

CAPITAL ASSET POLICY

For the

CITY OF CLEARWATER MINNESOTA

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Which capital assets need to be inventoried?

The following capital assets are considered inventory items and must be carried on the property records of the City:

- Land and land improvements (inexhaustible),
- Capitalized capital assets with a unit cost (including sales tax and ancillary costs) of \$1,000 or greater. These assets would include the following:
 - Land improvements (exhaustible),
 - Buildings and building improvements,
 - Infrastructure and infrastructure improvements,
 - Furniture, vehicles, equipment, machinery, and
 - Leasehold improvements.
- Assets with a unit cost (including sales tax and ancillary costs) less than \$1,000 and greater than \$300 identified as small and attractive. These assets will not be capitalized, but will remain on the asset inventory list. These assets are as follows:
 - Communications equipment,
 - Audio equipment,
 - Video equipment,
 - Cameras and photographic projection equipment,
 - Microcomputer systems, laptop and notebook computers, pda's,
 - Other IT accessorial equipment and components (i.e. scanners, data displays, etc.), and
 - Radios, television sets, tape recorders, video cassette recorders, digital video devices, and video cameras.

Inventory Records Requirements

The City's capital asset record systems should contain, at a minimum, the following data elements:

- The department in which the asset is being used,
- Acquisition date,
- Cost,
- Description of the asset,
- Useful life of the asset, and
- Inventory control number.

In addition, when possible, capital asset record systems should include:

- The location of the asset,
- Manufacturer,
- Parcel number (land only),
- Quantity, and
- Serial number.

Capital Asset Maintenance

Additions

Additions to capital assets will be as follows:

- Upon receipt and acceptance of an inventoriable capital asset the department head is responsible for supervising the addition of the asset to the inventory system.
- The department head is responsible for making sure the capital asset receives a tag.
- The department head is responsible for completing a capital asset addition/deletion/change form and forwarding it to the Finance department.

Disposals

Disposals of capital assets will be as follows:

- The department head is responsible for removing the inventory control number tag and any other identifying marks that would indicate the asset belonged to the City.
- The department head is responsible for completion of a capital asset addition/deletion/change form and forwarding it to the Finance department.
- The Finance department will inform the department head of the proper procedures to dispose of the capital asset. If the item has any value the City will determine if it is not cost-prohibitive to sell the item. If the item has no value or is of such little value that it is cost-prohibitive to sell then the department head is encouraged to make the asset available to other cities, schools, counties, or the State of Minnesota before making it available to the general public.

Changes

There are various times that a capital asset record may need to be changed; a few examples are as follows:

- The capital asset is transferred to another department.
- The capital asset is damaged significantly that the value of the asset on the books is greatly in excess of the actual value of the asset.
- The capital asset's life is extended beyond or decreased from the original estimated life of the capital asset when it was initially put into the capital asset inventory.

When any of the situations above, or anything similar, has occurred it is required that the department head responsible for the asset complete a capital asset addition/disposal/change form with updated information.

Physical Inventory

The City will conduct a physical inventory at least once every other fiscal year for all inventoriable capital assets.

Each department head is responsible for all capital assets within their department. However, in order to ensure objective reporting of inventory items, physical inventories should be performed by personnel having no direct responsibility (custody and receipt/issue authority) for assets subject to the inventory count. If it is not feasible to use such personnel for any part of the inventory, then those portions are, at least, to be tested and verified by a person with neither direct responsibility for that portion of the inventory nor supervised by the person directly responsible. The department head is responsible for scheduling the inventory count on the minimum bi-annual basis.

What to do if equipment listed on the capital asset list is not located?

- Search for the missing item by determining if it has been transferred to another department.
- Determine if the item has been placed in storage, scrapped, or converted to another asset.
- If the missing item can still not be located the person conducting the count should do the following:
 - Determine the individual and department head that are primarily responsible for the item.
 - Have the department head complete a capital asset acquisition/deletion/change form. Include a description of the events surrounding the disappearance of the item, who was notified of the loss, and the steps taken to locate the item.
 - If a significant number of items cannot be located, indicating a major problem with the asset recording procedures, the department head is to determine why the problem is occurring and submit a plan to correct the problem to the Finance department.

What to do if equipment is located but is not on the capital asset list?

- Search the City's entire inventory lists to determine if the item is listed on another portion of the inventory.
- Report the item to the area's department head and to the Finance department. The department head is responsible for completing and submitting a capital asset acquisition/disposal/change form as soon as possible after discovery.
- If a significant number of unrecorded assets are located, indicating a major problem with the asset recording procedures, the department head is to determine why the problem is occurring and submit a plan to correct the problem to the Finance department.

After the physical inventory count has been reconciled with the inventory records the person completing the count and reconciliation will certify the reconciliation with a statement and signature that it is correct and report this to the department head and Finance department. If the certification cannot be made, the person completing the count is to disclose the fact it cannot be reconciled, the reasons it cannot be reconciled, and suggest an appropriate course of action.

Depreciation Method

The City will use the straight-line method with the full-month convention to depreciate all of its exhaustible capital assets. Property placed in service at any time during a given month will be treated as if it had been placed in service on the first day of that month. If property is disposed of prior to the end of the estimated useful life, no depreciation is allowed for the month of disposition.

Useful Lives of Capital Assets

The following table is a guideline to use when determining the life of a capital asset. A capital asset should normally be within the range given; however, there are exceptions to the rule. To be considered a capital asset, the item must have a useful life of three or more years.

Land Improvements:	
Landscaping	5-15 years
Paving projects	15-20 years
Fencing, signs, and other	10-20 years
Buildings	40 years
Building Improvements	20-40 years
Infrastructure and Infrastructure Improvements:	
Roads	30 years
Water Systems	40 years
Sanitary Sewer Systems	40 years
Storm Sewer Systems	40 years
Furniture & Fixtures	5-10 years
Vehicles:	
Light general purpose	5 years
Heavy general purpose	7-10 years
Fire Trucks	15-20 years
Equipment:	
Computer and Peripherals (Hardware)	3-5 years
Computer (Software)	3 years
Office	3-7 years
Playground	5-10 years
Fire	5-10 years
Street/Sewer	5-10 years
Machinery	10-20 years
Leasehold Improvements	15-25 years