

**CITY OF MARATHON, FLORIDA
RESOLUTION 2016-101**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
MARATHON, FLORIDA, ADOPTING A FIXED ASSETS POLICY;
PROVIDING FOR CONFLICTS AND SEVERABILITY AND
PROVIDING FOR AN EFFECTIVE DATE**

WHEREAS, defining the accounting practices and procedures that will ensure effective and accurate control of its capital assets is beneficial to the City; and

WHEREAS, a Fixed Asset Policy will assure that the City complies with the requirements of the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP) and OMB Circulars as they relate to capital assets; and

WHEREAS, a Fixed Asset Policy will also ensure that an accurate record keeping system is in place to protect and properly insure assets in the event of a loss.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF
MARATHON, FLORIDA, THAT:**

Section 1. The above recitals are true and correct incorporated herein.

Section 2. The City of Marathon, Florida Fixed Assets Policy & Procedures Guide, a copy of which is attached as Exhibit A, is hereby adopted.

Section 3. This resolution shall take effect immediately.

**PASSED AND APPROVED BY THE CITY COUNCIL OF THE CITY OF MARATHON,
FLORIDA, THIS 15th DAY OF NOVEMBER 2016.**

THE CITY OF MARATHON, FLORIDA



Dr. Daniel Zieg, Mayor

AYES: Bartus, Coldiron, Cook, Senmartin, Zieg
NOES: None
ABSENT: None
ABSTAIN: None

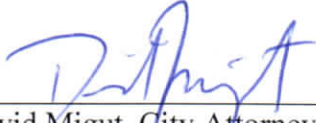
ATTEST:



Diane Clavier, City Clerk

(City Seal)

**APPROVED AS TO FORM AND LEGALITY FOR THE USE AND RELIANCE OF THE
CITY OF MARATHON, FLORIDA ONLY:**



David Migut, City Attorney

City of Marathon, Florida



Fixed Assets Policy & Procedures Guide

(Adopted by the City Council on November 15, 2016)

City of Marathon

Fixed Assets Procedures Guide

Purpose The purpose of this policy and procedures guide is to:

1. Define the accounting practices and procedures that will ensure effective and accurate control of the capital assets of the City.
2. Assure that the City complies with the requirements of the Governmental Accounting Standards Board (GASB) and Generally Accepted Accounting Principles (GAAP) and OMB Circulars as they relate to capital assets.
3. Communicate to City Elected Officials, Department Heads, Employees, and the Public the formal Capital Asset policy and procedures of the City of Marathon.
4. Assure that an accurate record keeping system is in place to protect and properly insure assets in the event of loss.

General The primary purpose of a Capital Asset accounting system is to maintain physical accountability over the assets owned by the City. The accounting system should provide a record of the capital assets obtained over the years that are still in service and identify the funding source for the purchase and/or construction of those assets. The capital assets of the City are those owned by the City that meet the definition below.

The City has established a unit cost threshold of \$1,000 and a useful life of at least one year for all capital assets. Assets with a unit cost below this level will be expensed. Donated assets will be recorded at fair market value.

The City adheres to Generally Accepted Accounting Principles and the pronouncements of the Governmental Accounting Standards Board. Any subsequent changes to either will be incorporated into this policy upon the recommendation from the Finance Department.

Definitions and Terminology

An asset may be defined as property that is either:

Tangible – consisting of items having physical substance such as land, buildings, machinery, furniture and tools.

Or

Intangible – consisting of items that lack physical substance such as software licenses, patents, copyrights and leases.

City of Marathon Fixed Assets Procedures Guide

Assets also have the following characteristics or attributes:

1. They are acquired for use in operations and not for resale.
2. They are long term in nature (i.e. expected life/benefit period exceeds one year)
3. They are separately identifiable, and are not an integral part or component of another piece of equipment. In the case of tangible assets, the asset is an equipment unit.
4. They are not fixed in place and not an integral part of a structure of facility.
5. They are not consumed in use.

