Requested by: Finance Director
Prepared by: Clerk's Office

RESOLUTION NO. 2014-16

A RESOLUTION OF THE CITY OF VENICE, FLORIDA ADOPTING A CAPITAL/FIXED ASSET POLICY; RESCINDING RESOLUTION NO. 2008-24; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, Venice City Council recognizes that effective management of capital/fixed assets is essential to good fiscal management and needs to be responsive to public trust and in compliance with legal requirements while maximizing the effectiveness of limited funds; and

WHEREAS, a policy providing effective guidelines and responsibilities for the acquisition, depreciation and disposal of the city's capital assets including setting procedures to monitor and account for small and attractive assets is required for audit compliance.

NOW, THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF VENICE, FLORIDA, as follows:

SECTION 1. Resolution No. 2008-24 adopting a capital/fixed asset policy is hereby rescinded in its entirety.

SECTION 2. The Capital/Fixed Asset Policy attached hereto as Exhibit "A", is hereby adopted and incorporated by reference as though fully set out in this resolution.

SECTION 3. A copy of the Capital/Fixed Asset Policy shall be maintained for public use, inspection and examination in the offices of the city clerk and the finance department.

SECTION 4. This Resolution shall take effect immediately upon its approval and adoption as required by law.

APPROVED AND ADOPTED AT A REGULAR MEETING OF THE VENICE CITY COUNCIL HELD ON THE 13TH DAY OF MAY 2014.

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John W. Holic, Mayor

ATTEST

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Lori Stelzer, MMC, City Clerk

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Attorney David Persson

EXHIBIT “A”

CITY OF VENICE CAPITAL/FIXED ASSET POLICY

PURPOSE

To provide effective guidelines, set responsibilities for the acquisition, depreciation and disposal of the city’s capital assets including setting procedures to monitor and account for small and attractive assets.

I. Capital/Fixed Assets and Capitalization Thresholds

A capital/fixed asset is real or personal property that has a cost equal to or greater than $5,000 and has an estimated useful life extending beyond one year. The City of Venice reports capital assets under the following categories:

1. Land and land improvements
2. Buildings and building improvements
3. Infrastructure and infrastructure improvements
4. Improvements other than buildings
5. Property under capital lease
6. Construction work in progress
7. Furniture, machinery and equipment
8. Computer software

II. Reporting Capital/Fixed Assets

Capital/fixed assets should be reported at purchase cost. The cost of a capital/fixed asset should include ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition, such as freight and transportation charges, site preparation costs, and professional fees.

Donated capital/fixed assets should be reported at their estimated fair market value at the time of acquisition plus ancillary charges, if any.

When the historical/purchase cost of a capital/fixed asset is not practicably determinable, the estimated historical cost of the asset should be determined by appropriate methods and recorded. Estimated historical costs should be so identified in the record.

The basis of valuation for capital assets constructed by the city should be the costs of material, direct labor, and overhead costs identifiable to the project.

The finance department is responsible for correctly reporting these assets at the date of acquisition. Any improvements made to a capital asset that extends the useful life of the asset beyond one year should be capitalized.

III. Depreciating Capital/Fixed Assets

Capital/fixed assets shall be depreciated over their estimated useful lives unless they are:

1. Inexhaustible (i.e. land and land improvements)
2. Construction work in progress

It is the responsibility of the finance department to estimate the useful life of each capital/fixed asset. For city-wide financial statement purposes, the straight-line method will be used to calculate depreciation for each capital asset recorded in the property system starting with the month that the asset is received by the city. The finance department is responsible for recording the assets in the correct general ledger codes/account numbers.

IV. Physical Inventory

Bi-annual physical inventory shall be taken and reviewed by the assigned custodian in each department. The inventory is taken using a preprinted fixed asset register with any variances between the register/listing and physical inventory reconciled as follows:

1. Identify those assets that were purchased or transferred in but not added to or changed on the individual fixed asset records or listing of small attractive assets.
2. Investigate the disposal or transfer out of assets not located.

V. Capital/Fixed Asset Definitions and Categories

A. *Land and Land Improvements*

Land is the surface or crust of the earth, which can be used to support structures, and may be used to grow grass, shrubs, and trees.

