

# **CITY OF GRANDVIEW, MISSOURI**



## **CAPITAL ASSET POLICY**

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# CAPITAL ASSET POLICY

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# **CAPITAL ASSET POLICY**

## **POLICY**

It is the policy of the Grandview, Missouri, to provide comprehensive guidelines for the classification, recording and control of capital assets. The establishment of such policy is to ensure identification of assets, assumption of responsibility, and safeguard of all City assets.

## **SCOPE**

The capital asset policy applies to the recording of capital assets in the governmental activities and in the business-type activities as necessary for the following reasons: 1) to provide for physical and financial control of capital assets, 2) to avoid duplication and inefficient use of capital assets and 3) to account for capital expenditures as required and recommended by the Governmental Accounting Standards Board (GASB). Generally accepted accounting principles require the inclusion of financial data for capital assets in the City's Comprehensive Annual Financial Report.

## **OBJECTIVE**

Control and accountability of capital assets are the foremost objective of the Capital Asset Policy. The inventory of the City of Grandview, Missouri, shall be undertaken in a manner that seeks to protect the City's property, permits accountability for custody, and ensures proper use of specific capital assets.

## **DELEGATION OF AUTHORITY**

Through the annual budget process, the Board of Aldermen approves all capital asset purchases. During the fiscal year, acquisition of capital items not otherwise budgeted is authorized by the Board of Aldermen through amendments to the adopted budget. Management responsibility for the Capital Asset Policy is delegated to the Finance Director or his/her designee. The Finance Director or his/her designee shall also be responsible for all transactions undertaken and shall establish a system of controls to monitor all capital asset activities.

## **DEFINITION OF ASSETS**

A capital asset will possess three attributes: 1) tangible in nature; 2) have a "useful life" longer than one year; and 3) have a value exceeding \$5,000. Capital assets may include gifts and donations, and also include the cost to construct or the market value at the time of acquisition. Other costs that may be included will be architects' and engineers' fees, permits, insurance during construction, and

other administrative costs such as appraisals, right of way acquisitions and documentation fees.

## **CLASSIFICATION OF CAPITAL ASSETS**

All capital assets of the City, within the scope of the above policy, are to be capitalized based upon the following classifications:

### **Buildings**

This classification comprises of all buildings owned by the City. Buildings are defined as structures to house equipment, services, and functions. Capitalized costs include the cost to build or the market value at the time of acquisition, architects' and engineers' fees, renovation costs, permits, insurance during construction, interest during construction and other administrative cost such as appraisals and documentation fees.

In addition to the cost of the building, permanent fixtures should be included as part of the building valuation. Fixtures are items which become an integral part of the building, even though the cost might not have been included as part of the original construction contract.

### **Construction in Progress**

This classification consists of all costs of labor, material, and overhead accumulated to date on a project. Upon completion of the project, the account is cleared by transfer of the associated costs to another classification of capital asset. Transfer of cost would normally be to land, buildings, or improvements other than buildings.

### **Improvements Other Than Buildings**

This classification includes any permanent improvements to assets which cannot be classified as a building with the exception of those improvements that are made in conjunction with public domain or "infrastructure" capital assets.

### **Infrastructure**

This classification involves capital assets normally stationary in nature such as roads, bridges, tunnels, sewer systems and lighting systems which can be preserved for a significantly greater number of years than most capital assets.

### **Land**

This classification encompasses all land acquired by the City. Capitalized costs include land acquisition, documentation, and other related costs such as liens, legal fees, grading, drainage, and any costs associated with the preparation of the land for its intended use.

### **Machinery and Equipment**

This classification consists of all movable machinery, equipment, and vehicles which meet the definition of a capital asset. This classification also includes immobile machinery not permanently attached to a building.

### **Office Furniture and Equipment**

This classification includes all movable office furniture and other office furnishings, computer hardware and software, and radio and communication equipment which meet the definition of a capital asset.

