CHAPTER:	FINANCIAL AND PURCHASING
SECTION:	FIXED ASSETS
SUBJECT:	GENERAL FIXED ASSETS POLICY
AUTHORIZATION:	Chris Lagerbloom, ICMA-CM, City Manager Digitally signed by Chris Lagerbloom Date: 2020.11.23 13:36:32 -05'00'

1. PURPOSE:

The purpose of this policy is to provide guidelines and set responsibilities for the acquisition, depreciation, and disposal of the City's assets. Policies contained herein are designed to comply with applicable generally accepted accounting principles (GAAP), the State of Florida Administrative Code: Tangible Property Owned by Local Governments, and fairly present fixed assets records in the financial statements.

2. GENERAL POLICY:

Each department director is responsible for:

- All assets assigned to and purchased by their department
- Ensuring that the assets are safeguarded and used strictly for City purposes
- Assigning a property custodian to work with the Finance Department in maintaining the records of the assets
- Striving to make efficient use of all assets within their control, including transferring property within the City to obtain the best possible use and benefit to the City

A. CLASSIFICATION OF ASSETS:

Capital assets are personal and real property used in the operations of the government that have an expected estimated useful life beyond a single period. Capital assets are to include any item that falls into one of the following categories:

- Land real estate property held by the City and is not subject to depreciation
- Construction/Buildings structures which are permanent in nature with useful lives that exceed one year and are subject to depreciation
- Improvements other than Buildings used for permanent improvements, other than buildings, that add value to land, but do not have an indefinite useful life (e.g., fences, retaining walls, parking lots, sprinkler systems); landscaping is not capitalized
- Machinery and Equipment/Vehicles includes all tangible property other than land and buildings (e.g., computers, rolling stock (vehicles), machinery, other electronic and electrical devices and furnishings)

- Infrastructure long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years than most capital assets (e.g., roads, bridges, tunnels, drainage systems, water and sewer systems, dams, lighting systems)
- Other Capital Assets class of capital assets available for all items not properly included in one of the other major classes
- Construction in Progress accumulation of costs related to construction of a tangible capital assets that are not yet substantially ready to be placed in service

B. CAPITALIZATION THRESHOLDS:

To be considered a capital asset for financial reporting purposes, an item must be at or above the capitalization threshold and have a unit historical cost of $5,000 or more, including assets purchased with grant funds (capitalization tracking will depend on the individual grant requirements). Assets will remain as part of the property record until they are retired or are disposed, sold, traded, etc. regardless of net book value amount.

The capitalization threshold for the following classes of assets shall be:

I.	Land	N/A
II.	Buildings/Construction	$5,000
III.	Improvements other than Buildings	$5,000
IV.	Machinery and Equipment/Vehicles	$5,000
V.	Federal Grant Machinery and Equipment	$5,000
VI.	Infrastructure	$50,000
VII.	Other Capital Assets	$5,000
VIII.	Construction in Progress	N/A

With regard to improvements to buildings and general infrastructure, a capital outlay must be significant and increase capacity, increase efficiency, or extend the asset's estimated useful life beyond the original expectation.

A change in capacity increases the level of service provided by the asset. A change in efficiency increases the level of service but without increasing the size of the asset or the change maintains the same level of service at a lower cost. For example, an addition to a building provides increased square footage; hence, the capacity is increased and the capital outlay is capitalized. Widening a street with additional lanes increases capacity, and hence, the capital outlay may be capitalized.

An extended estimated useful life involves a significant alternation, structural change or improvement.

While substantial repairs and renovations will be reviewed for potential capitalization, it is anticipated that most will be expensed in the current year. These expenses often merely restore the asset to the original service potential but do not necessarily improve the asset or extend its useful life.

All land, including right of ways, is capitalized at the time of acquisition regardless of historical costs or fair value if donated.

C. HISTORICAL COST:

Capital assets are recorded at historical cost which includes any ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include, for example, freight and transportation charges, site preparation costs, and professional fees. Engineering costs (internal and external) include related preliminary project and environmental studies; project estimating, design, and planning (drawings and specifications); and construction engineering, construction management, construction inspection and project payment. Donated assets are recorded at their acquisition value, which is the price that would be paid for acquiring similar assets having similar service capacity in an orderly market transaction as of the acquisition date.

D. ESTIMATED USEFUL LIVES OF DEPRECIABLE ASSETS:

Capital assets have estimated useful lives extending beyond a single reporting period (one year) and are depreciated using the straight-line method with no allowance for salvage value. Below are general ranges of estimated useful life:

• Land	Non-depreciable
• Buildings/Construction	20 to 50 years
• Improvements other than Buildings	20 years
• Machinery and Equipment	5 to 20 years
• Vehicles	
Autos	3 years
Light Trucks	4 years
Heavy Trucks	10 years
• General Infrastructure	10 to 65 years
• Other Capital Assets	5 years

E. DEPRECIATION METHOD/CONVENTION:

Depreciation will be calculated using the straight-line method and full-year convention. No salvage value or residual value will be recognized.

F. RETIREMENTS:

Retirements apply to all assets including land, buildings, machinery and equipment, vehicles, and general infrastructure.

When an asset is disposed, scrapped, abandoned, sold, subject to demolition, etc. it is to be removed from the property record and the appropriate reduction will be made to historical cost, accumulated depreciation, and net book value amounts.

Retirements will reflect the actual historical cost of the asset when the amount is ascertainable. When historical cost is not ascertainable, an estimated historical cost will be determined.

G. RESPONSIBILITY FOR PROPERTY RECORD MAINTENANCE:
The Finance Director will ensure that reporting for capital assets is being exercised by establishing a capital asset inventory, both initially and periodically in subsequent years. The Finance Director will further ensure that the capital asset report will be updated annually or more frequently to reflect improvements, additions, retirements, and transfers. The capital asset report will also reflect the annual capital asset balance for financial reporting purposes, the accumulated depreciation calculations, and net book value of the assets.

H. ASSETS PURCHASED WITH GRANT FUNDS:
All grant related assets, regardless of the amount, will be recorded in the Fixed Assets Accounting and Control System (FAACS) for compliance purposes, and assets at or above the $5,000 threshold will be capitalized following this policy. Each Department is responsible for ensuring compliance with the asset tracking requirements of each grant in coordination with the City's Finance Department.

I. INVENTORY CONTROL POLICY:
Assets below the capitalization threshold but warranting control are called "attractive items". Attractive items are defined as tangible personal property used in operations that has a value or cost less than capitalization threshold and that requires special attention to ensure legal compliance, protect public safety, and avoid potential liability, or to compensate for heighted risk of theft. Examples of attractive items include: firearms and weapons, handheld radios, audio visual equipment, laptop computers, computer equipment and accessories, camera equipment, shop equipment, telephones, cell phones, office machines, and small but expensive tools and other movable assets between $1,000 and $4,999. These items shall be inventoried and controlled at the department level. Also, stewardship of these items is the express responsibility of the departments utilizing these properties.

The Finance Director shall have the right to request copies of the inventory and/or updated inventory of attractive items so as to periodically review the information and adherence to policy. Additionally, the Finance Director shall determine appropriate means, level of detailed data elements, and the system to be utilized. Data elements are to include item description, location, make, model, serial number, cost and other information that assists control or deemed relevant.

Assets with a value or cost between $0 and $4,999 are not considered capital assets and are expensed in the period when they are incurred.

REFERENCES:
Florida Administrative Code Chapter 69I-73 Tangible Personal Property Owned By Local Governments

Approved by: Chris Lagerbloom, ICMA-CM
Uncontrolled in hard copy unless otherwise marked
WE BUILD COMMUNITY