Budget and Finance Committee Agenda

Directors: Judt and Ruiz

Wednesday, July 15, 2026

Administrative Office-Board Room, 401 Amador Street, Vallejo, CA 94590

1:00 p.m.

This committee shall work with the General Manager and other staff of the District on the annual budget(s), projections, and other financial matters. This committee shall review the General Manager and Director's expenses, annual audit, and annual financial statement before publication. The committee will ensure that investment policies and procedures are followed and that funds are invested in a prudent manner with adequate protections to prevent misuse.

1. Public Comment

   Members of the public may speak on any item within the jurisdiction of the committee. Each speaker is limited to 3 minutes and a spokesperson for an organization is limited to 5 minutes.

2. Revision of Policy 3050 Capital Assets

   Staff adjusted the Useful Life of Park Improvements in Section VII of Policy 3050 Capital Assets. The useful life was changed from 25-50 years to 7 – 50 years to provide a wider range of years to accommodate assets with lower years of useful life. These adjustments are in response to the suggestions made by MUN CPAs in the Management Letter attached to the Final Audited Financials for Fiscal Year 2022-23.

3. Revision of Resolution 2024-04 to update terminology

   Staff have updated the terminology that establishes the minimum threshold for reporting Leases (GASB 87) and (SBITAs) Subscription-Based Information Technology Arrangements (GASB 96). The ">" was removed and "Net Assets" was replaced with "fund balance". This change was in response to the suggestions made by MUN CPAs in the Management Letter attached to the Final Audited Financials for Fiscal Year 2022-23.

4. Meeting Adjourn

Greater Vallejo Recreation District

POLICY MANUAL

POLICY TITLE: Capital Asset Policy
POLICY NUMBER: 3050

I. <u>Purpose</u>

The purpose of this policy is: (1) to describe the policies and procedures utilized in the District's capital asset management system, and (2) to put guidelines in place to account for and depreciate the District's capital assets. The primary goals of this policy are:

a. To ensure that the District's capital assets are accounted for in conformance with generally accepted accounting principles; and

b. To establish a consistent and cost-effective way to account for the District's capital assets.

c. This Capital Asset Management policy is written in accordance with generally accepted accounting principles and closely conforms to capital asset accounting practices as recommended by the Government Finance Officers Association (GFOA). The Government Finance Officers Association recommends that every state and local government use the following applicable guidelines in establishing capitalization thresholds for capital assets:

i. Capital assets should be capitalized only if they have an estimated useful life of at least <u>three</u> years following the date of acquisition.

ii. Capitalization thresholds should be applied to individual assets rather than to groups of similar items (e.g., desks, tables).

iii. In no case should a government establish a capitalization threshold of less than $5,000 for any individual item.

iv. Governments should exercise control over their non-capitalized capital assets by establishing and maintaining adequate internal control procedures at the department level.

II. Categories of Assets

a. **Infrastructure Assets** are long-lived assets that normally are stationary in nature and normally can be preserved to a significantly greater number of years than most capital assets. Examples include buildings, building improvements, parks and parks improvements. The Districts capitalization threshold for infrastructure assets is $25,000. Fair value at the date of donation will be capitalized for donated infrastructure assets.

b. **Capital Assets** are defined as tangible assets having an original unit cost of greater than or equal to the District's capitalization threshold of $5,000, including ancillary costs, and with a useful life of at least three years. This capital asset threshold is applied to individual fixed assets rather than to groups or collections of fixed assets. Examples include vehicles, major equipment, and office furniture.

c. **Capital Projects** will be capitalized as "construction in progress" until completed. Costs are reclassified from construction in progress to infrastructure assets upon the date of completion and acceptance of the project by the District Board of Directors. Direct costs, ancillary costs, and construction period interest are included in the capitalized amount.

III. Responsibility

a. Finance Department - The Finance Director and/or designee shall be responsible for the implementation of this policy.

i. Department Directors - Department Directors shall be responsible for overseeing capital assets and inventory within their areas of responsibility which include items such as computers, office equipment, and construction equipment.

