

**RESOLUTION**

**15 – R – 68**

**A RESOLUTION TO FORMALLY ADOPT POLICY GOVERNING THE  
ACCOUNTING FOR CAPITAL ASSETS**

WHEREAS, the City of Waukegan (hereinafter “the City”) is a home-rule unit of government pursuant to Section 6(a), Article VII of the 1970 Illinois Constitution; and

WHEREAS, the City of Waukegan acquires and constructs capital assets in pursuit of its mission.

WHEREAS, the City of Waukegan wishes to set forth the policies and requirements for accounting for these assets, as well as maintaining effective control over custody of these assets.

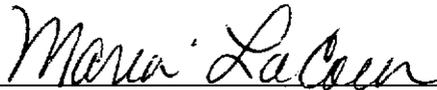
WHEREAS, the City of Waukegan recognizes the importance of accounting for capital assets in accordance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB).

NOW, THEREFORE, BE IT RESOLVED that the City Council adopts the Capital Asset Policy as presented and as specified in the Policy.



MAYOR WAYNE MOTLEY

ATTEST:



MARIA LACOUR, City Clerk

Presented and read at a regular meeting of the Waukegan City Council on the 20<sup>th</sup> day of July, 2015.

Passed and approved at a regular meeting of the Waukegan City Council on the 20th day of July, 2015.

ROLL CALL: Aldermen TenPas, May, Valko, Taylor, Cunningham, Seger, Moisio, Villalobos, and Newsome

AYES: Aldermen TenPas, May, Valko, Taylor, Cunningham, Seger, Moisio, Villalobos, and Newsome

NAYS: None

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ABSENT: None

ABSTAIN: None

## City of Waukegan Capital Asset Policy

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1. **Authority.** The Waukegan City Council has the authority to establish a Capital Asset Policy and has exercised this authority by the passage of a Resolution.
2. **General.** Compliance with Generally Accepted Accounting Principles (GAAP) as defined by the Governmental Accounting Standards Board (GASB) guides the City's preparation of the Comprehensive Annual Financial Report (CAFR).
3. **Purpose of the Policy.** The City has agreed to the procedures contained in this policy in order to assist staff in defining the process for capital asset accounting. If a capital asset's value is below the City's capitalization threshold, assets are neither added to the capital asset accounts nor are they depreciated; rather the full amount is charged to current operations at the time of acquisition.
4. **Determining the Assets to Record and Capitalize.** Capital assets are defined as physical tangible asset with a useful life that extends beyond one year which is held for purposes other than investment or resale. Capital assets include land, land improvements, infrastructure, buildings, building components, furniture, machinery, equipment, vehicles and services necessary to the construction of infrastructure which are of long term value.
  - a. Any buildings, building components, building improvements, computer hard/software, equipment, infrastructure, machinery, and vehicles are recorded to the City's Capital Asset listing if the total cost equals or exceeds \$50,000, and the useful life equals or exceeds 5 years.
  - b. Rehabilitations of currently capitalized utility systems, roadways and bridges which extend their lives by at least 15 years will be recorded to the City's Capital Asset listing as infrastructure when their full acquisition cost or value exceeds \$50,000. Routine repairs and maintenance, e.g., intermittent pavement repairs and pothole patching, are not capitalized but instead are charged as an expenditure or expense to the appropriate fund.

- c. Land is to be recorded as a Capital Asset regardless of market value, and is characterized as having an unlimited life (indefinite).

**5. Determining the Value of Capital Assets.**

- a. Purchased assets are valued for accounting purposes at the total of their purchase price and any related costs for transportation, installation, or other direct, identifiable expense involved in procuring the asset and readying it for its intended use. Costs for training and maintenance and warranty agreements are not considered part of the asset cost and should be expensed.
- b. Constructed assets are valued at the total amount paid for acquiring or improving the asset including land; labor; materials; engineering, design and inspection fees; construction management fees; charges by brokers or others; appraisal fees; site preparation fees; and legal, title, and filing fees.
- c. Contributed (donated) capital assets are valued at market (fair) value as of the date of the contribution/donation. For infrastructure assets, market value will be determined by the engineers and can be estimated based on similar projects which were paid for by the City, records provided by developers, industry standards etc.

**6. Depreciation Method and Convention.** Capital assets subject to depreciation will be depreciated using a straight-line method. The cost of the asset will be written off evenly over the useful life of the asset. For purposes of depreciation, 1/2 of the annual depreciation will be recorded in the year of purchase and 1/2 in the final year of depreciation.

**7. Useful Lives.** Useful lives will be reviewed annually by the Director of Finance, and may be changed from this policy if documentation merits the modification, and the change is agreed upon by the City's independent auditors. The City depreciates over the following useful lives:

- a. Improvements other than Building
  - i. Parking Lots 20 years
  - ii. Sidewalks 15 years
  - iii. Other 10 - 20 years
- b. Infrastructure
  - i. General (roads, bridges) 20 - 30 years
  - ii. Water/sewer utilities 15 - 60 years

iii. Other	20 - 30 years
c. Buildings and Improvements	
i. Buildings	45 years
ii. Building Improvements	15 - 20 years
d. Machinery & Equipment	
i. Furniture, Hard/Software, Radio/Telecom, Miscellaneous	6 - 25 years
e. Fleet	
i. Automobiles and Mowers	12 years
ii. Trucks	18 years
iii. Trailers, Tractors, Plows, Forklifts Miscellaneous	20 years

8. **Rehabilitations, Reconstruction, and Repairs.** When any item of infrastructure is fully re-constructed, the cost of the old asset, if determinable, is removed from the capital accounts, along with its related accumulated depreciation.
9. **Sales and/or Retirements of Assets.** When a capital asset is disposed of, sold, or retired, its cost and accumulated depreciation are removed from the City's books and a gain or loss, if any, is calculated and recorded.
10. **Responsible Parties.** Individual Department Heads are responsible for performing regular physical inventories of capital assets, and reporting dispositions, lost or stolen assets, or any other retirement of any capitalized asset to the Finance Department. The Finance Department is responsible for recording capital assets, computing depreciation expense, recording deletions, gains and losses, and reporting capital assets and depreciation expense accurately in the City's CAFR.
11. **Exceptions.** This policy is intended to address those capital assets that must be tracked for external financial reporting purposes. There are other assets that do not need to be included in the external financial reports due to their relatively low value. However, departments will still be required to exert appropriate control over them. Examples of such assets include guns, radios, and computer equipment. Control of other assets not included in this policy will be the responsibility of the department to which the asset is assigned.