



ADMINISTRATIVE REGULATION (AR)

Capital Assets (Revised from City AR-00052) FESSAM 1B.2

Effective: 07/01/2016

I. SCOPE:

This Administrative Regulation applies to all LFRA employees including Regular full-time, Regular part-time, Temporary, Seasonal and Reserves/Volunteers.

II. PURPOSE:

The Administrative Regulation ensures that all LFRA employees are complying with the Generally Accepted Accounting Principles and with the Government Finance Officers Association as it relates to the recording, maintaining, and review of Capital Assets.

III. DEFINITIONS:

- Distributed throughout the Administrative Regulation.

IV. POLICY:

Capital Assets as defined throughout the document must report to LFRA Administration who will report to Accounting to record the asset in accordance with Generally Accepted Accounting Principles. Section VII of this Regulation includes all policy and procedure requirements.

Basis For Mandate:

- Generally Accepted Accounting Principles
- Government Finance Officers Association
- Internal Governance

V. OTHER RELATED REGULATIONS & PROCEDURES:

Procurement Regulation

Effective: 01/01/2016

VI. LOVELAND FIRE RESCUE AUTHORITY FIRE CHIEF SIGNATURE:

A handwritten signature in black ink, appearing to read "Mark Miller", is written over a horizontal line.

Mark Miller, Fire Chief



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VII. PROCEDURE:

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Definition

As defined under paragraph 19 of the Governmental Accounting Standards Board Statement No. 34 Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments (GASB 34), the term **capital assets** includes land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure and all tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. A capital item with a value of \$5,000 on a unit basis is considered a capital asset; however, some items below the threshold are used in groups and are capitalized as groups of assets. **Infrastructure assets** are long-lived capital assets that normally are stationary in nature and normally can be preserved for a significantly greater number of years. Examples of infrastructure assets include fire stations, training facilities, and lighting systems.

General Policy Regarding Initial Recording of Capital Assets

Capital assets will be reported at historical cost, which equals the purchase price (net of discount if applicable) plus taxes, fees, assumed liens, clearing or demolition, installation, freight, assembly, special fittings and all incidental expenses necessary until it is ready for intended or final use. The cost of a capital asset also includes ancillary charges necessary to place the asset into its intended location and condition for use. Ancillary charges include costs that are directly attributable to asset acquisition—such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets will be reported at their estimated fair value at the time of acquisition plus ancillary charges, if any. Assets cannot be purchased by multiple funds and tracked as assets in multiple funds. Ownership must reside in one fund, with the other fund(s) paying a one-time fee for the use of the asset.

The Accounting Division reserves the right to capitalize certain items not specifically listed in this policy when determined that the item is material and is directly related to a capital project.

Types of Capital Assets

Land

Shall include all land, lakes and detention basins with defined boundaries where the LFRA has title of ownership or rights thereto by law. Acquired land is recorded at the purchase price plus additional costs such as legal and recording fees, surveying fees, appraisal and negotiation fees, assumed liens, demolition or clearing costs, damage payments and land/site improvements that ready land for its intended use and produce permanent benefits. Examples of land/site improvements are excavation; fill and grading; removal, relocation, or reconstruction of property of others, such as railroads and telephone and power lines; and the construction of retaining walls. If land and building are acquired as a single parcel, the value of the land should be determined separately from the building and recorded as land. Donated land or land that is obtained by means other than purchase is recorded at fair-market value based on appraisal at time of acquisition.



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Easements & Land Rights

Any interest or land rights in any land or property not owned by the LFRA that entitles the holder to a specific use or enjoyment (right to use the land).

Improvements Other than Buildings

Expenditures that do not produce permanent benefits including, but not limited to, landscaping, towers, tanks, wells, fences, retaining walls, surface parking lots, parking decks, parking garages, lighting, points of access or driveways, irrigation systems, general signage, pedestrian bridges, paved paths, and fountains

Buildings

Includes all roofed and walled structures built for permanent use. Any temporary structures built for use, as temporary shelter during repair or construction shall be part of the cost of repair or construction. Buildings are valued at the purchase price or construction cost. Cost should include all charges applicable to the building (i.e., broker's fees, architect's fees, etc.). Building expansions will be classified as buildings. Donated buildings should be inventoried at the appraised fair market value including permanently attached fixtures at the time the building was donated. Capital Improvement Fund acquisitions are inventoried when substantially all construction costs are paid. Prior to this time, capital improvement costs are accumulated as construction-in-progress.

