

CITY OF LA VISTA
MAYOR AND CITY COUNCIL REPORT
MARCH 5, 2024 AGENDA

Subject:	Type:	Submitted By:
COUNCIL POLICY STATEMENT CAPITAL ASSET MANAGEMENT POLICY	◆ RESOLUTION ORDINANCE RECEIVE/FILE	MEG HARRIS FINANCE DIRECTOR

SYNOPSIS

A resolution has been prepared to approve a Council Policy Statement regarding Capital Asset Management to replace Council Policy Statement 120 – Asset Control Program.

FISCAL IMPACT

N/A.

RECOMMENDATION

Approval.

BACKGROUND

This policy has been created to replace the existing Asset Control Program Policy to update it in accordance with GFOA recommendations which state that local governments consider the following guidelines in establishing capitalization thresholds:

- *Potentially capitalizable items should only be capitalized only if they have an estimated useful life of at least two years following the date of acquisition;*
- *Capitalization thresholds are best applied to individual items rather than to groups of similar items (e.g., desks and tables), unless the effect of doing so would be to eliminate a significant portion of total capital assets (e.g., books of a library district);*
- *In no case should a government establish a capitalization threshold of less than \$5,000 for any individual item;*
- *In establishing capitalization thresholds, governments that are recipients of federal awards should be aware of federal requirements that prevent the use of capitalization thresholds in excess of certain specified maximum amounts (i.e., currently \$5,000) for purposes of federal reimbursement; and*
- *Governments should exercise control over potentially capitalizable items that fall under the operative capitalization threshold.*

GASB 34 states that capital assets should be reported at historical cost. The cost of a capital asset should include any charges necessary to put the asset into place. Donated capital assets should be reported at their IRS estimated fair value at the date of donation. Capital assets include moveable property (furniture & fixtures, machinery & equipment, automobiles, etc.), land, land improvements, buildings, building improvements, leasehold improvements, infrastructure, historical treasures & works of art, and all other tangible or intangible assets that are used in operations that have initial useful lives beyond a single reporting period. Capital assets that are not being depreciated should be disclosed separately from those that are being depreciated.

RESOLUTION NO. _____

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF LA VISTA, NEBRASKA, APPROVING A COUNCIL POLICY STATEMENT.

WHEREAS, the City Council has determined that it is necessary and desirable to create Council Policy Statements as a means of establishing guidelines and direction to the members of the City Council and to the city administration in regard to various issues which regularly occur; and

WHEREAS, replacement of the current Council Policy Statement "Asset Control Program" is being recommended; and

WHEREAS, a Council Policy Statement entitled "Capital Asset Management Policy" has been created to update the asset policy in conjunction with recommendations from the Government Finance office on Accounting (GFOA).

NOW, THEREFORE, BE IT RESOLVED, that the Mayor and City Council of La Vista, Nebraska, do hereby approve a Council Policy Statement entitles "Capital Asset Management Policy" and do further hereby direct the distribution of said Council Policy Statement to the appropriate City Departments.

PASSED AND APPROVED THIS 5TH DAY OF MARCH 2024

CITY OF LA VISTA

Douglas Kindig, Mayor

ATTEST:

Pamela A. Buethe, MMC
City Clerk

Capital Asset Management Policy

Purpose

This policy is intended to be a guide to the City of La Vista's determination of expenditures which are subject to capitalization, guidance on depreciable life, asset inventory and accountability procedures, and asset disposal to comply with the requirements of GASB Statement 34: Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments.

Definitions

The City of La Vista adopts the following definitions:

Capital Asset - an investment in tangible assets (things you can physically touch) intended for long term use in the ordinary course of business operations. An asset must meet both qualifications below to be considered a capital asset:

- a. It must have a useful life of more than 2 years.
- b. It must not lose its physical identity upon installation. For example, a pump that can be utilized in several production areas would be a capital asset. However, a pump that is a built-in component of another capital asset, and can only be used for that purpose, would not be considered a capital asset by itself.

Capital Improvement – An expenditure to bring the asset to a condition of intended use, beyond its original or current state. Improvements will increase an asset's useful function or service capacity, perform a required extension of "useful life," enhance the quality of services, reduce future operating costs, or upgrade essential parts of the asset. Examples include modernizing elevator cabs, installing variable frequency drive on cooling tower motors, upgrading to energy efficient lighting, or any other major, value-adding improvements.