IV. Policy

a. Threshold - The District will capitalize Capital Assets that cost $5,000 or more and have an estimated useful life of at least three (3) years. The capitalization threshold for Infrastructure Assets shall be $25,000. All land will be capitalized regardless of value.

b. Assets acquired prior to June 30, 2022, and capitalized at a lower threshold will continue to be depreciated on the basis of past practice.

c. Valuation - In accordance with generally accepted accounting principles, the District will value its capital and infrastructure assets at historical cost. Historical cost includes the cost or estimated cost at the time of acquisition, freight charges, installation, and site preparation charges, and the cost of any subsequent additions or improvements, excluding repairs. If a capital asset is donated to the District, the asset will be valued based on the fair market value at the time the asset is donated.

V. **Capital, Infrastrucure, and Construction in Progress Asset Inventory** - As part of the annual financial audit, the Finance Department shall submit a capital asset report that includes Capital, Infrastructure, and Construction in Progress to the District's external auditor. This report will include at minimum the following information:

a. Asset Classification
b. Asset Description
c. Date of acquisition
d. Acquisition cost
e. Estimated useful life
f. Annual depreciation
g. Accumulated depreciation

VI. **Depreciation** - The District will use the Straight-Line Method as its standard approach to depreciate capital assets.

VII. **Estimated Useful Life** - The following ranges are guidelines in setting estimated useful life for depreciating assets in years:

Asset Category	**Useful Life**
Land	N/A
Buildings	25-50
Building Improvements	25-50
Parks	~~25~~7-50
Park Improvements	25-50
Maintenance Equipment	3-12
Office Equipment	3-12
Vehicles	5-7

a. Intangible assets - are capitalized at cost while contributed assets are recorded at fair market value at the time received.

b. Capital vs. Repair and Maintenance Expenses - The following criteria are the basis for distinguishing costs as either capital or repair and maintenance expense:

i. With respect to improvements costs should be capitalized if the useful life of the asset is substantially extended, or the cost results in a substantial increase in the capacity or efficiency of the asset. Otherwise, the cost should be expensed as repair and maintenance. Costs, including those that merely preserve the useful life of an asset shall be expensed.

VIII. **Inventory** - For internal control purposes, the District may maintain an inventory listing of certain non-capital assets (controlled equipment) that do not meet the capitalization thresholds referenced above. Controlled equipment includes items that should be specifically accounted for and inventoried periodically due to the high resale value of the equipment and/or potential risk of theft. Controlled equipment may include items such as computers, construction equipment, and other office equipment.

a. Each Department Head is responsible for all controlled equipment within their areas of responsibility.

IX. **Impairment** - "Impairment" may include physical damage, enactment or approval of laws or regulations, changes in environmental factors, technical changes, or evidence of obsolescence, changes in the manner or duration of use of an asset, and construction stoppages. A fixed asset is impaired if both:

a. The decline in the ability to use an asset is large in magnitude (> $100,000).

b. The event is outside the normal life cycle of a capital asset.

c. Assets that are deemed impaired and will no longer be of service to the District, will need to have their value adjusted based on the lower of their fair market value or their "book" value after depreciation.

d. In the case of theft, fire, flood, obsolescence, or other events regarding the usefulness of an asset, departments need to evaluate the usefulness or availability of that asset in the future. This may require outside assistance from an appraiser and/or the Finance Department to determine significance and applicability. Impairment must be conspicuous e.g., known to the District that a material event has occurred.

e. To measure the amount of impairment, the department will need to work with the Finance Department to determine if the above factors exist. If so, the portion of the asset to be adjusted would depend on the usefulness after repair (if applicable.) Usefulness assessments will need to be known as soon as possible. Other items that will need to be known include:

i. What is the estimated cost to restore the asset to full utility?
ii. What would be the current cost to replace the asset?
iii. What is the salvage value, if any?

b. If there is impairment, these items will be used to measure impairment given the facts of the occurrence. Once known, this information must be communicated to the Finance Director in writing so the asset value may be adjusted on the District's Asset Register.

c. Additionally, impairment losses should be reported in financial statements in accordance with the guidance provided by GASB. If not otherwise apparent from the face of the financial statements, the description, amount, and financial statement classification of impairment losses should be disclosed in the notes to the financial statements. If evidence is available to demonstrate that the impairment will be temporary, the capital asset should not be written down.