Accountability is defined as being able to give an account for property; an “accountable” person (usually the custodian) must maintain current records of the location of all property within the department and subsequent additions, deletions or adjustments.

Betterment (also referred to as an improvement) is defined as a tangible component or enhancement that is affixed to an inventoried (tagged) item of equipment which extends the life of the equipment, increases the productivity of the equipment or enhances the quality of the inventoried equipment. The cost of a betterment is added to the value of an inventoried item and is subject to the City’s established capitalization threshold. Replacement of a part of an existing asset by another of like quality is not a betterment, even though the useful life of the asset is maintained or extended.

Capital expenditures are those expenditures that benefit future operating periods by purchasing new assets, adding to existing assets, or increasing the efficiency or capacity of an asset.

Capitalize - To capitalize a cost means to consider the cost to be an asset for financial accounting purposes. A more complete discussion of costs to be capitalized is in the section entitled *Capitalization of Assets-General Principles*.

Custodian is defined as any Department Head or City employee designated by the responsible department head. The custodian’s duties shall include preparation, submission, and completion of all fixed asset record forms, inventory coordination, and all other duties required to maintain accurate inventory records for all assets assigned to their department/division.

Depreciation is an element of expense resulting from the use of long-lived assets. It is measured by allocating the cost over the estimated service life in a systematic and rational manner. Depreciation does not provide cash for replacing assets as they wear out. Depreciation only allocates a past cost to current and future periods.

Equipment unit is a single item, or aggregation of integrated items or parts that form a whole.

Fabricated Equipment is defined as equipment or furniture made by the City staff for utilization in City operations which meets the definition and value for tangible personal property. Determination of value includes the purchase price of all materials, supplies and fixtures used, any freight charges and all labor costs for construction and installation, if any.

City of Marathon Fixed Assets Procedures Guide

Property Control Numbers are assigned to all fixed assets or expense items that are equipment units as defined above. Property Tags with a bar-coded number are attached to these equipment units in a **readily visible area** (in most cases this will be on the front of the equipment, for equipment such as mowers this will be near the serial number plate) on that unit.

Responsibility is defined as being liable to be held to account as the primary agent due to holding a specific office, position, or trust.

Salvage value of an asset is that value which remains and could be realized (i. e. sale value as scrap) when the asset is removed from service. Because most items bring only nominal sums at public auction, salvage value is always assumed to be zero.

Sensitive Property is defined as movable equipment which has an acquisition value which is less than the City's established capitalization threshold, is freestanding, has a normal life expectancy of one year or more and is desirable for personal use and/or sale. Easily removed items include, but are not limited to, iPads, smartphones, laptop/notebook computers, televisions, digital cameras, hand tools, power tools, etc.

Service life of an asset is the period of time it may be expected to last (remain in service) before it is "used up". Like assets have the same service life. The Asset Type determines the service life in the system. The Table on page 5 contains a comprehensive explanation.

Useful life – see service life.

Internal Control Responsibilities

The Finance Department is responsible for the control and record keeping of the City's Fixed Assets. A fixed asset is generally defined as property with a useful life that exceeds one year. The City capitalizes fixed assets with an acquisition value of \$1,000 or more, and a useful life that exceeds one year.

The objectives of the Finance Department include the oversight of all fixed asset additions, related depreciation, asset transfers and dispositions. Support of these objectives is enhanced by the designation of Custodians within each City department. The Custodians assist in the safeguarding of assets, preparation of documentation in the movement of assets and aid in the annual physical inventory process. Departments have physical custody of assets and are accountable for their safekeeping. Employees are responsible for exercising reasonable care in the operation and maintenance of City property.

This means that:

- Individual items, equipment units, installations or facilities above the monetary capitalization threshold are capitalized as required by capital budget procedures. They are entered in the fixed asset system, assigned property control numbers, and have property tags affixed. Departments have physical custody and are responsible for their safekeeping.

