



## **Fixed Assets Policies and Procedures Manual**

### **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 as prepared by the Comptroller's Office.

#### **Controllable Assets**

Certain purchases made by the City do not meet the criteria established for designation as a capital asset; by their nature, however, 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, put the City at risk by their absence (e.g. office equipment).

Department heads must make every effort to maintain adequate controls for such controllable assets, and must relay such controls to the purchasing agent.

### **Capitalization Threshold**

All assets with an initial individual cost of \$5,000.00 or greater shall be recorded as a distinct asset for the purposes of reporting asset values in the City's Comprehensive Annual Financial Report, Financial Statement, and all related reports. The City shall maintain of minimum the following information on such assets: description, acquisition cost, acquisition date, purchase order, asset custodian, location, and condition.

The costs for improvements to current assets are to be added to the cost of the existing asset, where practical (in certain cases, improvements may be identified to be a unique 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. Donated capital assets shall be recorded at the estimated fair market value at the date of donation.

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

Certain assets valued less than \$5,000.00 but considered significant as to warrant the monitoring of their condition and location, shall additionally be tracked but not considered in the reporting of asset values as described in the City's Comprehensive Annual Financial Report or Financial Statement. Such items include but are not limited to computers, printers, minor furnishings, firearms, and general office equipment.

## Asset Classes

### Land and Land Improvements

Land and land improvements, including easements and rights of way, are assigned a useful life of 100 years; however, no depreciation is applied to land and land improvements.

### Construction

Construction includes all buildings and building-related structures. Construction-in-process 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.

Construction is divided into the following sub classes, with relevant useful life assigned to each subclass:

300 Construction	40 years
301 Portable Structures	25 years
302 Swimming Pools	50 years
305 Wastewater Treatment Buildings	30 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 Bristol has adopted, reporting of infrastructure using the following subclasses and relative useful life for the subclasses:

320 General Infrastructure	65 years
410 Bridges	50 years
415 Tunnels	60 years
420 Streets/alleys – subsurface	0 years
425 Streets/alleys - asphalt	20 years
430 Traffic control signals	10 years
440 Sidewalks and curbing	20 years
455 Dams, Basins, and levees	60 years
480 Street Lighting	15 years
490 Water/sewer collection (piping)	65 years

### Machinery and Equipment

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:

110 Outdoor Equipment	20 years
120 Police and Fire Equipment	10 years
130 Machinery & Tools	15 years
140 Custodial/Kitchen Appliances	15 years
150 Science & Engineering Equipment	10 years
160 Furniture & Accessories	20 years
170 Business Machines	10 years
180 Communications Equipment	10 years
190 Computer Equipment	5 years
200 Computer Software	5 years
210 Audiovisual Equipment	10 years
220 Books & Multimedia	5 years

230 Athletic Equipment	10 years
250 Musical Instruments	10 years
270 Contractor Equipment	10 years
280 Grounds Maintenance Equipment	15 years

The City of Bristol does not engage in the practice of tagging specific equipment; however, all machinery and equipment is monitored by departments on an annual basis.

### **Vehicles**

Consideration is made for vehicles separately from machinery & equipment, in one of the following subclasses:

121 Fire Protection Vehicles	20 years
122 Police Patrol Vehicles	3 years
260 Other Licensed Vehicles	8 years

Please note that equipment such as forklifts, loaders, bulldozers, and backhoes are considered contractor's equipment, and are not defined as a vehicle for purposes of asset reporting.

## **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 table of classes.

### **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 Munis system uses the invoice date for determination of when the asset was acquired.

### **Fund Designations/Function Designations**

#### **Fund Designations**

For accounting purposes, assets are associated with a fund type; either governmental or proprietary. Assets associated with governmental funds are intended primarily for general governmental use, serving such uses as public safety or public use. The source of the funds used to acquire these assets is typically, although not exclusively, derived from common collected taxes and fees. Assets associated with proprietary funds are intended primarily for the use of specific self-supporting units; for the City of Bristol, the Water Department is an example of a self-supporting unit. The source of the funds used to acquire these assets is typically, although not exclusively, derived from specific fees associated with direct use of the services offered.

#### **Function Designations**

Assets are additionally associated with a function (also referred to as program use). The City of Bristol defines assets as relevant to one of the following functions:

- 10 General Government
- 20 Public Safety
- 30 Public Works
- 40 Health and Social Services

- 50 Education
- 60 Libraries
- 70 Parks and Recreations
- 80 Miscellaneous/Art

### **Depreciation Considerations**

Depreciation shall be applied to all capital assets, assigned on an annual basis. The straight line depreciation method shall be used, according to the following formula:

Original cost less Salvage value, 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 as good condition as may be made in the asset's working environment. Departments shall take adequate care that the working environment for the assets 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.

