





Administrative Policy

Title: Fixed Asset Capitalization				
Administered By: Administrative Services (Finance)				
New Policy No.	Issue Date (Last Revised)	Renumber Date	Department Head Approved	City Manager Approved
01200.604	09-06 (01-23-12)	01-03-17		

This Policy had been numbered Policy 300.04. Effective on the Renumber Date noted above, this Policy is hereby renumbered as the Policy Number noted above.

The latest version of the Policy is attached hereto and incorporated herein by reference.

Attachment: Policy 300.04
Issued: 09-06
Revised: 01-23-12



ADMINISTRATIVE POLICY

Policy: Fixed Asset Capitalization					
Responsible Department: Finance					
Section No.	Policy No.	Issue Date	Revision Date	Dept. Head Approved	City Manager Approved
300	.04	Prior to 09/2006	01/23/2012	<i>[Signature]</i>	<i>[Signature]</i>

POLICY

The City of Corona's fixed asset policy stems from two major objectives: to accurately account for and report fixed assets in accordance with generally accepted accounting principles and the Governmental Accounting Standards Board (GASB), and to assure the safeguarding and preservation of City assets.

This policy is intended to provide specific guidance for determining which fixed assets are subject to separate accounting and reporting (i.e., capitalization). The procedures are intended to define fixed assets and to establish guidelines for their purchase, use, accountancy, inventory, transferring and disposal.

It is the responsibility of the Finance Department to ensure fixed assets will be inventoried on a regular basis and accounted for by fund and asset category. It is the responsibility of each department to ensure that proper budgeting and purchasing guidelines are followed, and to ensure that fixed assets are adequately controlled, safeguarded, preserved, and used for appropriate City purposes.

Certain controlled capital-type items that do not meet the definition of fixed assets explained below may require special attention to protect public safety and avoid potential liability. Such is the case with police weapons or items that have a heightened risk of theft such as sound equipment or computer equipment. It is the responsibility of the department to certify each year the lists of controlled capital-type items that are on file. At the close of each fiscal year, every individual assigned responsibility for controlled capital-type items should prepare a departmental report that provides a complete list of those items, along with an explanation of changes from the previous year. The departments should certify to the Finance Department each year that updated lists of controlled capital-type items are on file and available for inspection.

PROCEDURES

Definition of a Fixed Asset

Generally, if a non-infrastructure asset has a cost of \$25,000 or more and has a useful life of more than two years, the asset should be capitalized and coded to a 45xxx object. An infrastructure asset that has a cost of \$100,000 or more and has a useful life of more than two years should be capitalized.

Accounting and Financial Reporting

In general all fixed assets, including land, buildings & improvements, machinery & equipment, and construction in progress with an original cost of \$25,000 or more, and infrastructure with an original cost of \$100,000 or more will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction of the asset should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, professional fees, warranties, and legal claims directly attributable to the asset acquisition. Specific capitalization requirements are described below:

- This capitalization threshold is applied to **individual units** of fixed assets. For example, ten desks purchased through a single purchase order, each costing \$3,000, will not qualify for capitalization even though the total purchase (\$30,000) exceeds the threshold of \$25,000 for non-infrastructure items or \$100,000 for infrastructure assets.
- Any asset required to be controlled, and separately reported pursuant to grant conditions or any other externally imposed reporting requirement, will be capitalized, regardless of cost. *For example*, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant-funded asset.
- An **exception** to the \$25,000 and \$100,000 thresholds for non-infrastructure and infrastructure items, respectively, is land and *some* infrastructure. All costs associated with the purchase or acquisition of land parcels, rights of way, or easements, are capitalized, regardless of cost. Some infrastructure, such as traffic signals, which individually may not meet the \$100,000 threshold, will be capitalized as a "system" rather than an individual asset.
- When an asset is acquired through donation, developer funding, or in-lieu of a fee, the asset will be recorded at its estimated fair market value at the date of acquisition, as determined by the appropriate City department.
- **Repairs** to existing fixed assets will generally not be subject to capitalization unless the repair 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 fixed 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 \$25,000 threshold.
- **Capital projects** will be capitalized as "construction in progress" until completed. JL keys are assigned to track costs when capital projects are initiated. One responsible department will be assigned to each capital project, regardless if it is a multi-department project or not. At the completion of each project, the responsible department will gather all costs related to the project and file a Fixed Assets Report. The costs associated with the capital project include direct costs, such as labor and materials, as well as ancillary costs.

Annual Review and Certification

Each Department Head holds the ultimate responsibility for safeguarding their assets against theft and loss. At the end of each fiscal year, Finance will forward to each department a listing of their fixed assets for review and certification. It is the responsibility of the Department Head to verify and certify the accuracy of the information contained on that report. Any discrepancies must be reported to the Finance Department.

Fixed Asset Report

The responsible department for each capital project is required to file a Fixed Assets Report at the completion of the project with the Finance Department. All costs related to the project are to be reported on this report. Capital projects are capitalized in the City's central financial system as fixed assets based on the amount provided on the Fixed Assets Report. A copy of the report should also be forwarded to the Information Technology Department for updating the GIS database.

Depreciation

The City of Corona uses "straight line depreciation" and depreciates the original cost of a fixed asset to zero. The City does not consider salvage value.

Purchasing Fixed Assets

In accordance with the terms of the City's Purchasing Ordinance, complete a "Purchase Requisition" form (available on the Infoweb).

Transferring an Asset to Another Department/Location/Building

Complete a Request to Surplus Materials, Supplies and Equipment form when an asset is being transferred to another department, location, or building. The form can be found

on the Infoweb under Templates/Public Works. After required department head approval, forward this form to the Finance Department.

Disposal of Surplus Property

Disposition of surplus materials, supplies and equipment is governed by CMC 3.08.150

All surplus materials, supplies, and equipment must be disposed of through the City warehouse. If the equipment is classified as an asset, a Request to Surplus Materials, Supplies and Equipment form must be completed and submitted with the equipment requiring disposal. It is the responsibility of the issuing department to fill out this form and submit it to the warehouse with the property. The warehouse will advise the Finance department so that the equipment can be deleted from the asset listing assigned to the issuing department and provide an accounting trail for the life of that City asset.

All proceeds from the sale of surplus property will be allocated to the City's fund of origination for proprietary and internal services funds. Proceeds received for assets in governmental funds shall continue to be allocated to the City's General Fund. Management discretion to override the policy on a case by case basis will be authorized.