

PROCEDURES FOR FIXED ASSET CONTROL

Effective Date: August 9, 2016

Purpose: To establish procedures for property management to account for the City's fixed assets.

A. Classification and Recording

Classification is used to determine the dollar limits for inclusion in the property management system and to assist in determining the numbering sequence and type of tagging to be used.

CLASSIFICATIONS:

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| * Land | Includes all land parcels acquired for building sites, parks, recreation, etc. |
| * Buildings | Includes all buildings (or structures which serve as buildings, such as permanently established trailers.) Permanently attached fixtures installed during construction are considered a part of the building. The subsequent addition of equipment will be recorded as Machinery & Equipment. Major improvements, such as additions to buildings, should be added when completed. |
| * Improvements
Other than
Buildings | Includes such things as park facilities (playground equipment, benches, etc.) and parking lots. |
| * Machinery
and Mobile
Equipment | Include all motor vehicles, trailers, graders, tractors, mowers, etc., where the unit cost exceeds \$5,000. |
| * Office Equipment | Includes all office equipment where the unit cost exceeds \$5,000. |
| * Office Furniture | Include all office furniture where the unit cost exceeds \$5,000. |
| * Other Machinery
and Equipment | Includes all other machinery and equipment where the unit cost exceeds \$5,000. |
| * Small Tools/Minor | Includes items of an attractive nature where the unit cost is |

Equipment	more than \$300 but less than \$5,000, but which are “attractive assets”, such as power tools, cell phones, portable radios, computer equipment.
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Fixed assets are defined as items costing \$5,000 or more and having a life of more than three years. We will also inventory items of lesser value which are considered “small and attractive assets”.

Items costing \$5,000 or more should be coded to a capital outlay expense line when purchased, object code of 60 - 64. Items costing under \$5,000 should be coded to an object code in 30's range, such as 35 - small tools/minor equipment.

RECORDING

1. Record fixed asset costs and other relevant data from the invoices or supporting documents to the Asset Information Sheet , attached as Exhibit A.

- a. Asset Tag No. - Select the next fixed asset control number from the schedule of control numbers.
- b. Asset Classification Code - From listing at bottom of sheet. Corresponds with object code used in expense line.
- c. Asset Description - detailed description, including model number and distinctive features. If asset is land or buildings, include the legal description of the property.
- d. Manufacturer's Serial No.
- e. Vendor - include both name and address
- f. Date Acquired - invoice date, closing date in case of land purchase, date of purchase agreement or lease purchase agreement.
- g. Purchase Price or Value - from the invoice, best estimate or professional appraisal. Include total cost before trade-in or discounts. Include cost of transportation, taxes and installation, etc.
- h. Location Data - Actual location of item and title of individual responsible for item.
- i. Fund Source - The designation of the funding source; if purchased with Federal grant funds, list the granting agency and grant number.
- j. Insurance Coverage Information - Designate whether to add to policy. If vehicle over \$25,000, should it be at replacement or cash value.
- k. Disposition Data - To be used when disposing of the asset. Complete information so it can be deleted from the inventory records. Any assets being disposed of must be verified by a second party.

2. Prepare a log to track the numerical sequence of tags. See attached Exhibit B.

Note: Only items of equipment are to be physically tagged with control numbers. For internal control purposes, assets such as vehicles, buildings, other improvements and

land are assigned sequential numbers in the records. However, they are not physically tagged with this number.

C. Physical Tagging

The purpose of tagging the fixed asset is to aid in obtaining a record of the property belonging to the City in order to improve control and financial reporting.

1. Obtain sufficient copies of the Asset Information Sheet forms to have one for each item to be tagged. Attached as Exhibit A.
2. Complete an Asset Information Sheet for each item. Fill in the as much information as available; asset name, class code, value if known, vendor and description, location. An Asset Information Sheet should be completed for new purchases as they are acquired.
3. Obtain a numbered tag for each item that can be tagged and affix it in a visible location. Once items are tagged record the tag number on the asset sheet and return the sheets to the Finance Department.
7. Determine the condition of the asset and write it on the Tag Record form. Use this code: N=new; G=good; F=Fair; P=poor.
8. Maintain a list of fixed assets that do not have an Asset Information Sheet. Turn in at the end of the inventory.
9. Return all Fixed Asset Information Sheets to the finance department. Make note of those items that could not be located and any other assets of the department that do not have a Fixed Asset Information Sheet.
10. Make a thorough search for any assets which could not be located. Notify the appropriate responsible person of the missing items and remove them from the inventory if they cannot be located.
12. Add any items not previously recorded to the inventory.

D. Annual Fixed Asset Inventory

The existence and condition of all fixed assets owned by the city should be verified annually.

1. At the designated time each department will be furnished a list of all assets assigned to that department.

2. The location and condition of each item should be verified. Note any items that could not be located. Spot verification may be done by administration.
3. The condition and use of buildings and land improvements owned by the City will be checked and the records updated.
4. Search for any item not accounted for during the inventory. Any that are not located, should be followed up on and recorded as lost and removed from the inventory.
5. Add any items not currently on the inventory list and complete an Asset Information Sheet.

E. Disposal of Fixed Assets

When a fixed asset is no longer used by the City, either because it is in poor condition or because needs have changed, consideration should be given to disposing of the asset. The status of the asset should be observed during the annual inventory and unused items and items in poor condition should be noted. Items in these categories should be called to the attention of the administration. Disposition must be in compliance with state law and procedures adopted by the City.

Before real or personal property is disposed of, a notice that the property is considered surplus should be circulated to other departments to enable them to consider using the property.

The disposition section of the Asset Information Sheet should be completed upon disposal of the asset. The Asset sheet is then placed in an inactive file. Disposition of any asset should be verified by a second party.

F. Addition of Fixed Assets

For additions, the finance department should receive the following:

- a. a copy of the invoice when a purchase is made.
- b. a copy of all lease agreements and purchase contracts.
- c. a summary of completed construction projects and work sheets that itemize the costs of assets constructed in-house.

An Asset Information Sheet should be completed and a tag number should be assigned and attached to the item.