RESOLUTION 2025-05

CAPITAL ASSETS AND CAPITALIZATION POLICIES AND PROCEDURES

WHEREAS Lake Point is authorized pursuant to the Utah Code 10-6-102 to create policies for the administration of finances and assets within the City of Lakepoint; and

WHEREAS the Lake Point City Council has adopted ordinances governing financial administration in general; and

WHEREAS Lake Point desires to adopt a policy to govern more specifically the capital assets and capitalization policies of Lake Point as a means to provide for their orderly administration as prescribed through generally applicable government accounting standards; and

WHEREAS the City finds that the orderly administration of finances is beneficial to the City to adopt generally applicable standards into their policy.

NOW, THEREFORE, BE IT ORDAINED by the Lake Point City Council as follows:

Section 1. Title and Authority

1. In accordance with Utah Code 10-6-102, the Lake Point City Council has adopted the following policies and procedures hereafter known as the "Capital Assets and Capitalization Policies and Procedures."

Section 2. Purpose

1. The Lake Point City Council desires to establish fixed assets and capitalization policies and procedures to provide financial and management information regarding fixed assets that facilitate valuation and financial reporting; and allow management to make effective and accurate fixed asset acquisition, deployment, replacement, and maintenance decisions; and assure that these valuable items are properly safeguarded and protected.

Section 3. Overview

1. A capital asset is usually a larger purchase of a building, equipment, or infrastructure that has an expected life greater than a single reporting period; generally exceeding two years.
2. The governing body of an organization adopts a capitalization policy that sets a value threshold and/or type of assets that will be capitalized and tracked by the organization.
3. Purchases under that threshold are expensed when paid, while purchases over that threshold are "capitalized" and recorded as an asset on the balance sheet. The expense is recognized over a period of time ("depreciation").
4. Capital assets and controlled assets that follow specific accounting rules and are subject to annual audit requirements. The accounting and reporting policies of Lake Point conform to generally accepted accounting principles Generally Accepted Accounting Principles (GAAP) applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Section 4. Objectives

1. This policy ensures that City resources are managed transparently and in compliance

with state law, allowing residents to understand how public funds are invested and maintained.

2. Inventory information - To provide a complete inventory record of all fixed assets owned by Lake Point, including the name of the item, cost of the item, date and source of acquisition, serial # (if appropriate), location, accumulated depreciation, and the current value of the item.
3. Verification of inventory - To verify the completeness and accuracy of written inventory records through annual physical inventories.
4. Internal control - To assure that the City's fixed assets are continuously identified as belonging to Lake Point and are not subject to loss or theft.
5. Records maintenance - To establish procedures that assure that fixed assets records are kept current when fixed assets are purchased, constructed, transferred, deactivated, or deleted.
6. Financial reporting compliance - To comply with all accounting standards pertaining to fixed assets, and in particular with the Government Accounting Standard Board's GASB 34 reporting model which requires that depreciation be recorded for all fixed assets, including general infrastructure assets, in the government-wide financial statements. To facilitate the determination of the total value and accumulated depreciation for all capital assets.
7. Misuse avoidance - To assure that Lake Point's fixed assets are used only for governmental purposes and not misused for personal purposes.
8. Proper disposal of fixed assets – To provide for a systematic and orderly process for the disposal of fixed assets no longer needed.
9. Insurance protection - To provide information needed for protecting the City's financial interest in fixed assets through purchased insurance, if applicable.

Section 5. Definitions

1. Capital Asset – A capital asset is defined in accordance with GASB Statement No. 34 as a tangible or intangible asset with an estimated useful life of more than one year and a value that meets or exceeds the capitalization threshold established by the City.
2. "Capital Project" is a long-term, capital-intensive investment to build upon, add to, or improve a capital asset.

3. Capitalization – Capitalization is the recording of annual depreciation for capital assets. Capitalization is determined by two factors:
    a. the cost of the capital asset
    b. the useful life of the capital asset.
4. Infrastructure Assets – Infrastructure assets are the public domain transportation and public works systems of the City, including streets and alleys, sidewalks and curbing, bridges, street lighting, traffic control signals, stormwater drainage systems, etc. Until GASB 34, local governments had not been required to track and report infrastructure assets. Under GASB 34, cities such as Lake Point are required to report and capitalize (record depreciation for) infrastructure assets, but are not required to do this on a retroactive basis. Lake Point has elected to use the Depreciation Method in compliance with GASB 34, meaning infrastructure assets will be depreciated over their estimated useful life rather than maintained under the Modified Approach.
5. Major Fixed Asset Classes
    a. Land and Land Improvements

b. Buildings and Building Improvements
c. Infrastructure
d. Machinery and Equipment
e. Vehicles

