

FISCAL ACCOUNTABILITY RULES

RULE 4.3 – CAPITAL IMPROVEMENT PROJECTS

Purpose

Good financial management requires that all assets are recorded accurately. It is essential to have good processes in place to ensure that all capital improvement projects are analyzed and placed in the proper asset category. In addition, in 2002 the City implemented **Governmental Accounting Standards Board 34 (GASB 34)** which ensures accurate accounting for capital projects from inception to completion, including depreciation.

Definition

Capital Equipment for a Capital Improvement Project – For a capital improvement project, capital equipment would include the acquisition of equipment that is or will become permanently attached to or a functional part of real property. The capital equipment will have an estimated initial useful life extending beyond a single reporting period and a unit cost of at least five thousand dollars (\$5,000.00). Capital equipment is an asset purchased in the 8XXXXX series and depreciated over a shorter useful life than that of the building.

Capital Improvement – Addition made to, or change made in, a capital asset, other than maintenance, to prolong its life or to increase its efficiency or capacity.

Capital Improvement Project – The acquisition by the city of real property or any interest therein to be used by the city in conjunction with the improvement to, construction or acquisition of buildings, viaducts, roads, streets, streetscape projects, pedestrian malls, plazas, designated parks or other real property of a permanent nature. Such capital improvement project shall include the costs and expenses of:

- planning
- designing
- engineering
- any survey or study concerning or with reference to any such capital improvement project

Construction Contracts Payable (Retainage) – The amount held in account number 125000 to be paid at the end of the contract period. In general, this is 5 – 10% of the construction contract amount.

Depreciation – A method of allocating the historical cost over the useful life of the asset.

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Infrastructure – Long-lived capital assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most capital assets. The City currently capitalizes streets, alleys, bridges and traffic signals.

Occupied – This is defined as receiving the certificate of occupancy for a building or having an asset ready for public use.

Useful Life – estimated life of asset for accounting purposes based on the following:

Buildings and improvements	5 to 100 years
Motor vehicles and motorized equipment	5 to 20 years
Furniture, machinery, and equipment	3 to 20 years
Collections	15 years
Infrastructure	6 to 40 years

Unauthorized Expenditures for Capital Expenditures for Capital Funds – In general these are unapproved items unless approved by Budget and Management Office, for example travel, lodging, official functions, and subscriptions

Rule

1. Agency heads will be responsible for ensuring that the project management and financial management within the agency have integrated processes and good communication with regard to the scope of the project.
2. All capital projects must be closed out upon substantial completion of the project. A **Capital Project Close Out Form** must be completed 30 days subsequent to occupancy of the asset and submitted to the Controller's Office. Upon final payment of the project, the close out form should be updated and resubmitted.
3. A **Capital Asset Reporting** form must be submitted to the Controller's Office at the end of each quarter. The report shall state all projects in progress and those that have been substantially completed during the quarter. In addition, for each project marked "Completed", verify that a **Capital Project Close Out Form** was submitted in accordance with Rule 2 above.
4. Any open encumbrance associated with the project must be closed within 30 days after the projects final payment.
5. Bi-annually, all open encumbrances and potential rescissions will be reviewed by the agency and closed out when necessary. The review should occur in January and July of each year.

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6. One (1) percent of a capital improvement projects total budgeted construction cost must be set aside for the planning, design and construction of public art.
7. Prior to the final payment of a contract, reconciliation of retainage should be performed. Any open items in the retainage account should to be resolved within 30 days except for items in dispute.
8. Insurance rebates, sales of project specifications and donations should be deposited to revenue in the project fund. Vendor rebates or discounts should be posted to an expenditure account if received in the same fiscal year. If received in a following year, post discounts to the Refund of PY Expenditures account.
9. Funds in the State Conservation Trust Fund are to be used on any costs directly and solely associated to the acquisition or development of a Capital Conservation Trust Fund project. Eligible costs include direct planning costs, legal fees, environmental studies, items associated with the bidding process and the printing of blueprints, specifications, GIS data sets, park area inventories, maps, reports, and master plans. Items that are ineligible include informational packets, brochures, food and operating supplies.

Procedures and Forms

The **Controller's Office** is responsible for any procedures and forms associated with this rule.