Land improvements consist of betterments, site preparation, and site improvements that ready land for its intended use. The cost associated with land improvements is added to the cost of land. Land and land improvements should not be depreciated.

Examples of items to be capitalized as land and land improvements are:

1. Purchase price or fair market value at time of gift
2. Commissions
3. Professional fees (i.e. title searches, architect, legal, engineering, appraisal, surveying, environmental assessments, etc.)
4. Land excavation, fill, grading, and drainage

5. Demolition of existing buildings and improvements (less salvage)
6. Removal, relocation, or reconstruction of property of others (i.e. railroad, telephone, and power lines, etc.)

Items such as roads, bridges, and paved parking lots are not considered land improvements but are considered infrastructure.

B. *Buildings and Building Improvements*

A building is a structure that is permanently attached to the land, has a roof, is partially or completely enclosed by walls, and is not intended to be transportable or moveable. A building is generally used to house persons, property, and fixtures attached to and forming a permanent part of such a structure.

Building improvements are capital events that materially extend the useful life of a building or increase the value of a building, or both beyond one year. Building improvements should not include maintenance and repairs done in the normal course of business.

Examples of items to be capitalized as buildings and building improvements are:

1. Original purchase price of the building
2. Expenses for remodeling, reconditioning, or altering a purchased building to make it ready to use for the purpose for which it was acquired
3. Environmental compliance (i.e. asbestos abatement)
4. Professional fees (i.e. legal, architect, inspections, and title searches)
5. Cancellation or buyout of existing leases
6. Completed project costs of constructed buildings
7. Cost of building permits
8. Permanently attached fixtures or machinery that cannot be removed without impairing the use of the building
9. Additions to buildings (i.e. expansions, extensions, or enlargements)
10. Conversion of attics and basements to usable space
11. Structures attached to the building such as covered patios, garages and enclosed stairwells
12. Installation or upgrade of heating and cooling systems, including ceiling fans and attic vents
13. Original installation or upgrade of wall or ceiling covering such as carpeting, tiles, paneling or parquet
14. Structural changes such as reinforcement of floors or walls, installation or replacement of beams, rafters, joists, steel grids, or other interior framing
15. Installation or upgrade of window or doorframe, upgrading of windows or doors, built-in closet and cabinets

16. Interior renovation associated with casings, baseboard, light fixtures and ceiling trim
17. Exterior renovation such as installation or replacement of siding, roofing, or masonry
18. Installation or upgrade of plumbing and electrical wiring
19. Installation or upgrade of phone or closed circuit television systems, networks, fiber optic cable, or wiring required in the installation of equipment (that will remain in the building)

Examples of items to be considered maintenance and repairs and not capitalized as buildings are:

1. Adding, removing, and/or moving of walls relating to renovation projects that are not considered major rehabilitation projects and do not increase the value of the building
2. Improvement projects of minimal or no added life expectancy and/or value to the building
3. Plumbing or electrical repairs
4. Cleaning, pest extermination, or other periodic maintenance
5. Interior decorations such as draperies, blinds, curtain rods and wallpaper
6. Exterior decoration such as detachable awnings, uncovered porches and decorative fences
7. Maintenance-type interior renovation such as repainting, touch-up plastering, replacement of carpet, tile, or panel sections, sink and fixture refinishing
8. Maintenance-type exterior renovation such as repainting, replacement of sections of deteriorated siding, roof, or masonry

The list of examples provided above is not intended to be all-inclusive.

C. *Infrastructure and Infrastructure Improvements*

Infrastructure assets are 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. Examples of infrastructure assets include roads, bridges, drainage systems, water and sewer systems, and street lighting systems. Infrastructure assets shall be capitalized and depreciated.

Improvements made to infrastructure assets that extend the useful lives or increase the value of the assets, or both, beyond one year should be capitalized.

D. *Property under Capital Lease*

Assets shall be capitalized if the lease agreement meets any one of the following criteria:

1. The lease transfers ownership of the property to the lessee by the end of the lease term.
2. The lease contains a bargain purchase option.
3. The lease term is equal to 75 percent or more of the estimated economic life of the leased property.
4. The present value of the minimum lease payments at the inception of the lease equals at least 90 percent of the fair value of the leased asset.

