

# FISCAL ACCOUNTABILITY RULES

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## RULE 4.2 – FIXED ASSETS

### Purpose

Each agency or department is responsible for ensuring that fixed assets acquired by the City are properly accounted for when acquired, inventoried and safeguarded throughout its useful life, and properly accounted for at the time of disposal.

### Definition

- **Fixed Asset** – A specific piece of real or personal property which is tangible in nature (possessing physical substance) and has an expected useful life longer than one year. The items are acquired through outright purchase, construction, lease purchase agreements, installment purchase contracts, tax or special assessment foreclosure, eminent domain, donations or gifts.
- **Personal Property** – Moveable fixed assets such as equipment, furniture, vehicles, machinery, or fixtures that are not attached to land, buildings or improvements.
- **Real Property** – Land, land improvements, easements, building, building improvements, and improvements other than buildings. Fixtures attached to land, building, and improvements other than buildings in such a way that removal would alter the intended use of the facility.
- **Infrastructure** – Infrastructure assets are long-lived capital assets that normally can be preserved for a significantly greater number of years than most capital assets and are stationary in nature. Examples include roads, bridges, curbs, gutters, streets, sidewalks, drainage systems, lighting systems, and similar assets that are of value only to the City.
- **Construction in Progress** – Any construction, alteration, restoration, or improvement of any land or building. Construction in progress is usually maintained in a capital project fund. (Does not include repair and maintenance expenses.)
- **Repair and Maintenance** – Any addition or change to an existing asset that does not change the value or useful life of the asset. This shall be expensed at the time of occurrence and not capitalized.
- **Collections** – Personal property that retains or increases its value with age. Collections are preserved and maintained so that they have an unlimited useful life and are not subject to depreciation.
- **Historical Cost** – The original cost of an asset at time of purchase. This is to include any additional purchases made for the asset, which add value.

## FISCAL ACCOUNTABILITY RULES

### RULE 4.2 – FIXED ASSETS, CONTINUED

#### Rule

1. Any fixed asset purchased by the city shall be either capitalized or expensed in the fiscal year in which it was acquired.
2. Assets, including personal property, land, buildings, improvements other than buildings, and infrastructure with a historical cost of \$5,000 or greater, shall be capitalized and recorded in the general ledger.
3. Capitalized assets shall be recorded at historical cost, or if not available, at estimated historical cost. If neither is obtainable, the asset will be recorded at estimated fair market value. Donated assets shall always be recorded at estimated fair market value.
4. When purchasing any fixed asset, additional costs required to place the asset in its intended state of operation must be added to the cost of the asset. This may include:
  - a. Land – title search cost, attorney fees, liens assumed, taxes assumed, grading costs, building demolition, land improvements with an indefinite life, etc.
  - b. Buildings – attorney fees, architect fees, inspection and building permits, etc.
  - c. Equipment – Freight charges, installation costs, setup costs, trade-in discounts, training, etc.
5. All personal property assets with a historical cost between \$2,500 and \$4,999.99 shall be controlled (expenses). Computer equipment (except software) and communications equipment (except cell phones and pagers) will be controlled if historical cost is between \$500 and \$4,999.99.
6. Personal property, with a minimum cost of \$500, that does not meet the definition of either capitalized or controlled property may be tracked at an agency's request.
7. Capitalized, controlled, and tracked assets will be recorded in the City's financial system, with the exception of land, infrastructure, and improvements other than buildings.
8. An annual physical inventory of all fixed assets shall be performed. The inventory process shall be documented and the results submitted to the Controller's Office.

#### Procedures and Forms

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