

**RESOLUTION
NUMBER 2021-042**

A RESOLUTION OF THE BOARD OF COUNTY COMMISSIONERS OF LEVY COUNTY, FLORIDA, AMENDING RESOLUTION 2020-012, ADOPTING A REVISED FIXED ASSET CUSTODIAL AND CAPITALIZATION POLICY; PROVIDING FOR AN EFFECTIVE DATE.

RECITALS

WHEREAS, on February 18, 2020, the Board of County Commissioners of Levy County, Florida ("Board") adopted Resolution 2020-012, adopting the County's current Fixed Asset Custodial and Capitalization Policy ("the Prior Policy"); and

WHEREAS, pursuant to the rulemaking authority granted to the State of Florida Chief Financial Officer by section 274.02 Fla. Stat., amendments were adopted to Florida Administrative Code Chapter 69I-73, effective October 1, 2020, which provided a definition for the term "attractive items" and amended the minimum thresholds for recording property from \$1,000 per item to \$5,000 per item; and

WHEREAS, since the adoption of Resolution 2020-012 and the effective date of the Policy, there have been changes in the nature of County assets, as well as a need for further clarification of custodianship for County assets; and

WHEREAS, as the result of the updated regulatory requirements in Florida Administrative Code Chapter 69I-73 and generally accepted accounting principles, and the changes in the nature of County assets and need for further clarification of custodianship for County assets, the Board desires to amend the Prior Policy adopted by Resolution 2020-012; and

WHEREAS, the Board desires to establish the effective date of the amendment of the Prior Policy so that the amendments to the Prior Policy will be effective retroactively to October 1, 2020; and

WHEREAS, the Board finds it is in the best interests of the County to replace the Prior Policy and adopt an amended Fixed Asset Custodial and Capitalization Policy effective as of October 1, 2020;

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF LEVY COUNTY, FLORIDA, that:

1. The Prior Policy adopted by the Board by Resolution 2020-012 is hereby replaced in its entirety by the attached Fixed Asset Custodial and Capitalization Policy.

2. The Fixed Asset Custodial and Capitalization Policy, which is attached hereto and incorporated herein by this reference, is hereby adopted.

3. The Fixed Asset Custodial and Capitalization Policy attached hereto will be and is effective October 1, 2020, or as otherwise noted in such Policy, and will continue to be in force until such time as it is amended or repealed.

4. This resolution shall take effect immediately upon its adoption.

PASSED AND DULY ADOPTED BY THE BOARD OF COUNTY COMMISSIONERS OF LEVY COUNTY, FLORIDA this 20th day of April, 2021.

**BOARD OF COUNTY COMMISSIONERS,
LEVY COUNTY, FLORIDA**

John Meeks, Chair

ATTEST: Danny J. Shipp, Clerk of
the Circuit Court and Ex Officio Clerk
to the Board of County Commissioners

Danny J. Shipp, Clerk

APPROVED AS TO FORM AND
LEGAL SUFFICIENCY:

Anne Bast Brown

Anne Bast Brown, County Attorney

FIXED ASSET CUSTODIAL AND CAPITALIZATION POLICY

LEVY COUNTY, FLORIDA

BOARD OF COUNTY COMMISSIONERS

Purpose:

To establish Levy County policy for capitalization and recording of depreciation of real property, infrastructure, equipment, works of art and historical treasures, intangible assets, donated assets and leased property, for compliance with Florida Statutes and generally accepted accounting principles.

Background:

Historically, Levy County has complied with the financial reporting requirements of the Government Accounting Standards Boards (“GASB”). County assets for the governmental funds were recorded in the General Fixed Asset Account Group (“GFAAG”) at historical cost and adjusted each year for new assets purchased and assets replaced due to obsolescence, damage, theft or loss. Only the proprietary funds recorded depreciation; governmental funds were not required to record depreciation or infrastructure assets in their financial statements.

The GASB issued Statement No. 34, which became effective July 1, 2001 and required County infrastructure, works of art, historical treasures, intangible assets and depreciation to be recorded for all funds in the government-wide financial statements.