Section 6. Threshold Levels

1. Estimated Useful Life - An asset must have an estimated useful life greater than a single reporting period to be considered for capitalization. Assets that are consumed, used up, habitually lost, or worn-out in two years or less should not be capitalized.
2. In determining useful life, the District should consider the asset's present condition, use of the asset, construction type, maintenance policy, and how long it is expected to meet service demands.
3. Asset Cost - The City does not need to capitalize every asset with a useful life greater than one year. To do so is an unnecessary burden and will not materially affect financial results. The table listed below will be used in determining the dollar thresholds to use for tracking the City's capital assets.
4. <u>Capitalizable Thresholds</u>

    a. Land Improvements $15,000
    b. Building $15,000
    c. Building Improvements $50,000
    d. Machinery, Equipment, and vehicles $5,000
    e. Sanitary Sewers $15,000
    f. Construction in Progress $5,000
    g. Roads /roadways - $50,000 at a specific location
    h. Bridges /culverts - $50,000
    i. Parking lots - $50,000
    j. Traffic control devices - $30,000
    k. Stormwater management systems - $25,000 at a specific location
    l. Sidewalks /bike paths - $25,000 at a specific location
    m. Land – regardless of value

Section 7. Policies

1. Capital Planning Process
    a. Project Identification: City departments, committees, and residents may submit capital project requests during the designated submission period each fiscal year. The City Recorder shall ensure a public notice is posted inviting community input.
    b. Project Evaluation: The City Council and relevant committees will review project proposals based on factors such as:
        i. Necessity and urgency
        ii. Alignment with City priorities
        iii. Long-term cost-benefit and maintenance burden
        iv. Long-term operational impact
        v. Community support and public input
        vi. Readiness and available funding sources
    c. Budgeting and Approval: The City Council shall review and approve capital projects as part of the annual budget process, following public hearing requirements under

Utah Code. All project expenditures must align with the priorities established in Financial Administration and the adopted Capital Improvement Plan (if applicable).

   d. Project Implementation: Approved capital projects shall be executed per the procurement and financial administration guidelines outlined in the Financial Administration Ordinance. Staff shall follow approved purchasing thresholds, contractor selection procedures, and reporting expectations.
   e. Monitoring and Reporting: The City Treasurer shall present a Capital Fund Expenditure Report to the City Council at least once per quarter to track project progress, expenditures, and remaining funds.

2. Fund Balance and Reserve Policy
   a. Minimum Fund Balance: The Capital Fund shall maintain a reserve balance equal to at least 10% of the prior year's actual or current year's budgeted capital fund, whichever is greater, to ensure financial stability and readiness for unforeseen needs and readiness for unforeseen needs.
   b. Unexpended Funds: Any unspent funds at the end of the fiscal year shall be carried forward or reallocated to future capital projects, as determined by the City Council.
   c. Emergency Use: The City Council may authorize emergency expenditures from the Capital Fund without the standard procurement process, in accordance with the Utah Procurement Code and the Financial Administration Ordinance. Emergency action shall be documented, including the justification and nature of the emergency, and reported at the next regular Council meeting.
3. Valuation and Depreciation Accounting for Capital Assets
   a. Capital assets shall be entered into the City's fixed assets /accounting records at purchase price or, for any donated items, fair market value at the date of donation. ("Donated items" shall be broadly defined to include any fixed assets owned by the City that were not purchased by the City.) All capital assets owned by the City shall be depreciated over their expected useful life. Depreciation expenses shall be entered into the accounting records and government-wide financial statements of the City.
   b. The City shall use the straight-line method of depreciation and shall normally not assume a salvage value for the asset at the end of the depreciation period. The City shall maintain a Depreciation Schedule (Estimated Useful Life) that provides the time period for which each type of capital asset is depreciated. This Depreciation Schedule is found at the end of this Policy and Procedures as Exhibit A. An updated Depreciation Schedule for all capital assets will be submitted to the City Council at the end of the fiscal year.
4. Personal Use of Fixed Assets Prohibited
   a. Personal use of any Lake Point fixed assets shall be considered a serious breach of the City's accountability to its citizens /taxpayers. City employees may not "borrow" City equipment for personal use. Any legitimate exceptions to this policy must be documented in writing and approved by the majority of the City Council.
5. Accounting Policy – Capitalization of Construction Projects
   a. Capital projects must be evaluated to ensure long-term cost-effectiveness, considering future maintenance, repair, and replacement costs.
   b. The full cost of a construction project is capitalized, including direct costs (such as labor and materials), indirect costs (such as architecture, engineering, and construction management), and ancillary costs, if applicable (such as interest for construction financing).
   c. Until completion, the project is considered "construction in progress" and is not

capitalized. Costs should be cumulatively updated during construction and then transferred to the appropriate fixed asset account upon completion.

Section 8. Procedure for Disposal

1. When a fixed asset has reached the end of its use and is ready to be removed from the fixed assets inventory, the City shall provide this information in writing to the City Recorder.
    a. Shall comply with Utah Code regarding the sale or lease of city property.
    b. Shall follow procedures found in the City's currently adopted Financial Administration Ordinance.