Building Improvements

Any expenditure that will increase the value of the building, expand the total square footage of the building, extend its useful life or cause a material change in the building's efficiency or function will be capitalized, however subject to threshold requirements set forth in this policy. The condition of the property unit after the costs are incurred must be improved as compared with the condition of that property when originally constructed. That is, cost associated with activities that serve merely to restore the property unit to its originally constructed operating condition should not be capitalized, but rather should be expensed as incurred.

Improvements shall include but not be limited to sprinkler systems, HVAC systems, electrical systems, roofing, elevators, and bringing a building to ADA compliance. Similar expenditures that would not increase the value, efficiency or change the function of the building or do not meet the capitalization threshold amount will be considered a regular repair and maintenance expense.

GASB) Statement No. 62, " , requires the capitalization of material interest charges incurred when constructing a capital asset or preparing it for its intended use. Interest should be capitalized for the period from the first outlay (expenditure) for the asset until the asset is completed and ready for its intended use. GASB 62" states if the asset is financed by tax-exempt borrowing, the capitalization period runs from the date of the borrowing until the asset has been completed and is ready for its intended use. The amount of interest to be capitalized is the difference between the interest cost of the tax-



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exempt borrowing and the amount of interest earned through investment of the borrowed proceeds during the capitalization period.

Vehicles

Includes all motorized conveyance, such as apparatus, cars, pickups, motorcycles, vans, light, medium and heavy duty trucks. All trailers, without exception, should be classified as vehicles; light or heavy duty categories, according to GVWR (Gross Vehicle Rate Weighting). All vehicles shall be recorded at purchase price plus all incidental "make-ready" costs, which may include add-on equipment, freight or any specialized lighting or assembly before it is ready for its intended use. Donated or confiscated vehicles will be valued at fair market value at the time of donation or confiscation. **Vehicles** are separated into two categories: *Light Duty and Heavy Duty*.

- a) *Light duty* trucks and passenger vehicles are any vehicle with GVWR of 10,000 lb. or less, including cars, SUV's, vans and trucks, etc.
- b) *Heavy duty* vehicles are any vehicle with GVWR of 10,001 lb. or greater, including trucks, trailers, etc.

Machinery and Equipment

Includes all motorized construction equipment, tractors, slow moving and specialized implements, towed devices, watercraft, turf maintenance, apparatus or instruments mechanically, electrically or manually operated for the purpose of production, service, maintenance or repair. Machinery and equipment will be classified into three categories:

- a) *Light Machinery & Equipment* - Weighing 10,000 lbs. or less, including road repair and construction equipment, small tractors, golf/turf equipment, athletic/recreational equipment, medical/health equipment, police/fire equipment, mowers and building maintenance equipment.
- b) *Heavy Machinery & Equipment* - Weighing 10,001 lbs. or more, including road repair/maintenance and large construction equipment, large tractors.
- c) *Hand Tools and Test Instruments* - which includes but not limited to hand tools, gauges, printing equipment, meters or devices used for measurement or diagnostics including clinical equipment and are easily transportable by a single individual and are above the \$5,000 capital threshold.

Equipment under Capital Lease

In accordance with GASB 62, any non-cancelable lease agreement which meets one or more of the following criteria should be capitalized:

1. The lease transfers ownership of the property to the LFRA at the end of the term of the lease.
2. The lease contains a bargain purchase option. A bargain exists where the cost of acquisition is less than market value.
3. The lease term is equal to 75% or more of the estimated economic life of the leased asset.



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4. The present value of the minimum lease payments equals or exceeds 90% of the fair value of the leased asset.

When none of the criteria for a capital lease are met, the lease is an operating lease. If operating leases are material, a note disclosure must be made in the notes to the financial statements.

