

Subject: Fixed Asset Policy
Policy No.: 200-0009
Effective Date: July 1, 2017 (Approved 5/15/2017)

1.1.0 Introduction:

The Capital Asset Policy is designed to provide a comprehensive description of the capital asset and property systems of the City of Woodstock. The primary purpose of the policies is to provide for consistent and uniform accounting of capital asset transactions throughout the City; guidelines for physical control and accountability of capital assets; and guidelines for disposal and depreciation of capital assets.

2.1.0 Definitions and Classifications:

Asset Acquisition: There are various methods by which the City acquires assets. These methods include, but are not limited to: purchase, donation, lease/purchase, trade-in, forfeiture, condemnation, internal/external construction, transfers from other governments, or any other method which transfers title of any property to the City.

Leased Assets: The City capitalizes assets, acquired under capital lease, provided they meet the capitalization threshold and a buy-out option is included in the lease agreement. The capital lease must meet accounting standards for capitalization purposes. For capital leases, where the title of the asset will ultimately be transferred to the City, the asset will be capitalized at the net present value of future minimum lease payments. The City does not capitalize assets they acquired under operating leases.

Gifts/Donations: The City capitalizes all equipment acquired through donations at fair market value on the date of the transaction, provided such gift or donation meets the capitalization threshold of this policy. If the equipment is new and the donor can furnish an invoice, the invoice would determine the fair market value. If the equipment is used or no information is available regarding the cost of new equipment on date of acquisition, an appraisal will be conducted to establish the capitalization amount.

Property: Property is divided into several classes including:

Real property: Land and whatever is attached to the land that cannot be readily removed, such as buildings and permanent improvements to the land. Infrastructure is included within this classification.

Personal property: Property that is movable and further classified as tangible and intangible.

Tangible personal property: Property that is moveable such as furniture, machinery, automobiles, or works of art.

Intangible personal property: The right of ownership in property such as bonds, notes, contracts, computer software, programs, and proprietary assets that are created or purchased and owned by the City.

Capital Asset: Any real or personal property acquired by the City which has an estimated useful life of three (3) or more years with an acquisition value of \$5,000 or more. This includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment,

works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in the operations of the government.

Asset Threshold Levels: The City will utilize the following schedule:

	Useful Life in Years	Capitalization Threshold
Buildings	20 to 50	\$ 5,000
Sewer Lines	25 to 50	\$ 25,000
Water Lines	25 to 50	\$ 25,000
Water & Sewer Treatment Facilities	25 to 60	\$ 25,000
Roads	20 to 50	\$ 200,000
Storm Drains	25 to 40	\$ 50,000
Sidewalks	20 to 30	\$ 50,000
Bridges/Culverts	25 to 50	\$ 100,000
Bike Paths	20 to 30	\$ 50,000
Parking Lots	20 to 35	\$ 100,000
Traffic Signals	20 to 25	\$ 60,000
Equipment	5 to 20	\$ 5,000
Vehicles	5 to 15	\$ 5,000
Furniture and Fixtures	5 to 10	\$ 5,000
Intangibles	3 to 15	\$ 5,000
Computer Software	3 to 5	\$ 20,000

Asset Capitalization Amount: The City will capitalize purchased assets at acquisition cost plus costs incurred in preparing the asset for use. The City will recognize acquisition costs based on individual unit prices.

Generally Accepted Accounting Principles (GAAP) Reporting: All assets capitalized under this policy shall be included in the financial statements issued by the City and in the annual external audit in accordance with GASB 34.

Gifts/Donations: Gifts and donations are capitalized at fair market value on the date donated, if the value of the asset meets the threshold levels.

CLASSIFICATION CATEGORIES

Land: The City will capitalize all costs incurred to acquire land (without regard to a dollar threshold) and to place it in use. The acquisition costs of land should include: (1) the purchase price; (2) ancillary charges; (3) the assumption of any liens or mortgages on the property; and (4) improvements made to the land that are permanent in nature. Examples of ancillary charges to be included in the capitalization costs are: legal and title fees, closing costs, appraisal and negotiation fees, surveying fees, site preparation fees, demolition costs, architect and accounting fees, insurance premiums during construction phase, and transportation charges.

Land Improvements (IMP): The City classifies improvements to land with limited lives, such as fences, parking lots, and walkways as land improvements. These improvements will be depreciated over their estimated useful lives.