City of Marathon Fixed Assets Procedures Guide

- Items charged to expense (i.e. cost below capitalization threshold of \$1,000) that are mobile and pilferable are not entered in the fixed asset system, however, they should have property tags affixed, or other markings indicating the City’s ownership. Departments have physical custody and are accountable for their safekeeping. Examples of such items include, but are not limited to, iPads, smartphones, laptop/notebook computers, cameras, digital and other, hand tools, power tools, etc.
- Departments are responsible for invoice attest, filling out Property Control Forms when required, and positive affirmation that property tags have been affixed.
- Property tags are not assigned to sidewalks, streets, and like assets that are not separately identifiable.
- Departments maintain physical inventories by location and report changes in status to Finance. See section on *Asset Disposal*.
- Finance will task departments with physical inventories as required; this should not be the custodian.
- If, during the physical inventory, tangible personal property is found that is not on the property record, and it is believed to be an asset of the City, the property will be evaluated and if appropriate placed on the City’s Fixed Asset schedule in the department where it was found.
- Upon completion of an inventory, the Custodian will acknowledge acceptance of all property listed on the current inventory report. It shall be the responsibility of the Custodian to trace and reconcile all discrepancies.

Capitalization of Assets – General Principles

The primary vehicle for the acquisition of assets is the budgeting process. Fixed assets should be recorded at cost. The cost includes both the purchase price and the ancillary charges required to place the asset in service. The matrix below presents the costs to be included in capitalization.

Land	Buildings	Equipment
• Negotiated Price	• Architect/engineering fees for plans and supervision	• Cost (Includes freight)
• Legal Fees	• Cost of materials	• Insurance during transit
• Broker Commissions	• Interest on borrowed funds during construction	• Permits
• Title and Insurance Fees	• Insurance for Project	• Installation and/or assembly
• Survey Fees	• Demolition Costs	• Modification/testing before actual service use
• Grading or changing land contours	• All other necessary costs (e.g. permits/impact fees)	
• Closing Costs	• Construction Services Costs	
• Preparation Costs		

The matrix above is not intended to be all-inclusive. If a cost not reflected in the matrix is encountered, the Finance Director will provide guidance.

City of Marathon Fixed Assets Procedures Guide

An acquisition by gift is recorded at estimated fair value at the time of acquisition. Fair value in the case of vehicles is determined by blue book prices. In the case of equipment, market prices of identical or similar equipment of the same age or condition. Land or buildings could be appraised. The Finance Director will provide guidance.

Asset Types and Depreciation Guidelines

All assets must be classified according to type. This type determines the service life.

Asset Type	Description	Definition	Service Life (Years)
LAND	Land	Unimproved Land	0
IMP OTHER BLDG Or LAND IMPROVE	Improvements other than Buildings	Additions to Land to include but not limited to: Site work Fence Irrigation Outdoor Lighting Pavilions Beach Improvements Landscaping Picnic pads, walking trails Drainage systems Sidewalks/Bike Paths Roads/Roadway Signalization Fire Hydrants Pump Stations Sewer Collection Systems Sewage Lift Stations Sewage Force Mains	10-40
BUILD IMPROVE	Building Improvements	Additions to basic structure which extend useful life or increase capacity.	5-20
BUILD/STRUCT	Buildings	Permanent Buildings, structural improvement, Sewage Treatment Plants	10-50
SOFTWARE	Software	Computer software programs	3
CONST PROGRESS	Construction in progress	Construction of any assets, that is unfinished, and incomplete at fiscal year end.	0 items won't be depreciated until placed in service
FURNITURE/EQUIP	Furniture and Fixtures, Equipment and Machinery	Furniture and equipment including computers	3-10
VEHICLES	Vehicles	Any vehicle or equipment that requires a license tag	5-18
FIRE EQUIPMENT	Fire & EMS Equipment	Equipment utilized for fire rescue & emergency medical services	5-10
PARK EQUIPMENT	Parks Equipment	Equipment utilized for parks & recreational activities	5-20
SIGNAGE	Signs	Signage	10
INTANGIBLES	Intangibles	Easements, land use/water rights	0

