

CITY OF ESSEX JUNCTION CITY COUNCIL FIXED ASSET POLICY

I **Purpose:** To ensure that the accounting for the capital assets of the City of Essex Junction is in accordance with GAAP (Generally Accepted Accounting Principles).

II **Fixed Asset Definition:**

All items purchased by the City of Essex Junction of a durable nature (life expectancy of over one year) that have a cost of \$5,000 or more individually or as a group (single purchase of long-life items that total over \$5,000) will be considered Fixed Assets for accounting purposes.

All items given to the City of Essex Junction of a durable nature (life expectancy of over one year) that have a fair market value of \$5,000 or more individually or as a group (single purchase of long-life items that total over \$5,000) will be considered Fixed Assets for accounting purposes.

All land purchased or given to the City of Essex Junction will be considered a Fixed Asset for accounting purposes.

III **Valuation of Fixed Assets:**

Fixed Assets will be valued at cost. The cost of an item includes any costs necessary to acquire the item (i.e., shipping costs, installation cost, invitation to bid costs, lawyers' fees, etc.). If the cost of the item is not available, fair market value should be used to value the asset.

IV **Guidelines Specific to Fund Types:**

a. **Governmental Funds:** Fixed Assets belonging to the Governmental Funds are reported at cost in the City's Governmental-wide Financial Statements. General Fund Fixed Assets are not included in the Fund Financial Statements.

b. **Enterprise Funds:** Fixed Assets belonging to an Enterprise Fund (i.e., Water, Wastewater Treatment Facility, or Sanitation Fund) are reported as depreciable assets and are recorded on the Balance Sheet of the appropriate fund. Straight-line depreciation costs are charged yearly as an expense in the fund over the estimated life of the asset.

V. **Administrative Procedures:**

a. **Fixed Asset Additions:** When a Department Head purchases a Fixed Asset, they will complete a Fixed Asset Form. The completed form should then be submitted to the Finance Director for input into the accounting system.

- b. **Fixed Asset Deletions:** In accordance with the Purchasing Policy, the City Manager is authorized to approve the sale or transfer of City property estimated to be up to \$40,000 in value. The City Council shall approve the sale or transfer of property estimated to be worth more than \$40,000. When a Fixed Asset is disposed of (either by sale, transferred, destroyed or discarded), the Department Head should report the disposal to the Finance Director using the Fixed Asset Form.
- c. **Interdepartmental Fixed Asset Transfers:** Transfers of City property from one department to another of estimated value of up to \$40,000 must be approved by the City Manager. Transfers of City property from one department to another of estimated value greater than \$40,000 must be approved by the City Council. All transfers of fixed assets from one department or fund to another should be reported to the Finance Director using the Fixed Asset Form.
- d. **Verification:** The Finance Director will provide a fixed asset listing to department heads each year, prior to the end of the fiscal year, for each department to verify their fixed asset inventory. The Finance Director will also perform a periodic inspection for verification purposes.

Adopted by the Village Trustees on 9/8/98. Revised on 8/11/15. Revised and adopted by the City Council on 3/27/24.