This policy addresses the elements of financial reporting introduced by GASB Statement No. 34 and ensures that fixed asset transactions are accounted for consistently and in accordance with generally accepted accounting principles.

Policy:

It is the policy of the Levy County Board of County Commissioners (“BOCC”) that:

A. Responsibilities

1. The County Coordinator and his/her designee(s) are responsible for the overall management and security of County fixed assets, including performing and maintaining an accurate physical inventory of fixed assets, as well as investigating/resolving any discrepancies. The Director of each County Department or their designee will report an accurate inventory to the Clerk of Court’s County Finance Office (“Finance Office”) for each fiscal year within 30 days of year-end.
2. Elected officials and County Department Directors are responsible for the safeguarding of fixed assets and performing acquisitions and disposals in accordance with County policy and County administrative procedures.
3. Each County Department and Constitutional Officer’s designee for carrying out these responsibilities shall be considered the Fixed Asset Manager (“FAM”) for that department or office.
4. The Finance Office will input and maintain fixed asset accounting information and be responsible for implementing and modifying internal control procedures necessary to ensure the integrity of such information. The Finance Office may also provide additional assistance in inventory custodial efforts by keeping certain items listed in the asset accounting database that do not qualify as capitalized fixed assets.
5. The Finance Office may test the effectiveness of such internal controls through internal audit procedures, including, but not limited to, inspection of physical inventories and comparisons to

inventory records. Such examinations may be announced or unannounced. The Finance Office will communicate noncompliance with control procedures by Departments to the County Coordinator for correction.

B. Fixed Assets

1. Fixed asset transactions addressed in this policy include all equipment, land, buildings, infrastructure, works of art and historical treasures, intangible assets and capital leasing transactions of the County's government-wide activities and proprietary funds.

2. Capitalization value threshold tests are secondary to the nature of expenses. In other words, value thresholds do not apply to repairs and maintenance and replacement expenditures that are necessary to restore/maintain current functionality. Example: a \$5,000 replacement of tires on a frontloader would not be a capitalizable item. Another example is shown for resurfacing under Sec. B.4.c.i., General Infrastructure, Works of Art and Historical Treasures.

3. The account numbers for the various asset classifications are set forth in Schedule B, Account Number Guidance, which is attached hereto and incorporated herein by this reference.

4. The capitalization thresholds for the various asset classifications are as follows. Note that depreciation amounts should be the lesser of these amounts or the amounts specified by an outside grantor of funds, if applicable:

a. Land, Non-depreciable Real Property Improvements, and Buildings:

Includes land acquisition costs, clearing and preparation, surveys, rights of way and easements, and other similar expenses.

Capitalize regardless of cost

b. Depreciable Real Property Improvements:

Capitalize if valued at \$50,000 and above

c. General Infrastructure, Works of Art and Historical Treasures:

Capitalize if valued at \$100,000 and above

i. Roads:

Roads shall be capitalized at cost provided by the County Road & Bridge Department. Repairs and resurfacing (e.g. mill and fill) of roads shall not be capitalized, regardless of amount, but shall be expensed as repairs and maintenance. Resurfacing projects that also include components to increase capacity (such as adding a lane) or asset efficiency shall be appropriately proportioned to both capital outlay and operating expenses based on the engineer's estimates of respective cost components. Capital outlay portions shall be capitalized at cost of outlay.

ii. Works of Art and Historical Treasures

Works of art and historical treasures shall be valued at cost if purchased outright at what is considered a market value transaction with no elements of donation. Given that it is

rare such purchases by a government would take place in light of the restrictions limiting disbursements of public monies to a reasonable and necessary public purpose, this policy contemplates that donated or otherwise received items, including those acquired through discovery, may require some other valuation method. If it is considered reasonably likely that the item may be valued above this threshold, professional appraisal services should be sought to determine value at the date of donation or discovery. It should be noted that such items meeting this definition that are solely held for the purpose of financial gain shall be treated as investments.

d. Utility and Communication Infrastructure:

Capitalize if \$50,000 or above per project

i. Utilities:

Basic utility infrastructure outside of buildings: This infrastructure includes the lines, tunnels, piping, transformers, relays, pumps, cables, switching stations, and similar items need for electrical, water, telephone, natural gas, television, data services, and central HVAC plants. Excludes telecommunications network system components purchased and installed by vendors and capitalized separately to the County's telecommunications network system or as building improvements.

ii. Telecommunications and Network Systems:

These systems consist of the power conduit, cabling/wiring, electronics, and the telephone switching equipment and components necessary for the campus-wide delivery (both between buildings and within buildings from floor to floor) of electronically transmitted communications, principally voice (telephones) and data (computers), where such equipment and components are purchased, installed and when such equipment is NOT capitalized as a sub-component of either: 1) a new building construction project; or 2) a building improvement/renovation project; or 3) a utility improvement/renovation project; or 4) is expensed to operations and maintenance of plant as a sub-component of a building or utility improvements/renovation project when total cost falls below the \$100,000 improvements capitalization threshold.

All improvements to a telecommunications network system, as described above, are capitalized as an aggregate addition by depreciable component to the telecommunications network system.

iii. Wireless Communication Infrastructure Network:

These networks consist of small ground buildings warehousing generators and other equipment, equipment in an adjacent building, equipment installed on a tower, any related land improvements and the tower structure itself. These networks will be arranged, aggregated, valued and /or costed by geographical location.

e. Equipment:

Capitalize if valued at \$5,000 and above

Equipment items shall be aggregated when effective and efficient. For example, the components of a fire truck do not need to be inventoried separately and can be grouped into one asset. Replacement of large components would only be capitalized if they were to increase the life or ability of the asset.

f. Intangible Assets:

Capitalize if valued at \$100,000 and above

5. Each FAM is charged with custody and maintaining inventories for all capitalized tangible personal property items (commonly understood to be equipment or devices). Additionally, although not capitalized for financial statement purposes, each FAM will maintain inventories of certain items that are below capitalization thresholds for their respective categories. For instance, a FAM should inventory items costing less than \$5,000 for the purpose of safeguarding those items deemed highly attractive and susceptible to theft (such as laptops or PCs less than 5 years old. See Schedule C, Guidelines for Recording of Small and Attractive Assets for Levy County, Florida, which is attached hereto and incorporated herein by this reference, for further guidance. Additionally, items that are registered with license plates and therefore have some particular highway liability significance such as trailers or inexpensive vehicles should also be similarly tracked. The Finance Office will provide direction with regard to applying this guidance. To provide additional assistance for County custodial efforts, assets deemed attractive, though below threshold, may continue to be accounted for in the electronic accounting database in similar manner to those assets capitalized for accounting purposes, per subsection A. 4. Responsibilities.

6. Minimal payment leases – Long-term leases where the fair value of the asset is disproportionately greater than the present value of the the lease payments shall not be capitalized. An example would be a \$1 (one dollar) for each payment or per yearly payment lease for a long-term duration, such as 99 years, for a parcel of land or building.

7. Tangible items that are leased or borrowed from a third party, shall continue to be tracked by each FAM for inventory purposes.

8. The County Coordinator or Department Director may choose to require a FAM to track additional assets not meeting these requirements at their discretion on what is referred to as the respective Department's "In-House Inventory". Such additional items will not be recorded in the electronic asset database managed by the Finance Office.

C. Valuation Methods

1. **Purchase or Construction:** The value (cost) of fixed asset acquisitions through outright purchase or construction will be the equivalent of the cash price paid plus any incidental costs directly associated with the acquisition transaction. Incidental costs may include, but are not limited to, the following general and administrative overhead expenses for a project:

- | | |
|----------------------------|--------------------------|
| a. Appraisal fees | g. Attorney's fees |
| b. Title search | h. Staff support costs |
| c. Recording fees | i. Court costs |
| d. Environmental testing | j. Consultant fees |
| e. Document stamps | k. Survey costs |
| f. Hazardous waste removal | l. Closing costs – other |

2. **Trade/Exchange:** The value (cost) of real property acquisitions by trade or exchange for similar property will be the cost basis of the property owned by Levy County which is exchanged, plus any incidental costs associated with the trade or exchange. Incidental costs may include, but are not limited to, the list of general and administrative expenses contained in Sec. C.1. above

3. **Donations:** The value (cost) of real property acquisitions acquired by donation will be determined by a fee appraisal, provided the value of the property warrants an appraisal as set forth under applicable statutes, policies and/or ordinances, plus incidental costs. If no fee appraisal is warranted, donations of land will be assumed to have a value of \$5,000 per acre, plus incidental costs. Incidental costs for donations may include, but are not limited to, the list of general and administrative expenses contained in Sec. C.1 above.

