FIXED ASSET POLICY AND PROCEDURES
# Table of Contents

<table>
<thead>
<tr>
<th>Section</th>
<th>Page No.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statement of Purpose</td>
<td>3</td>
</tr>
<tr>
<td>Asset Definitions</td>
<td>3</td>
</tr>
<tr>
<td>Asset Classification</td>
<td>4-5</td>
</tr>
<tr>
<td>Property Accounting</td>
<td>5-6</td>
</tr>
<tr>
<td>Property Control</td>
<td>6</td>
</tr>
<tr>
<td>Asset Additions</td>
<td>7</td>
</tr>
<tr>
<td>Asset Disposal</td>
<td>7-8</td>
</tr>
<tr>
<td>Annual Reporting</td>
<td>8</td>
</tr>
</tbody>
</table>
**Statement of purpose**

The objective of this policy is to define and describe a set of standard procedures necessary to record and control the changes in the fixed asset system in accordance with Generally Accepted Accounting Principles (GAAP). Fixed asset record master files are maintained by the Finance Department. This policy is to establish continuity in the procedures for recording, maintaining, and disposing of all capital and controllable assets. The fixed asset records are necessary to:

1. Ensure that the asset is adequately protected from loss, theft, etc.;
2. Provide necessary documentation for the effective use, maintenance, management and reporting of the asset;
3. Facilitate the calculation and recording of depreciation for fund assets; and
4. Provide necessary documentation for insurance purposes.

**Asset Definitions**

**Capital Assets** - A capital asset is defined as a piece of equipment, or investment in general infrastructure, that has a value in excess of $5,000.00 and has an expected useful life of greater than one year. The Governmental Accounting Standards Board (“GASB”) has issued Statement 34, dictating the requirements for the reporting of such assets. The annual value of such assets is reported in the Comprehensive Annual Financial Report (CAFR). The City shall maintain at a minimum the following information on such assets: description, acquisition cost, acquisition date, purchase order, invoice, asset location, and condition.

**Controllable Assets** - Certain purchases made by the City do not meet the criteria established for designation as a capital asset. However, these assets should be monitored for proper use and disposal, even though their value does not substantially impact the overall value of City assets. These controllable assets either render a critical function or put the City at risk by their absence (e.g. office equipment, cameras, computers, printers, minor furnishings, cell phones, AED units, etc.). Department Directors must make every effort to maintain adequate controls for such controllable assets.

**Improved Cost** - The costs of improvements to current assets are to be added to the cost of the existing asset. The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized.
Asset Classification

Assets shall be assigned to one of the following class groups, for the purposes of reporting in government-wide financial statements: land, building and improvements, furniture & equipment, vehicles, infrastructure and construction in progress.

Land and Land Improvements, Rights of Way & Easements - Land and land improvements, including easements and rights-of-way, are assigned an indefinite useful life. No depreciation is applied to land and land improvements.

Buildings and Improvements - This includes all buildings and building related structures. Permanently attached fixtures installed during construction are considered a part of the building. The subsequent addition of equipment will be recorded as machinery and equipment. Major improvements, such as additions to buildings, are added to the life and value of the original asset. These improvements are permanent and non-moveable, they add value to land but have a limited useful life. The building and improvements sub class listing is as follows:

- Buildings 40 years
- Fences 15 years
- Landscaping 15 years
- Parking lots 15 years
- Retaining walls 15 years
- Other – Improvements 15 - 20 Years

Furniture & Fixtures, Machinery & Equipment, Radio Equipment, Software - Machinery and equipment typically comprises the largest number of assets, but comprises the smallest overall value in relation to other classes. Machinery and equipment are given consideration within the following sub classes, with related useful life:

- Audiovisual Equipment 5 years
- Communications Equipment 7 years
- Computer Equipment 3-5 years
- Computer Software 5 years
- Furniture & Accessories 7 years
- Grounds Maintenance Equipment 7 years
- Machinery & Tools 7 years
- Other Equipment 3 - 7 Year
**Vehicles** – All motor vehicles licensed and non-licensed will be capitalized regardless of the cost of value. Any additional equipment required in placing the vehicles in operation and that adds value to the vehicles will be capitalized. Examples of these additions are decals, sirens, light bars and tool boxes. The sub class listing for vehicles is:

- **Fire Protection Vehicles**: 5-10 years
- **Fire Truck**: 20 years
- **Other Licensed Vehicles**: 5-10 years
- **Other Non-Licensed Vehicles**: 5-10 years
- **Tractor, Mowers, Backhoes**: 5-10 years

**Infrastructure** – Investment in systems that provide a critical service to a municipality when considered as a system, but not a distinct separate asset, is recorded as infrastructure. By its nature, infrastructure is difficult to define as a separate system, and is difficult to define useful life on a broad basis. The Governmental Accounting Standards Board has recommended, and the City of Lucas has adopted, reporting of infrastructure using the following subclasses and relative useful life for the subclasses:

- **Streets**: 20 - 40 years
- **Bridges**: 20 - 40 years
- **Water lines**: 20 - 40 years
- **Water tanks**: 20 - 40 years
- **Sewer lines**: 20 - 40 years
- **Other – Infrastructure**: 20 - 40 years

**Construction in Progress** – Includes all partially completed projects. Buildings of various types will be the main component in this area. Construction in progress is considered as a separate type of construction and is tracked as a separate asset until the time of completion, at which point the value is reclassified as either a new building or related structure, or added to the value of the construction renovated. No depreciation is applied to construction in progress.

