



# City of Round Rock Fixed Assets Policies & Procedures

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Signature	<i>Susan Morgan</i>

## Change Control

Revision Date	Summary of Changes
9/30/2023	Incorporate language from the GASB Implementation Guide No. 2021-1 related to group purchases material to the financial statements.

### **Purpose**

The purpose of these guidelines is for recognition of assets to be capitalized, useful life determination, disposal methods, and the manner to recognize depreciation/amortization.

### **Application**

The procedures and directions explained in this manual are applicable to all individuals within the City with the authority to purchase, maintain, or inventory property or equipment for the benefit of the City.



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## POLICIES AND PROCEDURES

The following policies and procedures document a fixed asset system designed to comply with all statutory requirements and ensure control over those assets for which the City has stewardship responsibility. The intent of these policies is to obtain accountability over our assets, provide centralized documentation for insurance purposes, meet financial reporting needs, and generate asset management information.

It is the policy of the City to maintain accountability over all Machinery & Equipment assets having a life exceeding 5 years and costing \$5,000 or more and all Land, Building and Improvements other than Building assets having a life exceeding 10 years and costing \$50,000 or more. For groups of smaller items that fall under the capitalization threshold individually, but clearly exceed it in the aggregate, staff will evaluate to determine if the entire group of items would be material to the financial statements, and therefore require recognition as a fixed asset.

The Accounting Technician (Tech) maintains asset records and provides an asset list to each department to be verified by a physical inventory at least once a year, usually mid-year to coincide with the TML re-rate that occurs annually in June.

The Accounting Tech regularly reviews purchases for possible assets. Invoices posted to general ledger capital outlay accounts (6xxx) will be reviewed for items meeting threshold criteria. In addition, a review of non-capital expense accounts (5xxx) will be conducted at least once at the end of each fiscal year to capture material asset purchases not coded to capital accounts.

Invoices will be reviewed for the following:

- Asset purchases will be reviewed for capitalization threshold compliance. The threshold is \$5,000 and above with useful life of 5 years or more for Machinery & Equipment. The threshold for other asset categories (Land, Buildings & IOTB) is \$50,000 and above with a useful life of 10 years. (Exceptions will be made for assets purchased by PEG or Grant funds that may require thresholds of asset tracking to be less than the City's capitalization threshold)
  - PEG Funds: The City receives 1% PEG (public, educational, and governmental access) fees which it collects from the City's cable provider franchisees according to federal law. Chapter 66 of the Texas Utility Code restricts the use of those PEG Fees to "as allowed by federal law" found at 47 U.S.C. §521, *et seq.* (the Federal 1984 Cable Law) and provides the City can lawfully use PEG fees strictly for capital costs supporting PEG access facilities. The City follows IRS guidelines when reviewing capitalization threshold compliance for items purchased with PEG fees and has defined capital costs as any item costing at least \$500 with a useful life of at least one year that is used to produce or generate content for the City's public access channel. The IT Director oversees the PEG funds and consults with the Assistant City Manager regarding appropriate use of these funds.



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- Possible purchase of assets to be grouped (i.e., tables, chairs and cubicles to be used in one specific area) representing material amount for financial reporting.
- Possible purchase of items belonging in a project such as a remodel or improvement of an office area or building.
- Separate purchase of component parts which will become part of the final asset once it is in service or for assets already in service.
- Search for items purchased within the supplies, materials, small tools, and repairs and maintenance expense accounts. Any items found that increase the useful life of the asset will be capitalized and added to the fixed asset schedule.

Assets in the system include all land, building, improvements other than buildings valued at \$50,000 or more and machinery and equipment valued at \$5,000 or more. It is each departments responsibility to maintain any small tools and equipment under \$5,000.

#### **Department Responsibilities**

The Accounting Tech sends a list of fixed assets, as of the last day of the prior fiscal year, to each department at mid-year for an annual inventory. It is the departments' responsibility to conduct a physical inventory of all assets to be reviewed by the supervisor to test validity.

City departments must maintain all assets that are within their control in good working condition. Departments shall ensure the working environment for the assets is appropriate and suitable for such assets. City departments must treat all assets with care and must not misuse the assets or use the assets for personal use or benefit.

City departments must provide to the Accounting Tech any relevant information or documents (e.g., copies of vehicle titles) for assets within their control (typically at the time of the purchase).

#### **Finance Responsibilities**

The Finance Department maintains a full and comprehensive list of capitalized assets held by the City. Information on the asset history and location is retained and managed in such list. All vehicle titles and/or certificates of origin are maintained by the Vehicle Maintenance Department and copies are sent to the Finance department.

The Finance Department is responsible for the calculation of depreciation at the end of the year which is calculated in Munis (system calculation) using the straight-line method with a half-year convention. After calculating depreciation in Munis, a sample of items (10-15) will be selected and recalculated to test for accuracy.



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The Finance Department is responsible for the presentation of the value of all assets in the Annual Comprehensive Financial Report (ACFR). Such reporting includes the reporting of assets both by fund and by function.

#### **Asset Identification**

All fixed assets will be assigned a unique City identification number by the Accounting Tech in the Finance Department. The assigned number will follow the asset throughout its life in the city's fixed asset system. Note: the assigned number is six digits long with the first two digits representing the fiscal year in which the asset is added.

Whenever feasible, each piece of property will be tagged or marked with the City identification number. Such markings will be removed or obliterated only when the item is sold, scrapped, or otherwise disposed. Should the Asset ID number be removed or defaced, the item shall be marked again with the original number (obtained from the inventory listing).