4. **Force Account Construction:** Fixed assets constructed by County personnel will be capitalized and recorded in the same manner as assets purchased or constructed by outside contractors. Costs associated with force account assets will be accumulated in construction-in-process accounts in the BOCC's financial accounting system. Costs associated with this type of asset will include the following:

- a. Materials used in construction; and.
- b. An average hourly rate associated with the operation(s) performing the construction. This hourly rate will be developed by the various County Departments performing the construction in consultation with the Finance Department, and will include all applicable fringe benefits.

Note: This allowance for average hourly rates does not preclude County Departments from using actual hours and actual hourly rates when practical.

D. Depreciation

1. Levy County will depreciate fixed assets utilizing the straight-line method assuming no salvage value. An exception to the salvage value shall be guaranteed buyback purchases. Under these types of purchases the salvage shall be the amount of the buyback.
2. Depreciable lives associated with the various fixed asset classifications will be as indicated in Schedule A, Standard Asset Lives for Levy County, attached hereto and incorporated herein by this reference.
3. Any equipment and/or vehicles purchased as "used" will have a life of five years assigned, except computer equipment which will have three years assigned, unless otherwise approved by the Finance Officer.

E. Effective Date(s) of Policy

1. This policy will retroactively implement all utility and communication infrastructure sections to include all applicable assets active as of 10/1/2019 and those acquired thereafter. As such the value of all such assets would be reclassified from "Equipment", "Improvements" and other categories to "Utility Infrastructure" or "Communication Infrastructure". "Land" is excluded from reclassification. The effective reclassification date will be as of 10/1/2019.

2. The retroactive effect of all other portions of this policy will apply to assets acquired 10/1/2019 or later. The effective reclassification date will be as of 10/1/2019.
3. Revisions amending or adding “Fixed Asset” sections 5 through 8 as they pertain to the State’s increase in minimum inventory tracking thresholds from \$1,000 to \$5,000, and inclusion of “attractive items” guidance, and clarification of subsection A. 4. Responsibilities will be effective as of 10/1/2020.

F. Approval Levels Required for Acquisition, Transfer, and Disposal of Fixed Assets

1. Acquisition of Fixed Assets:

- a. Fixed asset requirements and requests should be submitted to the Finance Office through the Capital Improvement Plan, and unanticipated fixed asset needs that arise during the year will require a budget amendment before the purchasing process begins.
- b. Purchasing or building a fixed asset is done in the same manner as any other purchase of goods, and must follow proper approval steps as provided in the Levy County Procurement Code and the then-current version of the Levy County Purchasing Manual. Judgments regarding utilization of County staff rather than contracted labor, unless specifically directed by the BOCC, is up to the discretion of the County Coordinator and the County Construction and Maintenance Director.
- c. All documentation for purchases of goods or services must be kept and summarized by the Department overseeing or completing the project throughout the life of the project, and must be reported to the Finance Office quarterly until the project’s completion, at which point a final project total will be summarized and provided to the Finance Office to ensure that amounts reconcile.

2. Other Fixed Asset Transactions:

- a. Disposal of property shall require approval by the BOCC and will be recorded in the minutes of the BOCC meeting. Any funds from the sale of such assets shall be returned to the General Fund, unless the asset was originally purchased with legally restricted funds or otherwise specified by an agreement with an outside grantor providing funds for the purchase of an asset(s).
- b. Transfer of fixed assets shall require approval of the applicable Department Director(s) or Constitutional Officer(s) both releasing and receiving the item(s), as well as that of the County Coordinator.
- c. All acquisitions, transfers and disposals of fixed assets require properly notifying the Asset Clerk in the Finance Office to ensure proper recording of the transaction.
- d. All other policies related to the purchase, disposal, and transfer of assets shall apply to those governed under this section.

