



FILED

DATE 2-19-02

IN THE OFFICE OF
GROVELAND COMMUNITY
SERVICES DISTRICT

By Chad Carter
SECRETARY

G.C.S.D. Services – 209 / 962-7161

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water • fire protection • parks • wastewater collection & treatment

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RESOLUTION 4-02

A RESOLUTION OF THE GROVELAND COMMUNITY
SERVICES BOARD OF DIRECTORS FOR AN
ASSET CAPITALIZATION AND INVENTORY CONTROL POLICY

WHEREAS, the Board of Directors have determined the need for a Capital Asset Capitalization and Inventory Control Policy that will establish the proper guidelines for the reporting and safeguarding of the District's assets,

NOW THEREFORE BE IT RESOLVED, that the Board of Directors of the Groveland Community Services District hereby adopt the following Capital Asset Capitalization and Inventory Control Policy;

CAPITAL ASSET CAPITALIZATION AND INVENTORY CONTROL

The purpose of this policy is to ensure adequate control and appropriate financial reporting of the District's assets. The procedures are intended to define capital assets, to establish guidelines for their accountancy and inventorying, and to establish guidelines for the safeguarding of all purchases.

The District's capital asset and inventory control policy has (2) major objectives:

1. Accounting and Financial Reporting. To accurately account for and report capital assets in financial reports issued to external reporting agencies, granting agencies and the public.
2. Safeguarding. The District has a fiduciary responsibility to establish systems and procedures to protect all assets from loss or theft.

CAPITAL ASSETS

Capital Assets are defined as an asset with a cost greater than \$2,500 and a useful life of more than one year. If an asset purchase meets these criteria, it should be capitalized and coded to the appropriate Capital Expenditure Account. At the end of the fiscal year, the finance department will transfer the capital assets to the appropriate asset accounts in the General Ledger. The District has designated all funds to use Department 800 for the recording of capital expenditures. Each capital project will be assigned its own account number and the total of the entire project will be reported as one Capital Asset. The appropriate depreciation expense, in accordance with Generally Accepted Accounting Procedures (GAAP) and Governmental Accounting Standards Board (GASB) Statement 34, will then be calculated and recorded on an annual basis. Specific capitalization requirements are described below:

- The capitalization threshold of \$2,500 will be applied to each individual unit purchased. For example, if two desks were purchased at the same time at cost of \$1,300 each, the items would not qualify for capitalization, although the total amount of the invoice would exceed the \$2,500 threshold.
- For purposes of capitalization the threshold will generally not be applied to components of capital assets. For example, a keyboard, monitor and central processing unit purchased as components of a computer system will not be evaluated individually against the capitalization threshold. The entire computer system will be treated as a single capital asset if the purchase price exceeded the \$2,500 threshold limit.
- Repairs to existing capital assets will generally not be subject to capitalization unless it extends the useful life of the asset. In this case, it represents an improvement and is subject to the requirement described below.
- Improvements to existing capital assets will be presumed (by definition) to extend the

useful life of the related capital asset and, therefore, will be subject to the capitalization only if the cost of the improvement meets the \$2,500 threshold. In theory, an improvement to a capital asset that had an original cost of less than \$2,500, but now exceeds the threshold as a result of the improvement, should be combined as a single asset at the total cost (original cost plus cost of the improvement) and be capitalized.

- Capital projects will be capitalized as "Construction in Progress" until the project is complete. Costs to be capitalized include direct costs, such as labor and materials, as well as ancillary costs and construction period interest costs are required by GASB 33 pronouncements.

INVENTORY CONTROL

The District managers and supervisors are ultimately responsible for safeguarding all assets from theft or loss. The purpose of tagging an asset is to provide a mechanism to insure accountability and provide a system for the District's auditors to verify that the proper controls are being used to safeguard the District's assets. It will also insure that the assets are being reported accurately in the District's financial records.

Any asset with a cost greater than \$500 but less than \$2,500 **and** a useful life of more than one year will also be tagged with an identification tag stating that the asset is the property of the District. Any asset under the \$500 threshold may be tagged if it has been specified as an asset that needs to be controlled due to their portability, value outside the District, or is susceptible to theft or loss. The responsible manager or supervisor must make this request directly to the Finance Department. Unlike capital assets, the costs of these assets will be coded as an expense (expenditure) to the appropriate fund and will not be considered a depreciable capital asset.

DISPOSAL OF ASSETS

When a tagged asset has been disposed of, the supervisor or manager will notify the Finance Department to have the item removed from the Capital Asset System. The Finance Department will make the necessary journal entries to correct the General Ledger asset and depreciation accounts reported on the Financial Statements.

ANNUAL RECONCILIATION OF REPORTED CAPITAL ASSETS

At the end of each fiscal year, a listing of assets will be distributed to the District's supervisors and managers for approval. The listing will include all tagged assets. Any item that is listed but no longer in the possession of the District will be treated as a disposed asset and the necessary journal entries made to Capital Asset system and/or the General Ledger.

PASSED AND ADOPTED by the Board of Directors of the Groveland Services District, this 11TH Day of February 2002, by the following vote:

AYES: DIRECTORS: Myers, Henderson, Norris, Moore

NOES: DIRECTORS: None

ABSENT: Directors: Edwards



Donald B. Myers, President

ATTEST:



Carol A. Carlson, Secretary