

**CITY OF PORT ST LUCIE  
FINANCIAL POLICY  
CAPITAL ASSETS**

**I. PURPOSE**

To provide effective guidelines for the recording, tracking, capitalizing, and safeguarding of the City's Capital assets.

**II. POLICY**

In general, capital assets in excess of a \$1,000 provide a benefit to more than one fiscal period. Properly accounting and maintaining physical control of capital assets ensures accountability to the residents of the City of Port St. Lucie. Annual reporting of the acquisition and disposition of all capital assets is required to provide accountability to City residents. Major ongoing projects which cover more than one year are capitalized as Construction Work in Progress. The cost of a Capital Asset is depreciated yearly over its useful life based on Generally Accepted Accounting Principles.

**III. DEFINITIONS/GENERAL INFORMATION**

**Acquisition** - The point at which the City takes possession of an asset. This could be when it was purchased, or when it was donated. The City records donated assets at their estimated fair market value.

**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 yearly.

**Buildings** - Structures that are permanent in nature. Their useful life is for more than one year and are subject to depreciation. Buildings are valued at the purchase price or construction cost. Cost should include all charges relating to the building, such as broker's fees, architect's fees, etc. Permanently attached fixtures to the building should also be included in the cost of the building. If using in-house resources such as labor, materials,

and supplies from various City departments to construct or add on to the building, the costs are to be included as part of the cost of the asset. If an addition is constructed, it is added to the asset system as a component of the original building. The addition is added to the system as a separate asset, but tied to the original building.

**Capital Asset** - Tangible and intangible assets that the City can use as a resource in providing services to the residents. Capitalized assets include all tangible and intangible assets with a cost of \$1,000 or more and a useful life of more than one year. Sensitive items under the threshold, such as cameras, guns, and radios are also capitalized. Capitalized assets are acquired for use in normal operations and are not for resale.

**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. 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 Work in Progress (CWIP)** - Capital assets that are incomplete at fiscal year-end. Upon completion, these projects are recorded in the appropriate fixed asset category in the asset system.

**Depreciation** - The systematic expensing of the cost of an 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 yearly.

**Equipment** - Tangible property other than land and buildings such as computers, machinery, electronic devices, furnishings, vehicles, etc. The cost includes the equipment purchase price and any other charges necessary to purchase or install the equipment including the cost of labor, delivery, setup, etc. Donated equipment should be capitalized at the appraised market value at the time of donation.

**Generally Accepted Accounting Principles (GAAP)** - Accounting guidelines developed by the Governmental Accounting Standards Board (GASB).

**Governmental Accounting Standard Board (GASB)** - The board that develops the accounting standards for governmental entities.

**Governmental Funds** - Funds generally used to account for tax-supported activities. The City uses four different types of governmental funds: the general fund, special revenue funds, debt service funds, and capital projects funds.

**Infrastructure Assets** - Long-lived capital assets that are normally 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, and water and sewer systems (drainage systems are included as part of the road).

**Intangible Assets** - Capital assets that lack physical form, such as computer software and easements.

**Land** - The real estate property held by the City. The land can be purchased or donated. Purchased land should be entered into the asset system at its cost. The cost includes its purchase price and any other charges necessary to purchase the land. The other charges include costs such as site preparation expenditures, professional fees, and legal claims directly attributable to the land acquisition. Donated land should be capitalized at the appraised market value at the time of donation.

**Proprietary Funds** - Funds that focus on determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The City uses two types of proprietary funds: enterprise funds and internal service funds.

**Retirement** - An asset is retired if it has been sold, traded in, scrapped, abandoned or in any way removed from service.

**Tangible Assets** - Capital assets that are durable and physical in form, such as land, buildings, vehicles, etc.

**Transfer** - Permanently moving an item from one department to another department. If it's within the same department, it is a location/division change.

**Useful Life** - The number of years the asset is expected to be operational.

## **IV. PROCEDURE**

### **1) Acquisition & Responsibility**

The Finance Department is responsible for assigning and recording tag numbers for all capital assets and maintaining a detailed record of all capital assets of the City. Worksheets and decals for capital assets are distributed to a designated person in each department. All departments are responsible for assuring that the information on the worksheet is correct and that the decal is placed on the asset. Decals are to be affixed to the items in a conspicuous location to clearly establish identity and ownership of the City, with the exception of items that cannot be physically tagged such as buildings, roads, bridges, etc. Each department is responsible for safeguarding and controlling its assets. All acquisitions of capital assets will be entered into the asset system. At 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

### **2) 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. An annual inventory list will be distributed to each Department Director for a physical inventory. The department will provide the results of that inventory to the Finance Department. The Finance Department will compare the physical inventory records to the official asset records. The department is responsible for investigating and resolving all differences.

### **3) Annual Reporting**

Reports will be prepared at the end of the fiscal year to account for all capital asset activity.

- Reconciliation of capital assets at the end of the year between the general ledger and the asset system.
- Reconciliation of CWIP at the end of the year between the general ledger and the asset system.
- Reconciliation of all assets by class, fund and function.
- Reconciliation of the accumulated depreciation and depreciation expense for the year between the general ledger and the asset system.

### **4) Dispositions**

Any capital asset to be disposed of by sale, trade, or scrapped must be approved by the Department Head and the OMB department. Items having a value of \$1,000 or more must be declared surplus by the City Council. For capital assets that are stolen or lost an incident report should be attached to the surplus form. It is the responsibility of the department to make arrangements to physically move the items to the appropriate surplus location.

### **5) Transfers**

Any capital asset that are to be transferred from one department to another must have a surplus form completed and signed by the Department Director prior to transfer. It is the responsibility of the transferring department to coordinate with the receiving department. Once the capital asset has been transferred the capital asset becomes the responsibility of the receiving department.