Grant assets are tracked using this methodology, with the exception that a full inventory is done on all Grant purchased assets within a 2-year cycle. Grant assets are designated in the accounting system as being purchased using Grant funds.

#### **Additions**

The City may acquire capital assets via purchase, construction or donation.

All machinery, equipment or vehicles are to be received by the Vehicle Maintenance Department. The Specification Writer will request the Asset ID from the Finance Accounting Tech and notify the Risk Manager of the receipt of the asset. Along with this request, for vehicles, the Specification Writer includes the year, make, model, vehicle identification number, cost, purchase order number, and department that the vehicle will be assigned to. The next available asset number tag is assigned by the Accounting Tech and notification of the asset ID is sent to the Specification Writer and the Risk Manager. The Risk Manager is responsible for maintaining the asset list sent to the Texas Municipal League (TML) and notifying TML for any changes, as needed.

For all machinery and equipment capital assets not received by the Vehicle Maintenance Department, a copy of the purchase order and invoice are sent to the department along with an asset tag. The department is responsible for adhering the tag to the asset.

#### *Construction/Infrastructure*

Construction includes all buildings and building-related structures. Construction-in-progress is carried as an undepreciated asset until construction is complete and the asset is put in use. Investment in systems that provide a critical service to a municipality when considered as a



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system, but not a distinct separate asset, is recorded as infrastructure. These include water, wastewater, stormwater and transportation infrastructure components.

## *Donated/Seized Assets*

The Planning Department works with general contractors/developers on all “ground-up” projects (subdivisions and other properties constructed by a developer). These projects are generally constructed by the general contractors/developer and then the infrastructure portion is donated to the City to maintain. The engineer reviews all the plans as to stormwater, utility waterlines and wastewater and any street improvements to be made. After the construction is completed, the general contractor/developer submits a “cost letter.” This letter is reviewed by the engineer and an “acceptance letter” is sent to the general contractor/developer validating the expenses and committing the City to maintaining the asset.

The Police Department, on occasion, will receive seized vehicles. If the estimated fair value is over \$5,000, the vehicle is tagged and added as a capital asset.

## *Modifications*

Larger assets such as major pieces of equipment, water or sewer lines, and buildings are often modified to increase their lifetime or usefulness. Modifications or improvements may include, but are not limited to, major repairs or component replacement.

The Finance Department reviews the transactions to determine if it meets the capital asset criteria prior to capitalizing.

## **Deletions**

Deletions may be required due to a sale of the asset, scrapping, lost or stolen, or involuntary conversion (fire, flood, etc.). This communication occurs via email between the departments and the Accounting Tech. Due to the monetary value, all equipment maintained by the Vehicle Maintenance department will require authorization from both the department head and the Specification Writer prior to disposal.

Assets not sold may require documentation such as police reports or insurance claim reports.

## *Methods of Asset Disposition*

Assets owned by the City may be deleted from the list of assets by the following means:

- Trade-in –Assets may be considered for trade-in at the time of acquisition of replacement assets, subject to normal purchasing bidding guidelines, and written approval by the department head.



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- Discard/Disposal –A department head may recommend the disposal of assets that are both no longer in use and have no remaining value.
- Auction –Assets may be sold through an Auctioneer or through govdeals.com. Auctions are a responsibility of the Vehicle Maintenance Department. Finance obtains auctioned asset information from reports or check stubs received with the auction proceeds.

If not disposed for one of the reasons mentioned above, an asset will be retired once it reaches the end of its useful life, unless it is equipment.

## Transfers

Depending on the needs of the department, transfers of capital assets between departments occur. The original controlling department is accountable for all assets in its inventory and for initiating a notice of transfer. All transfer forms must be filled out correctly and have all required signatures before the asset can be transferred.

The Finance Department must be notified prior to a transfer of any assets.

## Annual Reporting

The total value of assets is reported in the ACFR as prepared by the Accountant Senior. The value of assets, reported by function, shall include the beginning value, a summary of additions, a summary of retirements, and an ending value for the fiscal year being reported.

## ASSET CLASSES & USEFUL LIFE

### Useful Life Assessments

Normal useful life is defined as the physical life, in terms of years, that an asset is expected to endure before it deteriorates to an unusable condition. Asset classes as defined in this document have been assigned an estimated useful life; a useful life is assigned to every asset per the values listed in the table below.

### Asset In-Service Dates

An asset's age is typically based on when the asset was acquired. Date placed in service is used for most asset acquisition dates, unless unavailable, then the invoice date is used.

### Land and Land Improvements

Land and land improvements, including easements and rights of way are not depreciated as defined by GAAP.

### Improvements



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For reporting of infrastructure, the City of Round Rock uses the following subclasses and relative useful life for the subclasses:

Stormwater Improvements	30 years
Park Improvements	20 years
Outdoor Sports Fields	30 years
Streets & Bridges	30 years
Water Improvements	20 years
Wastewater Improvements	20 years
Improvements Other Than Buildings (IOTB)	10 years

## **Machinery and Equipment**

Computer Equipment	5 years
Computer Software	5 years
Audio & Video Equipment	5 years
Machinery & Equipment	5 years
Furniture & Fixtures	5 years
Water Meter & Fire Hydrants	5 years
Safety Equipment	5 years
Communication Equipment	5 years
Playground Equipment	7 years
Light Duty Vehicles	5 years
Heavy Duty Vehicles	7 years

## **Buildings**

Building	40 years
Improvements to Buildings	10 years