3. Non-compliance with the Fixed Asset Custodial and Capitalization Policy:

- a. Non-compliance with the Fixed Asset Custodial and Capitalization Policy will be communicated to the County Coordinator, and may be treated as a personnel performance issue and may result in disciplinary action for non-compliance with a

County policy as provided in the County Personnel Manual or applicable collective bargaining agreement.

**SCHEDULE A
STANDARD ASSET LIVES FOR LEVY COUNTY**

BUILDINGS (CONSTRUCTED)	40 yr.
BUILDINGS PURCHASED	20 yr.
LAND IMPROVEMENTS	
Sitework	40 yr.
Fencing - Wood	10 yr.
Fencing - Metal	20 yr.
Irrigation Systems	5 yr.
Outdoor Lighting	20 yr. or estimate from engineer
Paving	10 yr.
Roads	20 yr. or estimate from engineer
Pathways	10 yr.
Bridges	40 yr. or estimate from engineer
Landscaping - Trees	20 yr.
Landscaping - Other	10 yr.
Water Distribution Systems	20 yr.
Sewer Systems	20 yr.
Drainage Systems	20 yr.
Flag Poles	20 yr.
Catwalks, Piers, Docks	20 yr. or estimate form engineer
Observation Towers	20 yr.
BUILDING IMPROVEMENTS	
Structural	20 yr.
LEASEHOLD IMPROVEMENTS Term of Lease or 20 years, whichever is shorter	
TRANSPORTATION EQUIPMENT	
Autos, Vans, Trucks Under One Ton	5 yr.
Trucks Over One Ton	7 yr.
Fire Rescue Brush Trucks	5 yr.
Fire Rescue Medic Trucks	7 yr.
Fire Rescue Mini Pumpers	10 yr.
Fire Rescue Full-Size Pumpers	12 yr.
Trailers	10 yr.
Other Ground Motorized	5 yr.
Mobile Home Trailers	10 yr.
EQUIPMENT, FURNITURE AND FIXTURES	
Heavy Field Equipment	10 yr.
Telecommunications and Networking Equipment	10 yr.
Computer Equipment*	3 yr.
Household Appliances	4 yr.
All Other Equipment	5 yr.
Office Furniture	10 yr.
Artwork Non-Depreciable	
IMPROVEMENTS OTHER THAN BUILDINGS	
Towers and Related Land Improvements	15 yr.
Underground Storage Tanks	10 yr.
Aboveground Storage Tanks	20 yr.
Non-Infrastructure Unspecified	7 yr.
Studies & Master Plans	5 yr.
INTANGIBLE ASSETS (INCLUDING SOFTWARE)	
*Software that is integral and necessary for hardware will be included as part of that cost and depreciated accordingly	
Software	3 yr.

**SCHEDULE B
ACCOUNT NUMBER GUIDANCE**

<u>Element/Object#</u>	<u>Asset Category</u>	<u>Description</u>
61010	Land	Real Property (Land) and interests therein. Includes land acquisition costs, land, clearing and preparation, surveys, and other similar costs, as well as rights of way and easements.
62010	Buildings	Purchase or construction of court facilities, office buildings, firehouses, garages, jails, parks and recreation buildings.
63010	Improvements other than Buildings	Structures and facilities other than buildings and not contained within infrastructure such as docks, fences, landscaping, lighting systems, parking areas, storm drains, athletic fields, and similar facilities.
63020's through 63050's	Infrastructure Improvements	Capacity additions and other improvements to infrastructure networks such as roads, bridges, utilities, and communication infrastructure.
64010	Machinery & Equipment	Includes motor vehicles, heavy equipment, office furniture and equipment, court recording, duplicating and transcribing equipment, and all other removable and portable self-contained units exceeding the value thresholds, provided they are not affixed to real property in a permanent way regardless of the method of financing / acquisition.
65010	Work/Construction in Process	Includes projects being designed and constructed (in whole or in part) with internal labor rather than those exclusively purchased outright at arm's length transactions. Particularly utilized for such projects expected to extend across multiple fiscal years and are unfinished as of fiscal year-end. This may apply to any of the other asset types here listed as needed.
68010	Capital Software	Material and major software