Construction-In-Progress – is a category of capital assets, which represent the cost of building, improvements other than buildings, infrastructure or equipment under construction. When completed, the total cost is removed from construction-in-progress and reported under the appropriate capital asset category. Construction-in-progress is not depreciated.

Economic Utility - the capacity of an individual capital asset to satisfy its intended economic purpose. This definition will most likely apply to repairs of current capital assets. Some repairs will clearly add economic utility and should be capitalized, where others do not add economic utility and should not be capitalized.

Historical Cost - An accounting method in which assets are listed on a balance sheet with the value at which they were purchased, rather than the current market value. The historical cost principle is used to reflect the amount of capital expended to acquire an

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asset, and is useful for matching against changes in profits or expenses relating to the asset purchased, as well as for determining past opportunity costs.

Infrastructure - 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, tunnels, drainage systems, water and sewer systems, dams, lighting systems, and data and communication networks.

Intangible Asset – an investment in intangible assets (things which you cannot touch) include intellectual property such as software, patents, trademarks, and copyrights.

Repair and Maintenance – Both routine repair and maintenance are performed to restore the asset's physical condition and/or operation to a specified standard, prevent further deterioration, replace or substitute a component at the end of its "useful life", serve as an immediate but temporary repair, or assess ongoing maintenance requirements.

Guidelines

A. Improvements

Improvements provide additional value by either 1) lengthening a capital asset's estimated useful life or 2) increasing a capital asset's ability to provide service (i.e., greater effectiveness or efficiency).

The City will also consider the "three-part improvement test" for capitalizing expenditures to "improve" a pre-existing unit of property. For this purpose, a unit of property is improved if the expenditures result in:

1. A betterment to the structure, material condition, increase productivity, efficiency, strength, quality or output of the unit of property. Example: 50% reduction in energy costs is considered material while 10% is not.
2. Restorations are made to restore a unit of property. The amount paid for the replacement of a "major component or substantial structural part" of a unit of property is an amount paid to restore (and therefore improve) the unit of property. Determination of whether a component or part was "major" or "substantial" depends on the facts and circumstances.
3. New or different use – adaptation of property to a new or different use.

B. Donated Assets

1. Prior to accepting any donated capital assets, the capital asset will be reported to the City Clerk.

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- Upon approval from the City Administrator, the donated capital assets will be reported to the Treasurer at their estimated fair value at the time of acquisition plus ancillary charges, if any.

Method of Depreciation

For simplicity and consistency, the City of La Vista will use the straight-line depreciation method (historical cost divided by useful life) for depreciation of all depreciable capital assets. In addition, it will be assumed that the capital assets will have no salvage value.

A half year of depreciation will be taken in the year the asset is placed into service or disposed of, regardless of the actual date of service or disposal. The actual date of service will be tracked, however.

Asset's Threshold & Useful Life

The City of La Vista Finance Department's parameters for treatment of Fixed Assets:

- Capitalization threshold levels and useful lives for capital assets are as follows:

Capital Asset	Threshold	Useful Life (in years)
Movable Property (not including computer software)	\$10,000	Varies – see table detail
Computer s/w purchased or developed for internal use	\$10,000	3 years
Buildings & improvements	\$10,000	Varies – see table detail
Land and non-depreciable land improvements	N/A – capitalize all	No useful life assigned for inexhaustible assets
Infrastructure	\$10,000	30 years
Historical works of art	N/A	No useful life – inexhaustible

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Leasehold improvements	\$10,000	< of 20 years or lease term

2. The straight-line depreciation method will be used for depreciation of all depreciable capital assets.
3. A half year will be taken for the year assets are placed into service or disposed of.
4. Repairs and maintenance will not be capitalized only improvements. See definition.
5. Land and construction in progress are not depreciated.

Description of Assets and Examples	Useful Life (in years)
Moveable Property	
Office furniture & fixtures Examples: desks, file cabinets, large cubicles, fireproof secure storage containers	10
Computers & peripheral equipment Examples: hard drives, printers, servers, large scanners, TV screens, mounted projectors, AV equipment	4
Medical equipment	5
Automobiles	7
High mileage automobiles Examples: Police cars	5
Light general-purpose trucks (<13,000 lbs.)	5