City of Marathon Fixed Assets Procedures Guide

Asset Acquisition

Property is acquired by the City in several different ways:

- a) By the direct purchase of property using City funds.
 - b) By donation from private individuals, state or other governmental agencies.
 - c) By the direct purchase of property using grant, state or federal funds.
 - d) By lease-purchase agreements.
 - e) By in-house fabrication.
 - f) By purchase through construction contracts.
1. Property may be donated to the City by governmental agencies, private enterprise or by individuals. A *Fixed Asset Record* card must be completed and sent to Finance. The card should include all known information on the item being donated.
 2. Purchase of property using state or federal grant funds shall be accounted for in the same manner as property acquired with City funds. Custodians are responsible to be aware of any special requirements or conditions required by the grant.
 3. Equipment fabricated by City personnel should follow the following guidelines:
 - a. Prepare a memo to the Finance Department listing:
 - i. Complete description of the item.
 - ii. Location of the item.
 - iii. Department that will have custody of the item.
 - iv. Value – this should include the purchase price of all materials, supplies and fixtures used, any freight charges, estimated labor costs for construction and installation, if any.
 - v. Serial number and/or model number if assigned.

Asset Disposal

Property shall not be transferred, turned-in or disposed of without prior approval of the City Manager or designee. Property valued more than \$5,000 will require Council approval. Authority for all dispositions of tangible personal property valued more than \$5,000 shall be obtained from the City Council and reported in the minutes. The Finance Department shall maintain details of each disposition in the property records.

Having consideration for the best interests of the City and the potential for disposal by each method, surplus property shall be disposed of by one of the following methods. The City Council must approve all of the methods below prior to disposal of property valued more than \$5,000, and the City Manager must approve all of the methods below prior to disposal of property valued at \$5,000 or less.

City of Marathon Fixed Assets Procedures Guide

The custodian shall be responsible to initiate transfer/disposition processing.

The *Fixed-Asset Disposition Form* shall be completed by the property custodian and submitted to City Manager for approval. The Department Head must acknowledge receipt of any fixed asset transferred to his/her department.

The actual transfer/removal or destruction of property should be witnessed by two City employees from other departments, particularly from Finance.

	The following chart will be used for the disposal of surplus property: Value of the surplus property is \$5,000 or Less	Value of the surplus property is More than \$5,000
Exchange or Trade-In	A department, with approval of the City Manager, is authorized to exchange surplus property for other property of at least equal value, or to trade it in as part of the consideration to be paid for other property.	The City Manager or designee is authorized, upon City Council approval, to exchange surplus property for other property of at least equal value, or to trade it in as part of the consideration to be paid for other property.
Sale	A department, with approval from the Finance Director, will determine the best method for the sale of surplus property, with City Manager final approval.	The City Manager or designee, with approval from the City Council, will determine the best method for the sale of surplus property.
Discard	A department, with approval from the Finance Director, is authorized to dispose of surplus property after final approval by the City Manager.	The City Manager or designee, with approval from the City Council, is authorized to dispose of surplus property.
Donate	A department, with approval from the City Manager, is authorized to donate surplus property to any civic, community, or non-profit agency. (Other groups require City Council approval.)	The City Manager or designee, with approval from the City Council, is authorized to donate surplus property to any civic, community, or non-profit agency.

Methods of Disposal

1. Property may be offered to other governmental units for 90% of the fair market value of the property.
2. Property may be offered to private nonprofit agencies that have been held to be tax exempt under the provisions of Section 501 of the Internal Revenue Code and which has as its principal mission one of the following:
 - a. Public health and welfare
 - b. Education
 - c. Environmental restoration and consideration
 - d. Civil and human rights
 - e. Relief of human suffering and poverty

Private non profit agencies that meet the above criteria may purchase the property for 90% of the fair market value.

