



Capital & Small Attractive Asset Policy and Procedures

I. Purpose:

This policy provides guidelines to ensure proper stewardship, control, and accountability over the City of Foley's capital and small attractive assets. It also ensures complete and accurate asset information is available for financial statement preparation, in accordance with Generally Accepted Accounting Principles (GAAP).

II. Definitions:

Annexation: is an expansion of the City's corporate limits by the City Council passing an ordinance.

Asset Number: A unique identifier assigned to each capital asset. For vehicles and equipment, a fueling number assigned by Public Works.

Capital Assets: Tangible or intangible assets with a useful life exceeding five years. Includes land, buildings, infrastructure, machinery, equipment, and construction in progress.

Capital Lease Review the City of Foley's Policy for Leases & Subscriptions for guidance.

Capitalization Threshold is the minimum cost per unit at which an asset must be valued to be classified as a Capital Asset. For vehicles, equipment, and furniture any item greater than \$15,000 will be considered a capital asset. For buildings, building improvements, property improvements, and infrastructure the minimum threshold for capitalization is \$100,000.

Construction Work in Progress (CWIP) is a class of capital assets which represents the cost of buildings, building improvements, infrastructure and equipment under construction. When completed the total cost is reported under the appropriate capital asset class.

Depreciation is a systematic allocation of the exhaustible cost of capital assets according to their estimated lives. The City uses the straight-line method of depreciating its capital assets.

Donations are defined by *GASB Statement No. 33, Accounting and Financial Report for Non-Exchange transactions*, as a voluntary non-exchange transaction entered into willingly by two or more parties. The donating party may be a government, a non-governmental entity, or an individual.

Infrastructure refers to public property or public domain capital assets. It is defined as a long-lived capital asset that normally is stationary in nature. This classification typically has a longer useful life than most other classifications. Some examples of infrastructure assets are roads, bridges, curbs, gutters, streets, sidewalks and drainage systems.

Intangible Assets are capital assets which has no physical substance but whose value comes from long-term rights or advantages it offers to the owner. Intangible assets are classified as computer software, websites, rights-of-way & easements, and other intangible assets. Intangible assets can be purchased, licensed, acquired through nonexchange transactions, or internally generated. Review the City of Foley's Policy for Leases & Subscriptions for guidance.

Inventory: is a systematic and periodic physical verification of the existence, location and status of capital and small attractive assets assigned to each department.

Land is a class of capital assets which encompasses all land and land rights acquired and used by the City. Acquisition could be by purchase, donation, trade and/or condemnation. Land acquired and converted to parks or open space use and land to be converted to public roads, streets or highways are included. Also included are right-of ways and easements that provide access to City-owned land.

Small Attractive (theft sensitive) Assets are portable, durable items that do not meet the capitalization threshold of \$15,000. These assets require special attention and have a life expectancy greater than one year. Departments are ultimately responsible for their small attractive assets and therefore should implement specific measures to control these assets. Departments have discretion in setting their definition of small attractive assets. However, departments must include, at a minimum, the following assets:

- 1) Communication equipment; both audio and video.
- 2) Cameras, projection equipment, televisions, radios and recorders.
- 3) Computers, printers and other data processing accessory equipment.
- 4) Chainsaws, mowers, & blowers.
- 5) Other easily portable and desirable equipment.

Departments are responsible for establishing their own system for tracking and maintaining accountability over these assets. These small and attractive assets will be tagged with a Property of The City of Foley tags when applicable.

Subdivision Acceptance occurs at the end of a developers bonding period when the city council accepts the subdivision into the city's corporate limits via resolution.

Surplus items are assets that are no longer required or useful to the custodial department.

Useful Life is the estimated average life (in years) over which a depreciable capital asset is expected to provide service.

III. Asset Custody

All City departments serving as custodian of capital and/or small attractive assets shall appoint one primary custodian. The custodian will be appointed by the department director and shall be responsible for tracking all assets within the department.

Each department designee is responsible for informing the Finance Department of new, transferred, sold or surplus capital assets. The Finance Department will maintain all capital assets in the capital asset management system.

Each department designee is responsible for designing and implementing procedures to maintain accurate records of small attractive assets. These records will be available to the Finance Department for periodic verification of existence.