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Heavy general-purpose trucks (>13,000 lbs.)	6
Trailers and trailer mounted container	8
Buses	9
Construction equipment Including lawn and snow removal equipment.	6
Recreation assets used in the community center. Examples: exercise equipment, pool tables, billiards and pool halls, bowling alleys, theatres, and miniature golf courses.	8
Telephone central office equipment, police scanners and radios	10
Buildings and Improvements	
Single Use buildings	40
Service station buildings and related exterior improvements.	30
Roof	20
Depreciable Land Improvements	

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Land improvements that are depreciable & other improvements other than buildings Examples: sidewalks, paths and trails, sprinkler systems, fences & gates, landscaping, fountains,	20
Infrastructure	
Examples: highways, roads, bridges, tunnels, sidewalks, curbs, gutters, street signage, streetlamps, traffic signals, drainage systems, water and sewer systems, lighting systems, railroad tracks, trestles, canals, waterways, spillways, locks, dams, levees, seawalls, lakes/reservoirs, water bottoms, beaches, boat ramps, boat docks, piers, wharfs, boardwalks, radio or television towers, airport runway/taxiway, data and communication networks	30

Asset Control

Maintaining an effective and accurate inventory of City-owned property (assets) is necessary for insurance and reporting purposes. The Finance Director or designee is responsible for the maintenance of automated inventory records for City property over the established value threshold and for reporting said assets as part of the City's Financial Statements.

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Asset Inventory

The Finance Director or designee will periodically oversee a physical inventory of the assets within each Department and Property Coordinators will be notified prior to the actual physical count. A list of assets assigned to each location will be generated from the automated database records. The list will include an inventory number, description of the item, the account number and a location where the item can be found. The individuals performing the inventory will verify the location of each item on the list and identify any new assets that need to be assigned an inventory number and added to the database. If there are items on the list that are not found, an inquiry will be made to determine the location or disposition of the item(s). Finance Personnel and Property Coordinators will complete any necessary disposition forms or theft reports.

Asset Accountability

Department Directors will be responsible for tracking and controlling all property owned by the City of La Vista and assigned to their department. Property over an established value threshold will be appropriately identified, periodically verified, transferred according to established guidelines, and accounted for in a computerized database system by Finance Director or designee and the designated Property Coordinators from all City departments.

Department Directors shall:

1. Appoint a Property Coordinator for their Department.
2. Make each employee aware of the Asset Control policy.
3. Inform employees that the City is not responsible for personal items brought into the workplace.

Property Coordinators shall:

1. Serve as the liaison regarding property between their department and the Finance Director.
2. Be responsible for assisting the Finance Director or designee with maintaining the fixed asset inventory and periodic inventory of the equipment.
3. Be aware of all equipment additions, transfers and disposals in their department and report the same to the Finance Director when the event occurs and according to the following procedure.
 - a. Acquisition of property over the value threshold shall be reported to the Finance Director on the Fixed Asset Report Form accompanied by a copy of the purchase order and the invoice.
 - b. Acquisition of property over the value threshold that must be licensed shall, in addition to the above requirements, be reported to the City Clerk with all original paperwork (invoice, manufacturer's certificate of origin(or title if used), sales and use tax statement, and application of title).

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Construction-In-Progress

During the construction of or upgrading of buildings, improvements other than buildings, infrastructure or equipment, the cost of the construction-in-progress will not be depreciated. When completed and signed off as completed by the City Engineer, the total cost is removed from construction-in-progress and reported under the appropriate capital asset category.

Surplus Assets

City property that has become unserviceable, unusable, or outdated may be considered surplus. Disposal of surplus property can be accomplished by transfer, trade-in, auction or disposal.

1. Transfer - Equipment that is included in the database can be transferred to another department within the City by completing the Fixed Asset Report Form and sending a copy to the Finance and the City Clerk Departments. Property Coordinators in both the transferring and the receiving department should also keep copies of the form.
2. Disposal – Real property owned by the City shall be disposed of in accordance with Nebraska State Statute 16-202. The City Council shall hold a public hearing prior to any such sale or lease, as per statute, and will make a formal decision regarding the disposal of such asset at a public meeting. Other property shall be disposed at public auction, after being declared surplus in accordance with La Vista Municipal Code §34.29(B). All City identifying information shall be removed prior to disposal. Any electronic or digital media shall be erased of any information or rendered inoperable and useless prior to disposal. Department heads shall provide written documentation of assets disposed and full accounting will be provided to the Finance and City Clerk departments.
3. Annexation – Upon annexation of county property/infrastructure by the City (roads/bridges/etc.), those items will be absorbed from the county's capital asset listing.