SCHEDULE C

Guidelines for Recording of Small and Attractive Assets For Levy County, Florida

Levy County will track all property with a value or cost of \$5,000 or more and a projected useful life of one year or more in the financial system as property for inventory purposes per Florida Administrative Code Section 69I-73.002, Threshold for Recording Property. The County will additionally define and track attractive items that are below this threshold.

What are small and attractive assets?

The terms “small” and “attractive” are adjectives and subject to some interpretation and application. Generally, small and attractive assets are below Levy County’s established \$5,000 inventory threshold for reporting purposes and might be susceptible to loss, theft or misuse. These assets last one year or more, are mobile and might be easily replaced through a procurement system without raising suspicion. Although they can vary, examples could include:

- Computers, laptops, notebooks less than five years old
- Shop tools, public works power equipment
- Handheld radios, other electronics
- Monitors, tablets, phones, cameras less than five years old
- Firearms and related accessories
- Televisions, video recorders less than five years old.

As also addressed in subsection B.5 of the Fixed Asset Custodial and Capitalization Policy, Levy County, Florida, Board of County Commissioners (“the Policy”), Levy County recognizes that it possesses small and attractive items such as those stated above.

FAMs are expected to use discretion when classifying small and attractive assets for inventory, but the listed examples are, at a minimum, what the County wishes to track. Departments may develop their own internal lists based on knowledge and needs. These assets will be also be recorded in the electronic database by the Finance Office.

As contained in subsection B.8. of the Policy, while the County Coordinator or Department Director may choose to require a FAM to track additional assets not meeting these requirements on what is referred to as the respective Department’s “In-House Inventory,” such additional items will not be recorded in the electronic asset database managed by the Finance Office. Regardless of the method employed, care should be taken to ensure the County is not spending resources tracking and monitoring items that might not be worthwhile.

A Department may choose to include or exclude certain types of assets based on the results of a risk assessment. For example, a FAM might choose to track computers but not include peripheral devices, such as keyboards and scanners.

Regardless of Department or FAM policies regarding tracking of small and attractive assets, if any assets were purchased with grant funding, there may be additional requirements imposed by the grantor. For example, if a Department purchased assets with federal funds, then certain tracking, inventory and disposal requirements apply. Chapter 2, Code of Federal Regulations (CFR), Sections 200.310-316 outline specific requirements related to real property, equipment, supplies and intangible property purchased with federal funds.

Why are internal controls over small and attractive assets important?

Conducting an inventory of and tracking assets reduce the possibility of misappropriation and aid in detecting misappropriation should it occur. Internal controls over small and attractive assets also might:

- Protect public safety or limit public liability (such as with firearms)
- Provide records for insurance purposes or for completion of police reports, helping to prove ownership
- Demonstrate compliance with grants or other requirements
- Safeguard sensitive or confidential information (such as with tablets, USB drives or cell phones)
- Track for assignment, cost control or re-order purposes (such as with uniforms, badges or computer equipment).

What to consider in a risk assessment?

A risk assessment helps to identify those assets that are most vulnerable to loss. Remember when assessing what small and attractive items to include or exclude, consider:

- Public perception about what the government should be tracking
- Operational risks with data security, such as on mobile devices
- Tracking or monitoring that may already be done for operational purposes
- Pre-existing controls (such as an asset being stored in a secured location)
- Recent problems with missing or unusable equipment
- New asset types being purchased
- Degree of decentralization and how this affects risk
- Ease to sell or convert to personal use
- Perceived risk associated with the asset
- Replacement cost compared with the cost to track it.

The risk assessment's purpose is to consider which assets are most susceptible to theft, loss or misuse. If further guidance is desired, please contact the Levy County Clerk and Comptroller, Finance Department.