**Property Accounting**

**Useful Life Assessments** – Normal useful life is defined as the physical life, in terms of years, that an asset is expected to endure before it deteriorates to an unusable condition. Asset classes as defined in this document have been assigned an estimated useful life; a useful life is assigned to each and every asset according to the values listed in the policy sub-class listing. The useful life should be completed on the Fixed Assets Acquisition form, based on the list by the initiating department. Finance Department will then review and approve the form for accuracy. If the applicable
department believes the useful life to be different than the life shown in this policy, those exceptions should be noted.

**Asset In-Service Dates** - An asset’s age is typically based on when the asset was acquired, or when the asset underwent its most recent major renovation. The city’s system uses the invoice date for determination of when the asset was acquired.

**Function Designations** - Assets are associated with a government function (also referred to as program use). The City of Lucas defines assets as relevant to one of the following functions as presented in the Comprehensive Annual Financial Report (CAFR):

- General Government
- Development Services
- Public Works
- Public Safety
- Parks

**Acquisition Cost** - The following costs associated with the acquisition of a fixed asset are to be capitalized:

1. Purchase costs before trade-in allowance and less discounts; or a qualified appraisal of value at the time of acquisition if the asset is contributed.
2. Professional fees of attorneys, architects, engineers, appraisers, surveyors, etc. which are necessary to make the asset functional (ready to be placed in service).
3. Site preparation costs such as clearing, leveling, filling and demolition of unwanted structures.
4. Fixtures attached to a building or other structure.
5. Transportation and installation charges.
6. Any other expenditure required to put the asset into its intended state of use.

**Depreciation Considerations** - Depreciation is defined as the gradual conversion of the cost of a tangible capital asset or fixed asset into an operational expense (called depreciation expense) over the asset’s estimated useful life. Depreciation shall be applied to all capital assets on an annual basis. The straight line depreciation method shall be used, according to the following formula:

Original cost, divided by estimated useful life.

Please note that depreciation is not applied to land or land improvements.
Property Control

Department Responsibilities - City departments must maintain all assets that are within their control in a working and usable condition. Departments shall take adequate care that the working environment for the asset is appropriate and suitable for such assets. City departments must treat all assets in an ethical manner, and must not misuse the assets or use the assets for personal use or benefit.

The Finance Department will provide to each City Department a listing of assets deemed to be in that department’s control. Each City department must review this report annually for all additions and deletions of assets and return to the Finance Department. Such annual report must be made within thirty (30) days of the end of the fiscal year relevant to the annual report. This information is also used to ensure proper insurance coverage.

Purchasing Responsibilities - The Finance Department maintains a full and comprehensive list of capitalized assets possessed by the City. Information on the asset history, location, and appropriate custodial responsibility is retained and managed in such list.

Asset Additions

All City departments are required to provide to the Finance Department a completed Fixed Assets Acquisition Form (Attachment A) each time a capital/fixed asset is purchased. This form should be submitted to Accounts Payable with the PO and approved invoice for payment. A digital picture of the asset purchased is also required. Additionally all City departments are required to provide detailed information on all assets newly acquired during a fiscal year. Such information shall include, where possible: asset description, location funding source, acquisition date, purchase order number, serial number, and asset cost.

Asset Disposal

Assets owned by the City may be deleted from the list of assets by the following means:

1. Trade-in – assets may be considered for trade-in at the time of acquisition of replacement assets, subject to normal purchasing bidding guidelines, and written approval by the department Director.

2. Surplus Sale/City auction - in the event that no other City department has been identified as a potential recipient of surplus property, the City may sell surplus property by soliciting competitive bids.
3. Discard/Disposal - a department Director, with written approval by the City Manager may recommend the disposal of assets that are both no longer in use and have been determined to have no remaining value.

All City departments are required to provide detailed information on the Fixed Assets Disposal Form (Attachment B) to the Finance Department, on all assets disposed of during a fiscal year, no later than thirty (30) days after such disposal. Such deletions shall be within guidelines established by the City regarding appropriate disposition of assets. At no time may employees sell city assets for personal gain.

**Annual Reporting**

The total value of assets is reported in the Comprehensive Annual Financial Report (“CAFR”). The value of assets shall include the beginning value, a summary of additions, a summary of retirements, and an ending value for the fiscal year being reported.