If a capital asset is acquired under a capital lease arrangement, the capitalized asset must be identified in the same manner as purchased assets and categorized consistent with purchased assets. Lease agreements must be analyzed by LFRA with consultation with the City Finance Department and its liability determined at the inception of the lease agreement, based on the computed present value of the future minimum lease payments. The capital asset should be capitalized based upon the same determination, as of the date originally placed in service. If no interest rate is stated in the lease, the rate applied should be the rate used by the LFRA for one-year notes. The present value of the amounts owed by the LFRA or the City for future lease payments will be used as the capitalized value. Records shall be kept documenting the decision and its basis.

Office Furniture, Fixtures & Equipment

Include computers and software (including monitor & accessory), copiers, telephone system, audio/video equipment; will be classified under Office Equipment. Tables, chairs, cabinets, desks, partitions and the like will be classified as Office Furniture & Fixtures.

Works of Art, Historical Treasures and Collections

Works of art and historical treasures shall include but are not limited to paintings, sculptures or monuments, artifacts and other works of arts or items of cultural value or interest intended to be preserved, kept or protected for the purpose of public exhibition, education, research or furtherance of public service. Depreciation is not required for collections or works of arts that are inexhaustible. Collections shall include but are not limited to library books, periodicals and electronic media.

Intangible Assets

- a) Governmental Accounting Standards Board Statement No. 51 Accounting and Financial Reporting for Intangible Assets (GASB 51) was issued in June 2007 to define reporting requirements for intangible assets. According to GASB 51, intangible assets lack physical substance, are non-financial in nature, and have an initial useful life extending beyond a single reporting period. *Internal-Use Computer Software* – Costs associated with the preliminary project stage will be expensed as incurred. Such costs could include the conceptual formulation of alternatives, the evaluation of alternatives, the determination of existence of needed technology, and the final selection of alternatives. In addition, all training and data conversion costs will be expensed as incurred, with the exception of



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payroll data conversion costs, which will be capitalized. Unless data conversion is an activity of the application development stage only to the extent it is determined to be necessary to make the computer software operational. Costs eligible for capitalization will include external direct costs of material and services consumed in developing or obtaining internal-use software, payroll and payroll-related costs devoted directly to the project, and interest cost incurred during development. Examples of such costs include those associated with the design of a chosen path (including software configuration and software interfaces), coding, installation of hardware, and testing (including the parallel processing phase). Upgrades and enhancements should be capitalized only to the extent that they increase the functionality of the product. Capitalization will occur only after the preliminary project stage is complete. Preliminary project stage costs are expenses as incurred. Likewise, capitalization is appropriate only if LFRA in consultation with City management has authorized and committed to funding the project, and it is considered probable that the project will be completed and put to its intended use. The capitalization of costs related to internal-use software should cease once testing is complete.

- b) *Easements & Land Rights* – Any interest or land rights in any land or property not owned by the LFRA that entitles the holder to a specific use or enjoyment (right to use the land).
- c) *Water Rights* – A group of rights designed to protect the use and enjoyment of water that travels in streams, rivers, lakes and ponds, gathers on the surface of the earth, or collects underground.
- d) *Other Intangible Assets* – Examples include but are not limited to certain licenses, permits, copyrights and patents.

Construction in Progress (CIP)

All expenditures or cash outlay for capital projects or projects anticipated to meet the requirements of capital assets or infrastructure shall be recorded as construction in progress where all costs are accumulated until the project is ready for its intended use. Once projects are substantially ready for their intended use, the appropriate capital asset should be recorded accordingly and CIP should be reversed. Amounts included in CIP should not be depreciated.

General Provisions

Materials and Supplies

Inventories of materials and supplies to be consumed in the normal course of LFRA's operations are not Capital Assets. If material in amount, Inventories of Materials and Supplies should be included on LFRA's (consolidated in the City's) statement of net assets but are not intended to be accounted for on the capital asset system.

Labor

In any circumstance not aforementioned, employee labor costs shall be assigned to the total cost of improvements where applicable.



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Grouping Assets

Individual treatment should be given to all assets, whenever feasible and practical when they are recorded on the capital asset system.

Consideration will be given to grouping assets where the asset cost or value individually does not meet capitalization criteria, but does when grouped and/or where the assets are capable of being used together, are connected and not intended to be dislocated or used individually. Examples of such grouped assets may include but are not limited to: collection of chairs in the training center, radios, and SCBA's.

