

CITY OF BARRE

FIXED ASSETS PROCEDURES

PURPOSE

This policy and procedure established guidelines for the process for ensuring that purchase, inventorying and disposal of fixed assets are supported by adequate documentation, oversight and approvals.

PERSONS AFFECTED

City Manager, City Clerk/Treasurer, Department Heads, Finance Director, Senior Accounting Clerk

DEFINITIONS

Fixed Asset: Real or personal property that have a value equal to or greater than the capitalization threshold for the particular classification of the asset and have an estimated life of greater than a single reporting period. They include land, land improvements, buildings, building improvements, machinery and equipment, vehicles, infrastructure, works of art, distribution, collection, and treatment systems, and construction in progress.

Custodian: Person(s) responsible for safeguarding all fixed assets assigned to their department, which includes, but not limited to, tagging of the assets and physical inventory counts at fiscal year-end.

Capitalization Threshold: The dollar values greater than or equal to which an asset acquisition is added to the fixed asset module and depreciated, if applicable. The threshold and useful lives are as follows:

	Capitalization Threshold	Estimated Service Life
Land	\$ 1,000	Not Depreciated
Works of Art	\$ 1,000	Not Depreciated
Buildings and Building Improvements	\$ 5,000	40 Years
Vehicles, Machinery, Equipment and Furniture	\$ 5,000	5-20 Years
Infrastructure	\$ 5,000	30-50 Years
Cemetery Developments	\$ 5,000	10-50 Years
Distribution and Collection Systems	\$ 5,000	33-100 Years

POLICY & PROCEDURES Acquisition/Addition of Fixed Assets

The City follows the same basic procurement policies and procedures for the purchase of equipment and other fixed assets as it does for the purchase of any other goods or services. The Accounting Department is responsible for recording all newly acquired fixed assets into the NEMRC Fixed Asset System. Upon receipt of a new fixed asset, the custodian completes a Fixed Asset Form. The form is reviewed and approved by the appropriate department head, and a copy of the invoice for the item(s) is attached to the form. The department head turns the form into the Accounting Department who compares the form to the original invoice, which has been approved by the department head and the city manager.

Following receipt of the form, the Accounting Department enters the following information contained on the form into the NEMRC Fixed Asset System:

- Item description
- Quantity
- Manufacturer
- Model & serial #
- Ownership/title holder
- User (department)
- Date in service
- Cost
- Replacement
- Salvage value
- New or used
- Warranty
- Insured by

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- Location of property
- Date purchased
- YTD depreciation
- Current value of asset

If the asset is purchased with federal funds, the following additional data is entered into the NEMRC Fixed Asset system:

- Funding source
- Grant name/number
- Expense account number
- Percentage of federal participation in cost of property (if less than 100%)

Federally purchased items are listed as FED GRANT in the category field in the NEMRC Fixed Assets system to allow specific reports to be run, containing all such assets.

On a regular basis, the Accounting Department updates the NEMRC Fixed Asset System module, updating each asset's listing to include the following (as necessary):

- YTD depreciation
- Prior year depreciation
- Depreciation deductions
- Condition and use
- Current value of asset
- Continuing tracking of federal purchases

Tagging

Asset identification tags are affixed to each City asset unless it is not physically practicable. Each department is responsible to tag newly acquired assets or retag assets. During the tagging process, the description of the asset is verified and logged, along with additional information such as serial number, model number and location. This information is entered in the NEMRC fixed asset module. Assets purchased with City funds are identified by a City of Barre "asset tag" affixed to it.

Any fixed asset purchased with federal funds has a City of Barre-Federal Funds tag affixed to it, in compliance with Federal regulations. Assets may also be engraved. Assets that do not have tags or are not engraved are identified as such in the NEMRC fixed asset module.

Disposal of Fixed Assets

Fixed asset custodians are responsible for safeguarding all equipment and other fixed assets assigned to their department, including items no longer needed, and the items have been removed through disposal or sale. Upon disposal of an asset, custodians will submit an updated Fixed Asset Form to the department head for review and approval. The department head shall attach copies of support documentation of the disposal, such as receipts, invoices, bills of sale, salvage receipts, etc., sign the form to indicate his/her approval, and forward the form to the Accounting Department. The Accounting Department will use the form and support materials to update the NEMRC Fixed Assets System.

