

FIXED ASSET POLICY  
TOWN OF WEST SENECA  
Updated 7/20/15

**Purpose**

The purpose of this Policy is to comply with the requirements of Governmental Accounting Standards Board ("GASB") Statement No. 34, "Basic Financial Analysis and Management Discussion and Analysis for State and Local Governments" in order to ensure accurate capitalization of assets for inclusion in the Town's financial statements. This policy establishes guidelines for the record keeping of fixed assets, including acquisition, thresholds for capitalization, determination of useful life, inventory and disposition. This capitalization policy establishes guidelines for determining which expenditures should be capitalized as a fixed asset and which expenditures should be expensed, how to value fixed assets that are reported and how to estimate the useful lives of fixed assets.

**Definitions and Types of Fixed Assets**

Fixed assets include: land, land improvements, easements, buildings, building improvements, vehicles, machinery and equipment, works of art, infrastructure such as roads and water lines, all other tangible and intangible assets.

To be considered a fixed asset for financial reporting purposes, an item must be at or above the capitalization threshold (see below) and have a useful life greater than one year. Improvements must be an expansion of capacity rather than replacement or maintenance in order to be considered fixed assets. An example would be the cost of repaving an existing parking lot would not be a fixed asset (it would be expensed in the fiscal year the work is performed), but the cost of adding new spaces to that existing parking lot would be a fixed asset. If an improvement increases capacity, or significantly increases the asset's useful life, then it should be capitalized if the cost is over the threshold.

**Thresholds**

If the value of an asset at time of purchase or receipt by the Town is higher than \$40,000 (higher than \$25,000 for vehicles), the asset is capitalized and depreciated over its useful life. A total purchase for an amount greater than the threshold which consists of multiple items below the threshold will not be capitalized. An example would be one snowplow purchased for \$50,000 would be capitalized while five individual plows purchased at \$10,000 each would not be capitalized.

NOTE: Land of any value is considered a fixed asset for purposes of inventory, but is not depreciated as it has an infinite useful life.

**Asset Values**

Purchased fixed assets are recorded at their historical cost including any capitalized interest and ancillary charges (e.g. freight and transportation charges and site preparation) necessary to place the asset into its intended location and condition for use. Donated assets are valued at fair market value on the date of the donation.

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### Depreciable (Useful) Lives

Fixed assets are depreciated (expensed) using the straight line method over the years they are actually expected to be used by the Town. In cases where vehicles are used by more than one Town department (e.g. used by Police for three years, then by another department), useful life is based on the usage of the Town as a whole, not just the originating Department. The Finance Department will determine the useful life of each new fixed asset in consultation with the applicable Department Head, particularly in the case of specialized equipment. The following are ranges of useful lives by type of asset based on past experience and usage:

Assets	Years
Buildings	40
Buildings and land improvements	20
Infrastructure:	
Dams and drainage systems	50-100
Water and sewer systems	50
Traffic control systems	40
Bridges and culverts	30
Roads	10
Machinery and equipment:	
Office equipment and furniture	7
Heavy equipment	15
Vehicles	8
Computers	3
Other	5

### Purchase

All purchases of fixed assets shall comply with the procurement policy as adopted by the Town. Department heads should consult with the Finance Department prior to purchasing a fixed asset to ensure that the purchase has the necessary funding and that proper procedure and policies are being followed. When completing documentation necessary to submit a payment request for a fixed asset purchase, Department Heads or the Department Clerk are responsible for notifying the Finance Department by filling out the Fixed Asset Additions Spreadsheet. The Fixed Asset Additions Spreadsheet must be signed by the responsible Department Head noting their approval. Once the Finance Department receives the required information, the Finance Department will then add the asset into the fixed asset system in KVS.

### Inventory

When fixed assets are received, Department Heads shall ensure that any inventory control tags or identification is established as appropriate and can be identified and traced from the fixed asset information provided. There shall be a physical inventory of vehicles and equipment conducted by the periodically in order to safeguard assets. Any unresolved discrepancies while matching physical assets to the fixed asset records maintained by the Finance Department found during the inventory shall be immediately reported to Town Board for further action.

**Asset Disposal/Impairment**

It is the responsibility of the Department Head to report to the Finance Department when any fixed asset is significantly impaired by accident, other damage or level of use to the extent that it will no longer be used for as long as originally recorded. This report should include a revised estimate of the remaining useful life (if any) for that asset so that records and depreciation schedules can be adjusted accordingly. The Finance Department shall also be notified if there is a transfer of responsibility for the asset from one Town Department to another.

Prior to the disposal of any fixed asset, a fixed asset disposal form shall be filled out by the clerk and signed by the responsible Department Head. The disposal form shall include the method of disposal (e.g. sale by auction, trade in, or scrap). Where feasible (and in all cases for assets over \$5000 in residual value), asset disposal should be done through a documented competitive process such as bidding or auction. The asset disposal form should be sent to the Finance Department so that the asset can be removed from the fixed asset system within KVS.