Section 9. Donation Policy

It is the intent of this policy to establish a formal process for the acceptance and documentation of donations made to the City. This policy provides guidance when individuals, community groups, and businesses wish to make donations to the City. This policy also establishes uniform criteria and procedures to guide the review and acceptance of such donations and to ensure that this City has adequate resources to administer such donations.

1. Objectives of Donation Policy
    a. Facilitate the acceptance of donations in the form of cash, services, and/or equipment to Lake Point by establishing clear guidelines for giving.
    b. Ensure that donations are consistent with the aesthetic and functional integrity of the City's existing and proposed facilities and priorities.
    c. Ensure that donations do not cause unbudgeted expenditures or significant ongoing maintenance responsibility for the City
    d. Ensure that donations do not create liability for the City with regard to the health and safety of facility users.
2. Types of Donations covered: This policy applies to donations given to the City or one of its administrative departments in the form of cash, services, equipment, and/or personal property. Donations of real property are excluded from coverage under this policy. This policy also specifically excludes gifts and donations to individual City employees and elected officials.
3. General Policies
    a. The City has no obligation to accept any donation and reserves the right to deny any donation without comment or cause.
    b. Donations do not become the property of the City until they are accepted, consistent with this policy.
    c. Only City officials authorized by this policy may accept donations.
    d. All donations will be evaluated by the City prior to acceptance to determine whether the donation is in the City's best interest and is consistent with applicable City laws, policies, ordinances, and resolutions. Donations inconsistent with applicable City laws will not be accepted.
    e. The City does not provide legal, accounting, tax, or other such advice to donors. Each donor is ultimately responsible for ensuring the donor's proposed donation meets and furthers the donor's charitable, tax, and financial goals.
    f. Donor designations will be considered but are subject to City Council approval to ensure alignment with city priorities.
    g. Donations should not bring hidden costs or add to the City's workload requirements unless such requirements are contemplated in the City's priorities and plans.

4. Acceptance of Donations of Cash, Services, or Equipment/Personal Property:

    a. All donations to the City shall immediately be submitted for consideration for acceptance. Based on the value of the donation offered as outlined below, appropriate City staff shall review every donation and determine if the benefits to be derived from the donation warrant acceptance of the donation in accordance with this policy. The following list contains the threshold amounts for donation acceptance.
        i. Offers of donations of cash, services, or items may be accepted by at least two City employees, a City employee and a Council member, or two City Council members.

5. Distribution of Donations
    a. Tangible items will be distributed to the appropriate City departments for use or, at the discretion of the City Council, disposed of in an appropriate manner consistent with City ordinances and policies. Any designated and undesignated donations of cash will be deposited into the appropriate City accounts.

6. Donation Acknowledgement and Reporting:
    a. The donor shall be provided written acknowledgment of that donor's accepted donation with a copy for the City's records. For all donations accepted on behalf of the City, the department shall provide the Finance Department a report itemizing all such donations, and listing all donated tangible items.

Section 11. This Policy shall be effective immediately.

PASSED, APPROVED, AND ADOPTED on the 2 day of April, 2025

Lake Point

By______________________________
Chair

ATTEST:

____
City Recorder

SEAL

Voting:

Alexis Wheeler	Yea /	Nay___	Absent ___
Jonathan Garrard	Yea /	Nay___	Absent ___
Kirk Pearson	Yea /	Nay___	Absent ___
Kathleen VonHatten	Yea /	Nay___	Absent ___
Ryan Zumwalt	Yea /	Nay___	Absent ___

Exhibit A

Lake Point Depreciation Schedule (Estimated Useful Life)

The following is to be considered as guidelines – special circumstances might warrant deviations from this schedule.

Land and Land Improvements - not depreciated

Buildings and Building Improvements –

Portable Structures - 25 years
Construction - 40 years

Infrastructure

Traffic control signals – 15 years
Street Lighting 15 years
Streets/alleys - asphalt 20 years
Sidewalks and curbing - 20 years
Storm sewer collection (piping) 40 years
Bridges - 50 years

Machinery and Equipment

Computer Equipment - 5 years
Computer Software - 5 years
Science & Engineering Equipment - 10 years
Outdoor Equipment - 10 years
Police and Fire Equipment - 10 years
Business Machines - 10 years
Communications Equipment - 10 years
Audiovisual Equipment - 10 years
Contractor Equipment - 10 years
Machinery & Tools-15 years
Custodial/Kitchen Appliances - 15 years
Furniture & Accessories - 20 years
Grounds Maintenance Equipment - 15 years

Vehicles

Police Patrol Vehicles - 3 years
Other Licensed Vehicles - 5 years
Contractor Equipment (forklifts, loaders, bulldozers, backhoes, etc.) - 10 years