The form documents the following information:

- Date sold/retired
- Sale price/salvage value

Stolen assets-The custodian is responsible for contacting Barre City Police and retaining a copy of the police report. A copy of the police report must be given to the Accounting Office. When recording the disposal of the stolen asset in NEMRC, you must include the police report number in the appropriate field of the disposal form. A copy of the police report is also given to the City Manager and Human Resource offices for insurance purposes.

Assets destroyed-lost due to fire, flood, etc. must be reported to the Accounting Office as soon as practicable so it can be recorded in the NEMRC fixed asset module. It must also be reported to the City Manager and Human Resource offices for insurance purposes.

Depreciation of Fixed Assets

The City uses the straight-line method of depreciation for all depreciable fixed assets (land, works of art, and construction-in-progress are not depreciated). The useful lives are subject to modification, and will be reviewed annually by the Accounting Office and changes made if deemed necessary.

Fixed Asset System

The City Manager, working in conjunction with the Accounting Department, is responsible for the coordination, development, and implementation of the policies and procedures that comprise the City-wide fixed asset system. This system facilitates good business practices and internal controls over the acquisition, disposal and inventory information of the City's fixed assets. Responsibility for maintaining the integrity of the asset data in the system lies with each department head.

The NEMRC fixed asset module is the software used to record and track fixed assets and provides management with the information to effectively manage and control its fixed assets. This system is the City's official system of record for fixed assets, and it contains all demographic information about fixed assets (including tag number, location, condition, cost, model number, serial number, etc.) their acquisition, disposal, and date of physical inventories. The NEMRC fixed asset system enables the City to comply with federal and state regulations and meet regulatory or audit reporting requirements. Updating the fixed asset system on a timely basis to record changes in the operational status, location, or demographic information about fixed assets is the responsibility of the Accounting Department.

Ownership of Fixed Assets

All fixed assets, whether capitalized or not, are owned by the City of Barre and **not** by a specific individual, department or other operating unit. Generally, the City of Barre has sole ownership of all equipment acquired regardless of source of funding or method of acquisition with the following exception: Equipment acquired through sponsored projects where the federal government or other sponsor retains title to the equipment or where the sponsor furnishes equipment merely for the duration of the project.

Inventory of Fixed Assets

The NEMRC Fixed Assets System allows for the production of various reports, including an Asset Report, which can be specialized based on specific criteria, such as:

- Location of asset
- Category of asset
- Department under which asset is kept/used/controlled
- Whether the asset was purchased with federal funds (indicated in the "category" field)

Department heads are responsible for ensuring an annual inventory of assets in their department is completed. Annually, by June 30th, the Accounting Department provides each department with a NEMRC list of the fixed assets in their department. The department head reviews and approves the fixed assets list to ensure that the information regarding the asset is correct and updated in the NEMRC fixed asset system to reflect any changes or corrections. The City Manager is responsible for reviewing the inventory and certifying the fixed asset list that the inventory was conducted according to City policies and procedures, and that it is accurate to the best of his/her knowledge.

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Internal Controls

Fixed assets are only to be purchased in accordance with City policy.

On acquisition:

- (a) Fixed asset form is to be completed
- (b) useful life and salvage value, if applicable, of the individual asset is to be estimated
- (c) asset is depreciated from date first used or held ready for use;
- (d) assets are to be added to the fixed assets register per information on the fixed asset form

On disposal:

- (a) asset is to be depreciated to date of disposal
- (b) accumulated depreciation and cost of the asset are to be written back in the general ledger, if applicable, and removed from the fixed asset register. Authorization from the City Manager is to be obtained before any items are deleted from the registers due to sale, loss, or scrap
- (c) profit/loss on disposal is to be calculated. This calculation should be prepared by the Accounting Department and authorized by the City Manager.

Fixed Assets Register should be reviewed annually to consider:

- (a) carrying value of assets
- (b) existence of assets
- (c) condition of assets
- (d) relevance of current depreciation rates given the condition of the assets