

POLICY NAME: Fixed Asset Capitalization and Control Policy	AUTHORITY: City of Imperial
APPLICATION: All Departments	DATE APPROVED: February 17, 2016

I. PURPOSE

The purpose of this policy is to ensure adequate control and appropriate use of City fixed assets. The procedures are intended to define fixed assets and to establish guidelines for budgeting, financial reporting, logging, inventorying, transferring, depreciating, and disposing of fixed assets.

II. POLICY

It is the policy of the City of Imperial that fixed assets be used for appropriate City purposes and be properly accounted for. It is the responsibility of the Finance Department to ensure fixed assets will be inventoried on a periodic basis, and accounted for by fund and asset category. It is the responsibility of the Department Heads to ensure that proper budgeting and purchasing guidelines are followed and that fixed assets are adequately secured.

III. OBJECTIVES

The City of Imperial's fixed asset policy has two (2) objectives:

1. Accounting and Financial Reporting - To accurately account for and report fixed assets to the City Council, external reporting agencies, granting agencies, and the public.
2. Safeguarding – To protect its fixed assets from loss or theft.

The Finance Department is responsible for, and has established, systems and procedures through which both objectives are met. The system and procedures are used to identify, process, control, track, and report City fixed assets.

IV. PROCEDURES

Capitalization Policy (Accounting and Financial Reporting)

In general, all fixed assets, including land, buildings, machinery and equipment, with an acquisition cost of \$5,000 or more, will be subject to accounting and reporting (capitalization). All costs associated with the purchase or construction should be considered, including ancillary costs such as freight and transportation charges, site preparation expenditures, installation charges, professional fees, and legal costs directly attributable to asset acquisition. Specific capitalization requirements are described below.

- The capitalization threshold is applied to individual units of fixed assets. For example, ten desks purchased through a single purchase order each costing \$1,000 will not qualify for capitalization even though the total cost of \$10,000 exceeds the threshold of \$5,000.
- The capitalization threshold will generally not be applied to components of fixed assets. For example, a tractor purchased with several attachments will not be evaluated individually against the capitalization threshold. The entire equipment with components will be treated as a single fixed asset.
- Repair is an expense that keeps the property in good working condition. The cost of the repair does not add to the value or prolong the life of the asset. All repair expenditures are charged to the appropriate department fund.
- Software programs will be regarded as fixed assets subject to capitalization and the cost will be amortized over a useful life of 5 years. Costs associated with software maintenance and customer support are considered expenditures and will not be capitalized.
- Improvements to existing fixed assets will be presumed to extend the useful life of the related fixed asset and, therefore, will be subject to capitalization only if the cost of the improvement meets the \$5,000 threshold.
- Capital projects will be capitalized as “construction in progress” until completed. Costs to be capitalized include direct costs, such as labor, materials, and transportation, indirect costs such as engineering and construction management, and ancillary costs such as construction period interest.
- Additions and deletions to the fixed asset inventory records shall be made on a periodic basis. When fixed assets are sold or disposed of, the inventory of Fixed Assets should be relieved of the cost of the asset and the associated accumulated depreciation.
- Department Heads will need to approve a Property Disposition report prior to transfer, auction or disposal of any fixed asset.

Control Policy - (Safeguarding)

The Finance Department is responsible for establishing and maintaining systems and procedures to properly safeguard assets. However, Department Heads are responsible for protecting assets under their control from theft or loss. These assets are described as follows:

- a. The acquisition cost of the fixed asset is equal to or greater than \$5,000.
- b. An asset required to be controlled and separately reported pursuant to grant conditions and

other operational or externally imposed. For example, a grant program that has funded the acquisition of a fixed asset may impose a requirement that the fixed asset be tracked and identified as a grant funded asset.

DEPRECIATION

Depreciation is computed from the date the fixed asset is placed in service until the end of its useful life.

Depreciation method – straight line

Buildings	20 years
Arch/Engineering	10 - 20 years
Construction Engineering	10 - 20 years
Other Real Property	20 years
Improvements Other-Contributed Capital	20 years
Fixed Shop Equipment	5 years
Portable Shop Equipment	5 years
Field Equipment	5 years
Parks & Recreation Equipment	5 years
Safety Equipment	5 years
Heavy Mobile Equipment	15 years
Communication Equipment	5 years

Furniture & Fixtures	5 years
Office Machines	5 years
Visual Aid	5 years
Computers	5 years
Other Assets	5 years
Computer Software	5 years
Books	5 years
Vehicles / Trucks	5 years
Fire Fighting & Rescue Vehicles	10 years
Buildings	20 years

PURCHASING AND DISPOSAL OF PROPERTY

Purchasing will follow the City of Imperial Purchasing Ordinance found at Chapter 2, Article IX, commencing with Section 2-60, of the Imperial Municipal Code and the disposal of fixed assets upon City Council approval of Declaration as surplus property and approval for disposal.