## **ACQUISITION AND VALUATION OF CAPITAL ASSETS**

### **Cost**

Capital assets shall be accounted for at acquisition cost or, if the cost is not practicably determinable, at estimated fair market value.

Only capital assets with an acquisition cost of \$5,000 or more and a life of more than one year will be capitalized. Items which cost less than \$5,000 and/or have a life of one year or less will be expensed upon acquisition. Groups of like items costing less than \$5,000 per item will not be capitalized. These items will be expensed from operations.

Acquisition cost of a capital asset includes freight, installation charges, carrying cases, adaptors, wiring, and other items which are connected to the capital asset and necessary for its operation or use. These items may be purchased before, after or at the same time as the asset is acquired.

### **Acquisition by Gift or Donation**

Donated capital assets shall be recorded in the fund to which they relate or in the General Capital Assets Account Group, as appropriate, at their estimated fair value at the time of acquisition.

## **DISPOSAL OF CAPITAL ASSETS**

The City of Grandview utilizes the services of a local public auction company and/or an online auction website that best fits the needs and requirements of the City for the disposal of all surplus property. Departments are responsible for providing a detailed list of all surplus equipment and vehicles for disposal to the Finance Director or his/her designee annually. All surplus computer equipment, office equipment, furniture, and other miscellaneous items for disposal are moved to a central location at City Hall or other city facility. A detailed listing of those items is also provided to the Finance Director or his/her designee. The Finance Director or his/her designee coordinates the transfer of all surplus property for disposition. A detailed listing of each item sold including the net proceeds must be provided to the Finance Department within two weeks following the auction. Additional information on the disposal of surplus property can be found in Section 9 of the City's Purchasing Policy.

## **TRANSFERS OF CAPITAL ASSETS**

In order to assure accurate records of accountability and responsibility for property, it is necessary to record all transfers of property at book value.

## **DEPRECIATION OF CAPITAL ASSETS**

Depreciation is an element of expense resulting from the use of long-lived assets. It shall be measured by allocating the cost of using the asset over its estimated useful life in a systematic and rational manner. The straight-line method of depreciation shall be used by the City of Grandview to depreciate capital assets.

All capital assets shall be assigned an estimated useful life, with the exception of Land and Construction in Progress, since the City does not record depreciation on these types of assets. The following guidelines shall be used to establish useful life:

### **Capital Assets (Excluding Infrastructure)**

Computer, Radio, and Communication Equipment	3 Years
Motor Vehicles	4 Years
Motorized Equipment	6 Years
Machinery, and Equipment, not otherwise classified	10 Years
Furniture	12 Years
Park Improvements	15 Years
Building Improvements	20 Years
Primary Building Structures	50 Years

### **Infrastructure**

Streets	20 Years
Street Lights	25 Years
Storm Drainage (Unknown Composition)	30 Years
Traffic Signals	30 Years
Sidewalks and Curbs	40 Years
Bridges	40 Years
Storm Drainage (Metal or Concrete Mixed)	40 Years
Storm Drainage (Concrete)	50 Years

These values are guidelines for the Finance Department. Useful life shall be assigned to all capital assets based on the guidelines above and the estimated future use to the City.

## **PHYSICAL INVENTORY**

To ensure the integrity of the City's list of capital assets, a physical inventory will be performed annually. This accounting of assets is the joint responsibility of the Finance Department and the respective department directors.

In addition to the physical inventory, records of all capital assets will be provided annually to each department director. It is the department's responsibility to review these lists to ensure that items contained therein are still being used and in their department's control.

Assets not meeting the definition of an asset will not be inventoried.

## **CAPITAL ASSET POLICY ADOPTION**

The Capital Asset Policy of the City of Grandview, Missouri, shall be adopted by Resolution of the Board of Aldermen. The policy shall be reviewed annually by the Finance Department and any modifications made thereto must be approved by the Board of Aldermen.