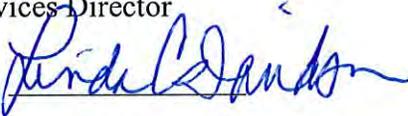


CITY OF BOCA RATON
DEPARTMENTAL POLICY
CAPITAL ASSETS

EFFECTIVE DATE: October 1, 2009

Linda Davidson
Financial Services Director

APPROVED: 

I PURPOSE:

To provide effective guidelines and set responsibilities for the acquisition, depreciation and disposal of the City's Capital assets including the preparation of year-end schedules for audit purposes.

II POLICY:

Capital assets provide a benefit to more than one fiscal period. Properly accounting for capital assets and maintaining physical control of capital assets ensures accountability to the residents of the City of Boca Raton. Annual reporting of the acquisition and disposition of all capital assets is required to provide accountability to City residents. Major ongoing projects which require more than one year to complete are reported as Construction in Progress. The cost of a Capital Asset is depreciated monthly over its useful life based on Generally Accepted Accounting Principles.

The City has the discretion to dispose of any of its property if it is considered surplus, fully depreciated, or if the continued use is uneconomical or inefficient. The property may be disposed of by selling to other government agencies, by public auction, sealed bids, or by donation to private non-profit making agencies. If obsolete or totally useless, the asset may then be disposed of as scrap.

III DEFINITIONS/GENERAL INFORMATION:

Amortization - The systematic expensing of the cost of an intangible asset over its estimated useful life based on Generally Accepted Accounting Principles. Straight-line amortization, which allocates the cost of a capital asset evenly over its estimated useful life, will be recorded monthly for all intangible assets.

Capital Asset - Land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations with a useful life extending beyond a single reporting period. Capital assets will be amortized or depreciated over the estimated useful life of the capital asset. Land and easements will not be depreciated or amortized since they have an indefinite useful life.

Capital Asset Cost – The amount or amounts expended to acquire capital assets. This will include the amount spent to acquire the capital asset and any charges to put the asset in place, such as site preparation, architectural design, project management, or freight charges. Sometimes the individual components of an asset may be under the capitalization threshold but the total of the components will exceed the capitalization threshold. For example, modular office systems are composed of many components, such as a desk top, hutch, drawers, sliding trays, end caps, etc., that are less than \$5,000.00 but the total for the modular office system will exceed \$5,000.00. The modular office system would be considered a capital asset. Donated capital assets will be recorded at fair value at the time of donation.

Capital Expenditure - Expenditure that has been designated for specific capital improvement purposes or major infrastructure improvement projects. These include major purchases and construction projects that may last over a period of years.

Capital Improvements – An expenditure that provides additional value to a capital asset by either lengthening the estimated useful life of a capital asset or increases a capital asset's ability to provide greater effectiveness or efficiency. The useful life will be the same as the capital asset.

Construction in Progress (CIP) - Capital assets that are incomplete at fiscal year-end. At year end they are reported as CIP on the balance sheet in the financial statements. Upon completion, these projects are then recorded in the appropriate fixed asset category in the Sungard Fixed Assets System.

Depreciation - The systematic expensing of the cost of a tangible asset over its estimated useful life based on Generally Accepted Accounting Principles. Straight-line depreciation, which allocates the cost of a capital asset evenly over its estimated useful life, will be recorded monthly for all tangible and infrastructure assets.

Enterprise Funds - This is the category of funds that are financed and operated in a manner similar to private business enterprises. The cost of providing goods or services to the general public are financed or recovered primarily through user charges. The City utilizes enterprise fund accounting for Water and Sewer, Golf Course, Cemetery, and Storm Water operations.

Fixed Asset Accountant – The accountant in the Financial Services Department assigned the responsibility to properly account for all capital assets of the City.

Fixed Asset Custodian – The individual in each department assigned responsibility for tagging and tracking the capital assets of the department. Each Department Director, or their designee, shall serve as the Fixed Asset Custodian. Written notice of the Fixed Asset Custodian shall be provided to the Financial Services Director.

General Fixed Asset Accounting Group (GFAAG) - Fund used to account for fixed assets, including infrastructure, purchased in the governmental funds.

Sungard Fixed Asset System - The computerized sub-system for recording capital assets.

Infrastructure Assets – Long-lived capital assets costing \$35,000.00 or more that 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, and water and sewer systems.

Intangible Assets – Capital assets that lack physical form, such as computer software and easements, which cost \$35,000.00 or more.

Internal Service Funds - These funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis. Internal service funds are used for Information Technology, Motor Pool and Self Insurance.

Tangible Assets – Capital assets that are durable and physical in form, such as land, buildings, vehicles, etc., which cost \$5,000.00 or more.