IV. Recording New Tangible Assets

All capital assets additions must be included in each department's capital expenditures in the approved budget. The department head must also request approval via resolution from the Council at the time of purchase. In the month following payment of the final invoice, the Finance Department will enter the information into the capital asset management system and will assign a unique asset number (vehicles will be assigned a vehicle number by Public Works which serves as the asset tag number). The Finance Department will also complete the Asset Lead Sheet and Property Form to maintain accurate records. The department designee will place the asset tag on the asset, if applicable.

Periodically the Finance Department will generate a list of all entries to the capital outlay expenditures accounts. The Finance Department will use this list to ensure all assets are correctly capitalized in the capital asset management software and coded in the general ledger.

All costs related to the construction of a new asset must be capitalized. The threshold applies to the total cost after completion of the project, which includes allocated indirect costs. These costs generally include amounts paid for contract work, materials and supplies furnished by the City and project management cost. Cost incurred during construction must be reported as CWIP if construction has not been completed as of year-end. Once completed, the CWIP asset is reclassified as buildings, improvements, infrastructure or equipment. CWIP is not depreciated.

The cost of normal maintenance and repairs are expensed as incurred. Additions or improvements, unlike repairs, either significantly enhance a capital asset's functionality (effectiveness or efficiency) or significantly extend a capital asset's useful life. These costs will be capitalized and depreciated in accordance with this document.

All capital assets donated to the City must be accepted by the City Council via resolution. To ensure proper accounting, the following information must be provided to the Finance Department and included in the agenda request:

- 1) Donation date
- 2) Detailed description of asset
- 3) Asset location
- 4) If there are eligibility requirements to be met before the City claims ownership, describe the requirements and when they are expected to be met.
- 5) If there are any restrictions imposed on the disposal or the use of the gain from the sale of the asset, describe the restrictions in as much detail as available.
- 6) Unique identifying numbers (i.e. serial numbers, parcel numbers, etc.)
- 7) Estimated fair market value of the asset on the date of donation

The City Council must pass a resolution in order for a subdivision to be accepted in to the city's corporate limits. Upon a developer's request for the city to accept a subdivision within the corporate limits, the Engineering Department prepares a valuation of the subdivision. The valuation becomes part of the final resolution that must be passed by the City Council. The Finance Department then uses the valuation to record the infrastructure into the capital asset management system.

The City Council must pass an ordinance in order for infrastructure to be annexed into the city's corporate limits. The Engineering Department provides a valuation of all infrastructure and values that will become part of the final ordinance that must be passed by the City Council. The Finance Department uses the valuation report to record the infrastructure into the capital asset management system.

V. Recording New Intangible Assets

Intangible assets are capitalized or expensed depending on their cost. If the cost of the intangible asset meets or exceeds the intangible asset capitalization threshold, the intangible asset is capitalized and amortized over their associated useful lives, if determinable.

The City will capitalize the purchase or development cost of centralized computer software and websites with a cost of \$15,000 or greater and has an estimated useful life of more than five years. Software will be amortized using the straight line method over the useful life of the software.

Rights-of-way and easements are capitalized at the acquisition cost if that cost exceeds the capitalization threshold, as stated in this document. If the right-of-way or easement is donated, the capitalized cost is the determined by using the value from a recent sale of railroad right-of-way. If no recent sales have occurred, the value will be determined by the Engineering and Finance Departments.

If the value of the right-of-way or easement is separable from the underlying land, then apply the shorter of the legal life or the estimated useful life. If the life is indefinite or unlimited, then do not amortize. If the value is inseparable from the underlying land, then do not amortize.

VI. Grant Funded Assets

Grant funded assets will be capitalized based on the criteria specified by each individual grant agreement. Depending on the terms of the agreements involved, the federal government could retain an equity interest in these assets. These capital assets are identified in the capital asset management system as grant funded for tracking purposes in the event of sale or surplus of an item.

VII. Declaring Assets as Surplus

All real property, regardless of acquisition cost, must be approved by ordinance by the City Council in accordance with state law.

When a department decides to surplus personal property assets, the department head or designee must notify the Finance Department. The department must let the Finance Department know where the surplus item is physically located. The Finance Department will maintain a listing of all personal property surplus items including the location of these assets. Personal property assets less than \$15,000 that are determined surplus by the department can be approved by the Finance Director for sale or disposal. Personal property assets greater than \$15,000 must be approved by the City Council. In order to get items greater than \$15,000 approved for surplus, the department head or designee must submit an agenda request to City Council. Items should be listed on a surplus log and should include as much information as possible (i.e. manufacturer, model, serial number, asset number etc.) The means of disposal must also be listed (ex. auction, recycling, donation, scrap, discard, etc.).