City departments must provide to the Purchasing Department any relevant information or documents (e.g. vehicle titles) for assets within their control.

City departments must consult with, and obtain approval of the Purchasing Department, for suitable and appropriate disposal method for assets no longer required by the department.

City departments must annually report all additions and deletions of assets for their department, to the Purchasing Department. Such annual report must be made within sixty days of the end of the fiscal year relevant to the annual report.

### **Purchasing Responsibilities**

The Purchasing 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.

The Purchasing Department maintains all files relative to vehicle titles and/or certificates of origin.

The Purchasing Department is responsible for the issuance of RFP's relative to the sale of land parcels, as directed by either the Mayor or the Real Estate Committee of the City Council.

The Purchasing Department is responsible for the continuing maintenance of asset records in the City's financial records system (i.e. Munis), including maintenance of tables relative to such asset records.

The Purchasing Department reports asset additions and/or deletions to the Comptroller's Office, for its consideration in the preparation of the Comprehensive Annual Financial Report ("CAFR").

### **Comptroller Responsibilities**

The Comptroller's Office is responsible for the presentation of the value of all assets in the Comprehensive Annual Financial Report. Such reporting includes the reporting of assets both by fund and by function.

The Comptroller's Office is additionally responsible for the calculation and application of all depreciation, and any and all adjustments to the plant asset fund.

The Comptroller's Office shall provide direction and management in the establishment of appropriate useful lives for asset classes.

## **Additions and Deletions**

All City departments are required to provide detailed information on all assets newly acquired during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such information shall include, where possible: asset description, location funding source, acquisition date, purchase order number, serial number, and asset cost.

All City departments are required to provide detailed information on all asset deletions during a fiscal year, no later than sixty (60) days after the last day of the fiscal year. Such deletions shall be within guidelines established by the City regarding appropriate disposition of assets.

Additions and deletions of assets are to be reported directly to the Purchasing Agent, who shall compile a summary of all additions and deletions and present to the Comptroller.

## **Methods of Asset Disposition**

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 head.
2. Surplus Sale - in the event that no other City department has been identified as a potential recipient of surplus property, the Purchasing Department may sell surplus property by soliciting competitive bids. Such sales will be the result of public notice in a locally distributed newspaper, no less than ten days prior to the scheduled sale.
3. Discard/Disposal - a department head, with written approval by the Comptroller's Office, may recommend the disposal of assets that are both no longer in use and have been determined to have no remaining value.

## **Annual Reporting**

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

## Munis Operating Procedures

### Creation of New Fixed Assets

To determine relevant records for inclusion as new assets, select menu item "Fixed Asset Work File Maintenance". Click on "Import PO"; a menu asking for search parameters appears. Provide search parameters for the month of activity requested, and press Escape.

A table showing available records is displayed, showing the PO number, vendor, description and cost. Items may be considered for inclusion by pressing the number of the relevant line to select or deselect the record. If more than 10 records exist, press "N" for the next page of records (for "P" for previous page).

Click on "Create" to convert the selected records as temporary fixed asset records. Records selected from the PO Import are created as a temporary record, and not immediately fed as an asset. The records must be updated under the menu item "Fixed Asset Work File Maintenance", in the following fields:

- Class Code as described in Section 3
- Subclass code as described in Section 3
- Location (usually matching department code, already provided)
- Custodian (usually matching department code, already provided)
- Create Fixed Asset Field (change from "N" to "Y")

Once all acceptable temporary records are updated, click on "Create Asset". The records are removed from the list of temporary records, and assets have been created.

Once the asset has been created, the following updates shall be made to the record, under the menu item "New Assets and General Maintenance". Press 6 to update Funding Source; enter the function (or "program") type as described in Section 5.C, and enter 100 in the percent field; click on OK and then click on exit.

To activate the asset, press "U" to update the asset. Change the status code from N ("New") to A ("Active"), and click on OK. .

### Retirement of Assets

From the Fixed Assets Processing Menu, click on "Adjustments & Retirements". Select the asset to be retired.

Click on "Transactions"; four transaction types are available. Press R to select Retirement/Disposal. Press U to update the asset; enter one of the following disposal code values:

- D – Defective
- S – Sold
- T – Trade-in
- P – Past Useful Life

If the asset was either sold or traded in, enter the value of the sale of trade-in as the disposal price. Enter a Retirement Code of R, and press enter.

A window will appear asking for the "GL Effective Date"; the current date will automatically be provided. The GL effective date will be the date used in calculating depreciation.

Please note that an error message reading "No Posting allowed due to Parameter Settings" will appear; accounting links to the Plant Asset Fund and to Depreciation Expense have not been established. When asked to continue with retirement, click on Yes.