the absence of historical cost information, the asset's estimated historical cost may be assigned and used.
- B. Donated or dedicated land, building and equipment will be valued at fair value at the time of donation or dedication and said value will be established by a resolution of the City. The most current Yamhill County Assessor's market value at the time of acquisition may be used in lieu of an independent appraisal.
- C. Donated or dedicated public infrastructure improvements will be valued at construction cost and said value will be established by resolution of the City.
- D. All fixed assets of the City, with the exception of land, right-of-ways, and water and sewer system components acquired before June 30, 2007, will be considered to be fully depreciated, with no residual salvage value.
- E. Water and Sewer system components will be valued at the audited book value contained in the annual audit for the fiscal year ending June 30, 2007.
- F. All public rights-of-way owned by the City as of June 30, 2007, will be accounted for as land assets and will be valued at \$1.00 per square foot.
- G. All land owned by the City as of June 30, 2007, other than public rights-of-way, will be valued at \$1.50 per square foot.

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H. The historical cost of a capital asset includes the following:

- Cost of the asset
- Ancillary charges necessary to place the asset in its intended location (i.e., freight or transfer charges)
- Ancillary charges necessary to place the asset in its intended condition for use (i.e., installation and site preparation charges)
- Capitalized interest
- Any subsequent improvements that meet the qualifications listed in Section 7, below.

4 Grouped or Networked Assets

- A. Individual assets that cost less than the capitalize threshold, but that operate as part of a network system will be capitalized in the aggregate, using the group method if the estimated average useful life of the individual asset is 5 years or more.
- B. A network is determined to be where individual components may be below the capitalization threshold, but are interdependent and the overriding value to the City is on the entire network and not the individual assets. Examples include computers, software licenses, new office furniture, etc.

5 Depreciation Method

Capital assets are depreciated using the straight line method in the Annual Financial Report. The City will maintain a depreciation schedule for the General Fund, Community Safety Fund, Street Fund and all enterprise/proprietary funds.

6 Estimated Useful Lives

The following guidelines are used in setting estimated useful lives for asset reporting. For depreciation purposes, all fixed assets acquired by the City will be considered to have no salvage value.

Buildings & Improvements	20 years
Land Improvements	20 years
Machinery and Equipment	5-10 years
Vehicles	5-10 years
Infrastructure (Streets, Storm Drains, Sewer and Water Systems)	40 years
Land	Will not be depreciated

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7 Improvements vs Maintenance Costs

- A. With respect to asset improvements, costs at or over the capitalization threshold should be capitalized if:
- The estimated life of the asset is extended by more than 25%, or
 - The cost results in an increase in the capacity of the asset, or
 - The efficiency of the asset is increased by more than 10%, or
 - Improvements significantly change the character of the asset, or
 - In the case of streets and roads - if the work done impacts the “base” structure.
- B. Improvements that do not meet these criteria would be expensed as repair and maintenance.

8 Assets Below Capitalization Policy

The City shall report assets which do not meet the capitalization threshold on an inventory list to maintain adequate control and safeguard City property. Periodic audits will be performed to verify that items listed on the inventory report are still located on City property for city personnel use. Example: tools, small equipment, office equipment, public works supplies, etc. An annual inventory shall be completed each years.