A lease that does not meet any of the above capitalization requirements should be reported separately as an operating lease for inclusion in the city-wide financial statements.

E. *Construction Work in Progress*

Construction work in progress reflects the economic construction activity status of buildings and other structures, infrastructure, additions, alterations, reconstruction, and installation, which are substantially incomplete. The cost of construction work in progress should not be depreciated. Construction work in progress assets should be capitalized to their appropriate capital asset categories upon the earlier occurrence of execution of substantial completion contract documents, occupancy, or when the assets are placed into service. It is the finance department's responsibility to track all costs related to construction work in progress so that the final value of the constructed asset is correctly captured. Departments should not use multiyear appropriations for a project to circumvent the capitalization threshold for the project.

F. *Furniture, Machinery and Equipment*

Furniture, machinery and equipment include fixed or movable tangible assets to be used for operations, the benefits of which extend beyond one year from date of receipt. Examples of furniture and equipment are machinery, computers, printers, radios, and vehicles.

G. *Computer Software*

Computer software that is either purchased or internally developed shall be capitalized as fixed assets if the cost of the computer software exceeds $50,000. Capitalization of computer software includes software license fees if the total dollar amount of the fee divided by the number of units served (terminals) exceeds the threshold.

For internally developed software, only costs associated with the application development phase shall be capitalized. Costs associated with the preliminary project and the post-implementation/operating phases should be expensed as incurred. Costs to develop or obtain software that allows for access or conversion of old data by new information systems should also be capitalized. General and administrative costs and overhead expenditures associated with software development shall not be capitalized.

VI. Surplus and Scrap Disposal

The city manager or designee shall have the authority to require reports from all city departments indicating all commodities or capital items, which are no longer used or which have become obsolete or worn out. The city manager or designee shall have the authority to transfer these items from one department to another, or to exchange or trade for new supplies or capital items. In addition, material that is not on the asset register, with no resale value and/or a scrap value of less than $500, may be scrapped as the need arises. A list of such items shall be provided to the city manager or designee for permanent record.

In the interest of conserving space and eliminating storage problems and hazardous conditions, the city manager or designee shall have the authority to periodically sell city property which has become unsuitable for city use on consignment through a public auction house, under the same terms and general conditions as detailed in the contract for the annual city auction. A listing of all saleable items, not including scrapped items, for either public auction or by sealed bid will be approved by city council and such sales will be to the highest responsible bidder. Items of an unusual nature which would not normally be sold at an auction will be abstracted from the list and submitted to council with a recommended means of sale or disposal.

Whenever the city determines to remove or replace capital equipment items that no longer serve a productive or useful public purpose, within 60 days of the receipt, field testing and acceptance of the newly purchased item (whichever tasks are applicable), the city will initiate a process to dispose of those items in a manner which best serves the economic and operational needs of the city. Such items would include, but are not limited to; cars, trucks, other vehicles and vehicle accessories, power equipment, computer and other communications equipment and office furnishings. The finance department will determine the best, most cost effective method of removal/disposal of said items. Disposal shall be in a commercially reasonable manner that may be by public sale, auction, trade-on or other documented verifiable means. All transactions of public property as defined herein will be fully documented and said records retained in accordance with applicable local and state guidelines.

The city manager or designee shall be authorized to approve all sales where the net revenue to the city does not exceed $15,000. All sales exceeding $15,000 in net revenue to the city will be approved by city council, prior to completing the sale or conducting the sales event.

Relinquishing city real property (land) is governed by Section 3.06(d) of the city charter and is not regulated by this policy.

VII. Small Attractive Assets

Property that is highly prone to theft must be safeguarded and controlled. An annual inventory of such items shall be maintained by the individual departments. Inventory sheets shall be turned in to the finance department for asset list verification.

Sensitive items include but are not limited to:

1. Computer equipment
2. Laptop and desktop computers
3. Weed Wackers
4. Power and hand tools
5. Chain saws
6. Televisions, VCR and DVD players
7. Two-way radios
8. Cell phones
9. Guns
10. Lawnmowers
11. Video and Digital Cameras