VIII. Transferring Assets

If an item currently in surplus can be utilized by another department, the item may be transferred. The department receiving the asset must notify the Finance Department and complete the property form transfer sheet. This form serves to transfer responsibility for maintenance and accountability to the receiving department. The Finance Department will record the transfer in the capital asset management system and insure the appropriate updates are made to insurance coverage, if applicable.

IX. Disposing Assets

Disposal of assets may occur only after being declared surplus by the custodial department and approved by the City Council or the Finance Director. Disposals will be made in whichever manner is determined to be most cost effective for the City. This may include sale, disposal, conversion, or any other means as approved by the City Council in the surplus declaration. When an item is disposed, the department head must complete the Property Form for the Finance department so the asset can be removed from the capital asset management system and insurance policies, if applicable.

If an item was obtained by seizure (local or federal) the monies collected from the sale of the item goes into a separate account such as the drug fund or federal forfeiture. These items need to be identified prior to their sale so that the monies will be receipted and deposited in the correct manner.

Disposal of IT equipment shall be managed by the Information Technology Director. The Information Technology Director should be notified of any equipment that is no longer needed. These items will then be collected and evaluated to determine their usefulness or the type of disposal required. Computers, printers, copiers, etc, are usually taken to E-Coverly in Loxley which is an electronics recycling center. A nominal fee is charged for monitors and TV's but all other items are taken free of charge.

Donation of assets to another public entity must be approved by City Council via ordinance.

Items that will be disposed of through auction must be report to Publix Works for coordination and required information.

X. Lost or Stolen Assets:

It is the responsibility of the department head and designee to implement and maintain tight internal controls over capital and small attractive assets to ensure protection from

damage and theft. It is the responsibility of the department head or designee to notify the Finance Department of all lost or stolen assets as soon as the asset is discovered missing. Stolen assets must also be reported to the Police Department and a police report must be filed. If the asset is not found within 90 days after being reported, it must be removed from the asset inventory. For capital assets, the department head or designee must complete and sign the Property Form so the Finance Department can remove it from the capital asset management system and insurance policy, if applicable. Small attractive assets will be removed from the asset listing maintained by the custodial department.

XI. Physical Inventory Procedures:

A physical inventory is a means to demonstrate that the City is exercising its custodial responsibility for their assets. A physical inventory of the City's capital assets will be taken at least once a year. The Finance Department will distribute current listings of capital assets to each department, who will then be responsible for verifying the existence of the assets and the accuracy of the listing. Department heads, or designee will verify in writing the following:

- 1) Assets have been physically located and verified.
- 2) Missing assets are properly explained and noted as "missing" or "surplus".
- 3) Incorrect or incomplete information is corrected.
- 4) Items not included on the inventory sheet, but physically located, are added.
- 5) Information not reflected in the inventory report, which includes, but is not limited to the information required by grantors, is noted.

The Finance Department can do a physical inspection to verify the existence of capital and small attractive assets at any time.

XII. Financial Reporting

Annual depreciation is recorded as an expense of the fund/function for the government wide financial statements. Depreciation expense is calculated for all new capital assets commencing on the first day of the month following the acquisition date. Provisions for depreciation are computed using the straight-line method over the estimated life of the asset. The following table provides the estimated useful lives by type of capital asset:

Capital Asset Class	Estimated Useful Life
Buildings	20 - 40 years
Improvements (Buildings & Property)	7 - 30 years
Infrastructure (Drainage, streets, Bridges, Sidewalks, etc.)	10 - 50 years
Infrastructure (Sewer)	75 years
Machinery & Equipment	5 - 20 years
Automobiles & Equipment	5 - 15 years
Office Equipment	5 - 10 years

At year end, the Finance Department prepares and records a *GASB #34* journal entry to record Accumulated Depreciation and Depreciation expense on the Government Wide Statement of Net Position and Statement of Activities, in accordance with *GASB Statement #34*. The Finance Department prepares a schedule of changes in capital assets for inclusion in the Comprehensive Annual Financial Report for the City.