Buildings (BLD): If the City purchases a building, the capitalized cost should include the purchase price and other incidental expenses incurred at the time of acquisition. If the building is constructed, the capitalized cost should include material, labor, supervision, and overhead, or the contract price, including costs such as: permits and licenses, architectural and engineering fees, insurance, title costs, and interest incurred on tax exempt debt (the latter is applicable to enterprise funds only).

Building Improvements: The City capitalizes costs of improvements to a building if the following criteria are met: (1) the expenditures increase the service potential of the building and (2) the total improvement costs, including the contract price, engineering, architectural, and attorney's fees, etc., meet the capitalization threshold of this policy.

- Items considered as improvements include: ramps, fire escapes, truck doors or other appurtenances; modifications to comply with fire, health, or safety codes; conversion of unusable to useable floor space, upgrade of the space.
- Repairs to a building are not considered an improvement unless it extends the useful life of the structure or increases the value of the structure (i.e., a betterment). The City considers ordinary repairs as operating costs.

Construction in Progress (CIP): Construction in progress includes accumulation of on-going project costs that increase the value or life of the asset. Upon project completion, the construction account in progress will be closed out and costs will be capitalized into the appropriate asset category (infrastructure, land improvement, building).

Machinery & Equipment: Expenditures for individual items or pieces of machinery or equipment meeting the capitalization threshold shall be capitalized, consistent with the designations of personal property, both tangible and intangible outlined above.

Vehicles: Vehicle cost includes net invoice price plus any dealer preparation and local delivery costs. Major equipment cost includes any site preparation costs and shipping, as well as all costs associated with the installation of the equipment.

Office Furniture and Equipment: Items in this category shall be capitalized at net invoice price or market value, if acquired by gift, plus freight and installation charges.

Computer Software: Computer software includes net invoice cost associated with the initial software implementation. Internally developed software costs are expensed during the period incurred.

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 shall be capitalized based on the capitalization threshold requirement of this policy. Examples of infrastructure include roads, bridges, drainage systems, land improvements, etc.

3.1.0 Depreciation Policy:

Depreciation is the allocation of the total acquisition cost of a fixed asset over its estimated useful life. Land, certain land improvements, construction-in-process, inexhaustible works of art, historical treasures and similar assets are not depreciated. Land is considered to have unlimited useful life and its salvage value is unlikely to be less than its acquisition cost. Certain land improvements may be considered to have an unlimited useful life and therefore are not depreciated. Depreciation of fixed assets is computed on a straight-line basis over the estimated useful life. The Chief Financial Officer, or his designee, will assign a useful life and appropriate category for the fixed asset. Depreciation is calculated and recorded on a monthly basis for financial reporting purposes.

4.1.0 Periodic Inventory of Fixed Assets:

Periodically, an asset listing is sent to each department for their verification of the existence of their department's capital assets. The department should identify any assets that their department has, which are not included on the asset listing. Also, the department should identify any missing assets. The City Manager or his/her designee will investigate any missing items with the assistance of the department. Significant unaccounted losses of assets will be brought to the attention of the City Manager for further actions. The City Manager or his/her designee, with the cooperation of the department, may make an annual physical inventory to verify the accuracy of inventory records.

5.1.0 Transfer of Fixed Assets:

An asset transfer between departments must be recorded in the Financial Asset System; therefore, notification must be made to the Finance Department upon completion of a transfer. The form utilized to transfer a fixed asset is form A 7.3 of the Purchasing Manual. Z:\Forms\Purchasing Forms\A 7.0 – Asset Retirement-Transfer Order Form.

5.2.0 Disposal of Fixed Assets:

All fixed assets must be disposed of in accordance with the City of Woodstock's Purchasing Policy CPM 200-0006 Section 2-401. The Purchasing Agent shall be responsible for the sale or disposal of all municipal property (real or personal) which is no longer used or has become obsolete, worn out or scrapped and declared surplus property by City Council, subject to state law regarding disposal of surplus property. Z:\Purchasing\Purchasing Manual.

6.1.0 Records Maintenance:

Fixed asset records will be a complete and accurate accounting for fixed assets of significant value and are fundamental to sound financial management. The responsibilities of stewardship involved in safeguarding such a large public investment is of the utmost importance. This responsibility can only be discharged effectively through adequate fixed assets accounting and control. Fixed asset records will be maintained for the life of each asset and retained in accordance with the requirements of the City for the retention of accounting records.

6.2.0 Annual Financial Reporting:

The Chief Financial Officer or a designee will present a schedule of general fixed assets to the Mayor & Council in accordance with the fiscal year end close schedule and comply with the reporting and disclosure requirements of current GAAP for governmental entities.