

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION TO ESTABLISH CAPITALIZATION THRESHOLDS FOR FINANCIAL REPORTING PURPOSES AS REQUIRED BY GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT 34 – *BASIC FINANCIAL STATEMENTS – AND MANAGEMENT’S DISCUSSION AND ANALYSIS – FOR STATE AND LOCAL GOVERNMENTS*

WHEREAS, the Governmental Accounting Standards Board has issued its Statement 34 – *Basis Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, hereinafter referred to as GASB 34 in June 1999, and

Whereas, certain provisions of GASB 34 require that capital assets, including general infrastructure assets, of each local government, be capitalized and recorded on the new financial statements of the reporting model outlined in GASB 34, and

Whereas, further guidance contained in GASB 34 allow local governments to establish reasonable capitalization thresholds at which capital assets, including general infrastructure assets be capitalized and recorded in the financial statements, and

Whereas, it is the responsibility of the City of Jackson, Tennessee, through its elected and appointed officials to establish the threshold amounts discussed above,

NOW, THEREFORE BE IT RESOLVED by the Mayor and Council of the City of Jackson, Tennessee meeting in regular session on July 7, 2009, that:

Section 1. The following minimum threshold amounts are established for the purpose of recording and reporting general capital assets, including general infrastructure assets, in the new financial statements as required by GASB 34.

| <u>Capital Asset</u>               | <u>Capitalize &amp; Depreciate</u> |
|------------------------------------|------------------------------------|
| Land and                           |                                    |
| Land Improvements                  | \$1 and above – capitalize only    |
| All other capital assets           |                                    |
| Including Buildings, Machinery and |                                    |
| Equipment, Vehicles and            |                                    |
| Infrastructure                     | \$5,000                            |

Section 2. Assets in the above categories must have an estimated useful life of more than two years to be considered for capitalization and depreciation. Assets that are consumed, used-up, habitually lost or worn-out in two years or less shall not be capitalized. Assets having a useful life of more than two years but that have a historical or estimated cost of less than the threshold limit established in Section 1 may, at the discretion of the Finance Director and other Department Heads, be inventoried for tracking purposes.

Section 3. The Finance Director is authorized to consult with department heads, external auditors and accountants, and other professionals for the purpose of determining information necessary to develop a comprehensive capital assets policy. This policy should include, but not be limited to, determinations of estimated useful life, asset historical or estimated cost, salvage value, depreciation method to be used, and method of determining aggregate value of like kind assets that do not individually exceed the threshold amount. It is the intent of this resolution to adopt a process for the purpose of complying with the capital asset requirements of GASB 34 and at the same time minimizing the costs associated with its implementation.

Section 4. All other resolutions in conflict with the requirements of this resolution are hereby declared null and void. The resolution shall take effect upon final passage, the public welfare requiring it.

Approved

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Mayor

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City Recorder