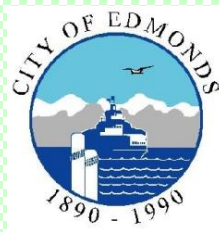


City of Edmonds



Capital Asset Policy

January 2, 2019

Resolution # 1422

Attachment A

1.0 PURPOSE:

To establish a Policy providing stewardship over the City's capital assets, as well as the capitalization and depreciation or amortization of capital purchases over time, as appropriate.

2.0 FUNDS AFFECTED:

All City funds.

3.0 REFERENCES:

RCW 43.09.200

Budgetary, Accounting, and Reporting System (BARS) Manual, Part 3, Chapter 3, *Capital Assets*

Budgetary, Accounting, and Reporting System (BARS) Manual, Part Three, Chapter 7, *Capital Assets and Internal Service Funds*

Office of Management and Budget, 2 CFR 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*

Office of Management and Budget, 2 CFR 225, *Cost Principles for State, Local, and Indian Tribal Governments*

Edmonds City Code, Chapter 3

4.0 DEFINITIONS:

4.1 "Assets" – All land, buildings, improvements, infrastructure, permanent works of art and historic collections and equipment purchased, donated, constructed, or acquired by the City.

4.2 "Capital Assets" – Land and improvements to land, including right of ways and easements; permanent artwork and historic collections of any value; improvements and infrastructure; buildings, their furnishings, fixtures, and furniture; equipment, machinery, vehicles, and tools; intangible assets such as water rights, and computer software; with a value of \$5,000 or more for non-infrastructure, or \$50,000 or more per item for infrastructure, or \$100,000 or more for repairs or replacements to components of the Wastewater Treatment Plant, and having a useful life exceeding one year from the date of acquisition.

4.3 "Control" – Being in charge of, and having the authority to manage the asset. Having custodial responsibility of the asset includes but is not limited to the caring, keeping, safeguarding and protecting the asset.

4.4 "Infrastructure" – Roads, bridges, water lines, sewers, and drainage systems.

4.5 "Small and Attractive Assets" – Assets that are particularly at risk or vulnerable to loss and cost less than the capitalization threshold of \$5,000 and have a life

Attachment A

expectancy of more than one year. Small and attractive assets are those that may not be missed immediately if stolen, or may expose the City to liability if lost. Due to their sensitive nature, all guns that cost less than \$5,000 are included in the definition of small and attractive assets, as well as all computer equipment that cost less than \$5,000. Other assets are included in this definition only when their cost is greater than \$1,000 but less than \$5,000. Examples of these other assets include photographic equipment, tools, equipment, Unmanned Aircraft Systems (drones), and small machinery.

5.0 CAPITAL ASSET POLICY:

- 5.1 Capital Assets – General capital assets are those assets not specifically related to activities reported in the proprietary funds. The capital assets purchased or constructed by a governmental fund are recorded as expenditures in the fund at the time the related purchases are made; however, the associated capital assets are reported in the governmental activities column of the government-wide statement of net assets while not reported in the fund balance sheets.
- 5.2 The City classifies assets with an estimated useful life in excess of one year as capital assets. Land and works of art are capitalized at cost with no minimum threshold. Buildings, improvements, intangible assets, and machinery and equipment are capitalized when their cost meets or exceeds \$5,000. Infrastructure assets are capitalized when their cost meets or exceeds \$50,000. Repairs or replacements to components of the Wastewater Treatment Plant are capitalized when their cost meets or exceeds \$100,000.
- 5.3 Costs of normal maintenance and repair for assets are not capitalized. However, any improvement that increases an asset's value, capacity or materially extends its life is added to that asset's capitalized costs.
- 5.4 Equipment acquired through capital lease agreements and land purchased through conditional sales contracts are reported as general capital assets in the government-wide statement of net assets. In the governmental fund financial statements, lease and contract payments are reported as expenditures.
- 5.5 The City will complete an inventory of all capital assets no later than February 15th for the previous calendar year. Any adjustments to the Capital Asset List (e.g. additions, transfers, or disposals) must be communicated to the Finance Director no later than February 15th. The Finance Director must be notified immediately if it is discovered that any asset has been stolen, has been taken out of service, or has become impaired. Each department will maintain their own inventory of small and attractive assets and perform these same procedures to their small and attractive asset inventory.

Attachment A

- 5.6 In accordance with federal requirements, the City will specifically identify in its inventory any equipment or real property purchased with federal funds. The City will inventory all assets with a cost greater than \$5,000 per unit purchased with federal funds at least once every two years, in accordance with 2 CFR 200.313. Upon completion of any Federal award, or when a capital asset is no longer needed and has been declared to be surplus, the appropriate federal agency will be contacted regarding the appropriate disposition of any assets that were purchased with federal funds.
- 5.7 All project costs related to the construction of any asset, including infrastructure, are included in construction in progress during the construction process and are capitalized upon completion of the project. These costs generally include amounts paid for work done by outside contractors, materials and supplies furnished by the City, labor of City employees, and project management costs. Some costs will be direct costs and readily assignable while some will be indirect costs, which should be allocated to benefited assets in a reasonable manner. Costs incurred during construction must be reported as Construction in Progress if construction has not been completed by year end. Once completed, the Construction in Progress asset is reclassified to the appropriate asset category, e.g. Buildings, Infrastructure, Sidewalks, or Machinery and Equipment. Long-range or advance planning costs and costs incurred to conduct feasibility studies or government compliance studies must be capitalized only when it can be shown that they provide benefits to existing or future capital assets.
- 5.8 The Construction in Progress schedule must be reviewed and reconciled no later than February 15th for the previous calendar year. The Finance Department will perform a secondary review of the reconciliation to ensure it is performed accurately and completely by reviewing documentation to confirm the date that assets were substantially complete.
- 5.9 Transfers of assets between departments or funds are allowed by mutual agreement of the departments. The department transferring the assets must notify the Finance Director of the transfer within thirty days of the transfer.
- 5.10 When a department decides to dispose of an asset in any manner, the department Director must notify the Finance Director and the City Council of their intent to dispose of the asset. In accordance with Edmonds City Code, any such sale or disposal must be approved by the City Council prior to disposal.
- 5.11 Capital assets acquired or constructed by the proprietary funds are capitalized in those funds at historical cost. Contributed assets are recorded at their estimated fair value as of the date acquired. The estimated value of donated assets is recorded as contributed capital by the fund which receives them.
- 5.12 Land and construction in progress are not depreciated. Buildings, equipment, non-building improvements and intangible assets are depreciated using the straight line method, using varying estimated service lives for individual assets and asset

Attachment A

classifications depending on particular characteristics of an asset and factors surrounding its anticipated use. Depreciation is reported as part of the related program expense column on the government-wide statement of activities and as a fund expense in the proprietary funds, while not reported in the fund statements of governmental funds. Capital assets are reported net of accumulated depreciation on the government-wide statement of net assets and in the proprietary fund statement of net assets, while not reported in the governmental fund balance sheets.

- 5.13 Small and attractive assets should be identified and tracked by each Department Director in accordance with the Small and Attractive Assets Policy.
- 5.14 The average service lives used to calculate depreciation for specific types of assets are summarized below:

Asset Type	Est. Service Life (Yrs)
Buildings	30-50
Improvements other than Buildings	20-40
Furniture and Fixtures	5-10
Cars	5-10
Vans, Trucks, Trailers	5-20
Data Processing Equipment	3-10
Infrastructure	20-100
Sidewalks	30
Machinery and Equipment	5-20
Intangible Assets	20-30