City of Marathon

Fixed Assets Procedures Guide

3. Property may be used as a trade-in on new equipment. In this case, since the property is often still in the original custodian's custody, the Finance Department must be notified in writing prior to the division obtaining a purchase order for the new equipment so that approval by the City Council (property valued more than \$5,000) and or City Manager (property valued at \$5,000 or less) may be obtained for disposition of the old equipment. If, necessary the paperwork will then be submitted to the City Council for approval on the Consent Agenda. The Purchase Order Requisition should fully identify the item to be traded, including full description, manufacturer, serial number and city property number and the trade-in allowance. Prior to the trade-in leaving the custodian department, the property number shall be removed and attached to the completed *Fixed-Asset Disposition Form* and sent to Finance.

4. Property may be returned to the vendor if defective and a maintenance agreement (warranty) exists. The Finance Department must be notified in writing through the use of a *Fixed-Asset Disposition Form*.

Once the replacement asset is received, a Fixed Asset Record Card must be completed and sent to the Finance Department to include the asset number being returned, new asset description, manufacturer, model, serial number, physical location of new equipment, contact person and phone number so that Finance can coordinate the recording and tagging of the new equipment.

5. Property that is without commercial value may be abandoned, cannibalized or destroyed. Notice must be given to the Finance Department through a *Fixed-Asset Disposition Form* if the item has a property control number.

6. If the estimated market value of the personal property offered for sale is less than \$500, the City Manager may negotiate a sale in the open market after such informal inquiry as he or she considers necessary to ensure a fair return to the City. The sale shall be documented by an appropriate bill of sale drafted/approved by the Legal Department.

7. For sales of excess property valued between \$500 and \$1,000, the City Manager shall solicit informal bids orally, by telephone, or in writing from all known prospective purchasers and a tabulation of all such bids received shall be prepared and retained as part of the permanent record. The sale shall be documented by an appropriate bill of sale drafted/approved by the Legal Department.

8. For sales of excess property valued at more than \$1,000, a contract of sale shall be awarded only after advertising for formal bids. The advertisement shall be posted at least fifteen (15) days prior to award of the sale contract and shall be published in newspapers or circular letters to all prospective purchasers. In addition, notices shall be posted in public places. Bids shall be opened publicly at the time and place specified in the advertisement. A tabulation of all bids received shall be prepared and filed with the contract as part of the permanent record. The award shall be made to the highest bidder as to price.

City of Marathon Fixed Assets Procedures Guide

9. As previously stated in this policy, title to property/equipment rests with the City rather than the department. Therefore, the sale of or advertising for sale of equipment by departments other than the Clerk's Department is prohibited. City Council's approval is required for disposal of City property valued more than \$5,000.

Reasons for Asset Disposal

1. Physical condition is such that repairs are either not feasible or economically justifiable.
2. Assets may become technologically obsolete.
3. Assets may become surplus to operating requirements as a part of a scheduled replacement program.
4. Assets may become surplus because of changes in operational requirements.

Transferring assets between Custodians/Departments

The transfer must be justified in writing by both the Departments involved and submitted to the City Manager for approval prior to the transfer of the asset. When transferring assets between departments a *Fixed Asset Disposition Form* must be completed and forwarded to Finance. Departments are responsible for notification to the Finance Department on a timely basis.

It is the responsibility of the Department Director to advise the Finance Department of any transfer of assets from one location to another in order to keep the property record up to date. Notification should be made on the *Fixed Asset Disposition Form*. Temporary transfers need not be reported, but all permanent or indefinite transfers should be reported as soon as they occur.

Stolen, Lost, Damaged, or Destroyed Property

Stolen, lost, damaged or destroyed property will be immediately reported to the appropriate Property Custodian, Department Director, City Manager, Risk Manager, and the Finance Director. A thorough investigation will be made by the Department Director. A report shall be filed with the appropriate law enforcement agency describing the missing item and the circumstances surrounding its disappearance within 48 hours.

A copy of the law enforcement report shall be provided to the Risk Manager, for insurance purposes, and the Finance Director, for asset tracking purposes, no later than 48 hours after filing the police report.