X. **Disposal and Transfer of District's Assets** - Surplus property is defined as any unnecessary, obsolete or excess supplies, materials, tools, vehicles, equipment or furniture that has been replaced or retired due to damage, age or change in District's standards and/or specifications. All assets that have reached the end of their useful life can be donated to a school or other non-profit agency, exchanged or traded for new goods, sold to any public or private person or entity; transferred from one department to another, recycled or disposed of as junk to a landfill or other appropriate waste removal facility. Surplus property may not be sold to any employee, friend, or family member (outside of public auction).

a. Board of Director approval will be required for scrapping of surplus items with a value greater than $5,000.

b. If it is determined that the property sold as a unit has a value of less than $5,000, the property may be disposed of in a manner approved by the General Manager or designee.

c. If the appraised value of the surplus properties and the fixed assets, either sold as a unit or as single piece, has a market value of $25,000 or more, the property must be disposed of in a competitive process i.e. competitive offers or advertisement to the general public. The Board Clerk is authorized to advertise such surplus property for sale to the general public.

d. If the value of the surplus property requires Board approval, the Department shall prepare the Board Action Item of the itemized surplus property and present it to the Board for approval of the disposal. If the surplus property is being replaced, the Board Action Item authorizing the purchase of the replacement property may include the approval for the disposal of the itemized surplus property.

e. Prior to the disposal of any surplus property, each department is required to obtain the General Manager's or designee's approval.

f. Proceeds from the disposal of surplus property will be allocated to the District's General Fund unless the property was originally purchased with monies from a Special Revenue Fund, in which case, the proceeds will be returned to that specific fund.

XI. **Glossary of Terms** -

a. Capital Assets: Capital assets include land, land improvements, buildings, building improvements, construction in progress, machinery and equipment, vehicles, infrastructure, irrigation, easements, intangible assets (such as computer software), and works of art and historical treasures.

b. Capitalization: Capitalization of an asset occurs when the cost of the asset meets the "threshold" and the "estimated useful life" set in the organizational guidelines. Under capitalization, the cost of an item is initially recorded as an asset rather than an expense.

c. Depreciation: Depreciation is the process of allocating the cost of property over the asset's estimated useful life rather than recognizing the cost as an expense in the year of acquisition.

d. Estimated Useful Life: is based upon Governmental Accounting Standards Board recommendations unless a different life is determined by the General Manager, or his designee, based upon the facts and circumstances applicable to that asset or class of assets.

XII. **Effective** – This policy shall be applied retroactively to Fiscal Year 2022-23 for all capitalization activities occurring or recorded on and after June 30, 2022.

RESOLUTION NO 2024-04

A RESOLUTION OF THE BOARD OF DIRECTORS OF THE GREATER VALLEJO RECREATION DISTRICT ESTABLISHING A THRESHOLD FOR REPORTING LEASES IN ACCORDANCE WITH GASB STATEMENT NO. 87 AND FOR REPORTING SUBSCRIPTION-BASED INFORMATION TECHNOLOGY ARRANGEMENTS (SBITA'S) ACCORDANCE WITH GASB STATEMENT NO. 96.

WHEREAS, GASB 87 Leases increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities; and

WHEREAS, The requirements of this Statement are effective for fiscal years beginning after December 15, 2019 [extended to June 15, 2021], and all reporting periods thereafter; and

WHEREAS, The District is subject to GASB 87 reporting standards for the FY 2022; and

WHEREAS, GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases,* as amended; and

WHEREAS, The requirements of this Statement are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter; and

WHEREAS, The District is subject to GASB 96 reporting standards in the FY 2023; and

WHEREAS, By establishing a minimum threshold for reporting, the District will eliminate the need to account for and report on any Lease or SBITA that is immaterial to the financial position of the District, increasing efficiency in the Finance Department.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Greater Vallejo Recreation District hereby establishes the minimum threshold for reporting Leases pursuant to GASB 87 and SBITA's pursuant to GASB 96 to a Net Present Value (NPV) of less than ~~≥~~1% of ~~Net Assets~~ the fund balance for each applicable fund.

PASSED AND ADOPTED this 22nd day of August 2024.

Following Roll Call Vote:

Ayes: ____________________

Noes: ____________________

Absent: ____________________

Abstained: ____________________

Adopted: ____________________

Rizal Aliga, Chairperson

Attest: ____________________