IV UNIQUE CAPITAL ASSETS

Intersection Signalization – City intersections with traffic signals are composed of many different components. An intersection will have traffic lights on wires or mast arms. Each signalized intersection may have video encoders, Ethernet switches, a controller, a CCTV, video detection cameras, an Opticom and illuminated street signs. The total cost of all the components, including the poles, traffic signals, wires and mast arms, will be considered one asset. Component replacement will be treated as maintenance expenditure. Component additions to an intersection will be capitalized and recorded in the Sungard Fixed Asset system as improvements to the intersection signalization asset.

Fiber Optic Network – The City is installing a citywide fiber optic system for the use of all City facilities. The fiber optic network additions will be treated as one asset with a useful life of 40 years. Each extension of the fiber optic network will be capitalized and recorded in the Sungard Fixed Asset system as an infrastructure asset.

V CAPITAL ASSETS RECORDS:

The Fixed Assets Accountant is responsible for maintaining a detailed record of all capital assets of the City. The Fixed Assets Accountant will review all expenditures of the City to determine what items are to be recorded in the Sungard Fixed Asset System as a capital asset. All acquisitions of capital assets will be entered into the Sungard Fixed Asset system. At a minimum, each asset record will contain the following:

- 1) Asset number.
- 2) Description.
- 3) Physical location.
- 4) Name, make, or manufacturer.
- 5) Year and/ or model.
- 6) Serial number, if available
- 7) VIN for vehicles.

- 8) Date acquired.
- 9) Cost or estimated fair value.
- 10) Method of acquisition
- 11) Useful life.
- 12) When disposed, the date and method of disposition.

VI MARKING OF CAPITAL ASSETS:

All capital assets of the City shall be permanently marked with the identification number assigned to that asset to clearly establish identity and ownership by the City. Asset tags will not be required for assets where tagging is inappropriate (such as roads, bridges, parks, etc.) or where the tagging of the item would cause the value or the utility of the asset to be significantly impaired. Asset tags should not be placed on the asset in a manner that would mar the asset.

VII ANNUAL INVENTORY:

Each department is responsible for safeguarding and controlling its assets. To provide for the safeguarding and control of the City's capital assets, an annual inventory of each department's assets will be performed by the Department Director or their designee each year. The designee must be someone other than the Fixed Asset Custodian. The Fixed Assets Accountant will provide a list of all capital assets assigned to each department. Upon completion of the annual inventory, the Department Director will return the capital asset list to the Fixed Assets Accountant. A Property Disposition Form must be prepared for any items not located during the annual inventory. The Fixed Assets Accountant shall perform random checks of the annual inventories.

VIII ANNUAL REPORTING

Each fiscal year reports will be prepared to account for all capital assets activity. Reports will be prepared to:

- 1) Reconcile the gross value of capital assets at the beginning of the year to the gross value of capital assets at the end of the year between the general ledger and the Sungard Fixed Assets system.
- 2) Reconcile the accumulated depreciation and depreciation expense for the fiscal year between the general ledger and the Sungard Fixed Assets system.
- 3) Report depreciation expense by function for the fiscal year.
- 4) Report capital assets by major category as follows:
 - a. Land
 - b. Construction in progress
 - c. Buildings
 - d. Improvements other than buildings
 - e. Equipment
 - f. Infrastructure
 - g. Computer software
 - h. Easements

- 5) Report the value of capital assets not being depreciated and the value of capital assets being depreciated.
- 6) Report accumulated depreciation for depreciable capital assets.
- 7) Report capital assets for governmental activities and business type activities.

IX CAPITAL REPLACEMENT

The City has established a Capital Replacement Cost Policy for the replacement of certain vehicles and heavy equipment. The Policy establishes the CRC Fund and the process to provide funding for the replacement of existing vehicles or heavy equipment with an estimated cost of \$35,000.00 or more.

X DISPOSITIONS:

Any capital asset to be disposed of by sale, trade or scrapped must be approved by the Department Head and the Purchasing Manager. A Property Disposition Form must be completed and signed prior to disposition of the capital asset. Any asset that is destroyed, lost or stolen requires the completion of a Property Disposition Form. Additionally, a report must be prepared stating how the item was destroyed, lost or stolen. For capital assets that are stolen, a police report must accompany the Property Disposition Form.

XI TRANSFERS:

Any capital assets that are to be transferred from one department to another must have a Property Transfer Form completed prior to transfer. The transfer must be approved by the Purchasing Manager prior to transfer of the capital asset.

XII ADDITIONAL INFORMATION, REOUIREMENTS, RESPONSIBILITIES:

It shall be the responsibility of the Fixed Asset Accountant to keep this policy current. The Fixed Asset Accountant will develop detailed procedures to meet the Capital Asset Policy. The procedures must be reviewed and approved by the Accounting Manager.