An annual report will be prepared by the Property Custodian, no later than September 30th, summarizing any write-offs during the fiscal year and any stolen, lost, damaged or destroyed property. A copy of this report shall be provided to the Finance Director or a Finance Department designee by October 1st.



Form#: FA - 1

**DESIGNATION OF CUSTODIAN(S) TO ASSIST IN THE
RECORDS MANAGEMENT/SAFEGUARDING
OF FIXED ASSETS**

In accordance with the City's Fixed Assets Procedures, each City department shall designate a "Custodian" to assist in the safeguarding of assets. Departments have physical custody of asset and are accountable for their safekeeping.

A custodian is defined as any Department Head, Division Head or City employee designated by the responsible Director. The custodian's duties shall include preparation, submission, and completion of all fixed asset record forms, inventory coordination, and all other duties required to maintain accurate inventory records of all assets assigned to their department/division.

Name of Designee: _____

Title of Designee: _____

Effective Date: _____

Division/Department: _____

Director Approval: _____



Form#: FA - 2

CITY OF MARATHON
FIXED ASSET RECORD CARD

Asset No. # _____

Property Tag # _____

Item Description: _____

Model: _____

Serial Number: _____

Other Information: _____

Acquisition Cost: \$ _____ Acquisition Date: _____

Vendor: _____

Life: _____ (years) Depreciation Method: _____

Purchase Order Number: _____ Check Number: _____

Custodian Department Assigned To: _____ Division: _____

Position/Title Assigned To: _____

Location: _____

Condition: Excellent _____ Good: _____ Fair: _____

Other Comments: _____



CITY OF MARATHON
FIXED-ASSET TRANSFER

Form#: FA - 3

Property Tag _____ Description _____

Originating Department _____

Receiving Department _____

Reason for transfer _____

Permanent _____

Temporary _____ If temporary date to be returned to originating department _____

The Custodian's duties shall include preparation, submission, and completion of all fixed asset record forms, inventory coordination, and all other duties required to maintain accurate inventory records for all assets assigned to the department/division.

Signed _____ Signed _____
Custodian Date Finance Director Date

Signed _____
Department Head Date



CITY OF MARATHON
FIXED-ASSET DISPOSAL

Form#: FA - 4

Property Tag _____ Description _____

Vehicle Identification Number _____ Date Purchased _____

Department _____

Department Head _____

Signature

Printed

Date

Reason for Disposition

If Asset is a Vehicle: Mileage _____ Repair/Maintenance Cost last 3 years \$ _____ 200__

Hours _____ \$ _____ 200__

\$ _____ 200__

SOLD

Sold to _____ Date _____

Total Received for Item _____

SCRAPPED-CANNIBALIZED-DESTROYED

Insurance Claim Filed _____ Date _____

Witnessed by: _____ Date _____

TRADED IN

Trade in was for _____ Vendor _____

Date _____ Trade In Value _____

New Equipment Property Tag _____

AUCTION

Vendor Name _____ Date _____

Total Received for Item _____

DONATED

Donated to _____

Signed _____ Signed _____
Department Head Date Finance Director Date

Signed _____ Agenda # _____
City Manager (if applicable) Date Date



CITY OF MARATHON
FIXED ASSET LOST OR STOLEN

Form#: FA - 5

Property Tag: _____

Description: _____

Reporting Employee: _____ Date of Report: _____

Date Loss or Damage Occurred: _____ Time _____

Discovered By: _____ Date _____ Time _____

Caused By: _____

Description of Events Leading to Loss or Damage:

Received by Custodian/Department Head: _____ Date _____

Referred to: Risk Management _____ Date _____

Supervisor Comments: _____

Action Taken: _____

Date claim filed with City's insurance carrier: _____

Reimbursement amt. from City's ins. carrier: _____ Date received: _____

Signed _____ Signed _____
Department Head Date Finance Director Date

Signed _____
City Manager (if applicable) Date