Standard descriptions should be used whenever possible to maintain consistency and indicate the comparability among assets.

Componentization

The rationale behind componentization is that not all components of a fixed asset that has been acquired have the same useful life and furthermore, they may wear down or depreciate at different rates throughout their life. Therefore, it is appropriate under the accounting "matching principle", to depreciate each significant component separately over its useful life. Some examples of components are HVAC systems and roofing.

Valuing and Costing

Generally, capital assets are valued at historical cost. There are, however, different ways to compute historical cost depending on the method in which the asset is obtained.

Sources of historical cost data can include: invoices, purchase orders, canceled checks, vouchers, contracts, board minutes, general ledger records, real estate closing documents, tax assessment records, grant records, asset records, maintenance records, price lists, vendors, appraiser's libraries back-trend multipliers, etc.

Sources of reproduction/standard cost data can include: manufacturer's price list, catalogs and quotations, distributor's and supply company catalogs, industry publications (i.e., Engineering News Record) magazines, director's and trade journals, consulting, cost engineering, cost estimating manuals and handbooks (Handy Whitman Guide), technical service companies and organizations appraiser's libraries.

In any situation where an item is selected from an asset listing of items for inclusion in a Capital Asset Project, the cost of the item shall be determined using a Last In First Out method.

Amortization of Fleet

Annual contributions to a fleet replacement fund will be made for all rolling stock/apparatus and marine equipment purchased based on calculating a straight line depreciation value applied to an estimate of the replacement value (Acquisition value x Cumulative inflation to the replacement year based on the service life in Table 1 of this policy.). Salvage value shall be retained in the Fleet Replacement fund to assist with inaccurate estimates of replacement value.

Purchases



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All purchased Capital Assets shall be reported at the actual cost of purchase, supported by payment records. Each purchase of a Capital Asset shall be identified with a Capital Asset Number as soon as the item has been shipped and accepted at LFRA.

Group Purchases

If several dissimilar assets are purchased for a lump sum, the total amount paid should be allocated to each individual asset on the basis of its fair market value (FMV). The allocation is accomplished by use of the equation:

$$\text{ASSET Y} = (\text{TOTAL COST OF ASSETS}) \times \frac{\text{FMV of Y}}{\text{TOTAL FMV}}$$

If the fair market value of Asset Y is \$750, the fair market value of the total group is \$4,000, and the lump sum cost of the total group is \$3,500, the cost assigned to Asset Y is calculated as follows:

$$3,500 \times \frac{750}{4,000} = 3,500 \times .19 = 665 \quad \text{Thus, the cost assigned to Asset Y is \$665.}$$

Transfers

A transfer of property between LFRA programs is merely a change in location, division/program responsible, etc. A transfer of an asset, with no monetary consideration involved, is a capital contribution valued in the receiving fund's asset listing at its historical value. Transfer of an asset shall not change the original cost or right to receive funds upon liquidation. An item shall remain in the asset listing of the original department until a transfer is fully documented. The intent is to ensure that the location of the asset is always current in the capital asset records.

Transfers shall be documented and recorded on the respective inventories of the Transferor and Transferee departments at the time of transfer using the Disposal/Transfer form.

Loaned Property

Property cannot be loaned for personal use. Personal use of LFRA property is defined as Theft. The employee using the property is responsible for any damage and/or loss. Refer to the appropriate LFRA Administrative Regulation for policy and disciplinary procedures.

LFRA Constructed Property

Property manufactured, constructed, fabricated or otherwise produced by a LFRA division/program for use within LFRA must be given a value based upon the component costs including labor and materials. The property must also be included in the asset listing of the department using the unit if it meets the capitalization criteria.

Used Equipment



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When LFRA acquires used equipment, the following requirements must be adhered to:

- The division/program must specify "used equipment" on the requisition as appropriate.
- The acquisition cost, as noted on the invoice(s), will determine original cost value.

Donations

Donations of assets can occur as gifts from individuals or organizations. Valuation of these assets should be established based on the fair market value on the date of the gift. Donations should be accompanied by a verified invoice (or copy) as the preferred method to substantiate value. Where such documentation is not available, LFRA shall devise a method of capturing and keeping information relevant to valuation and assigning a value. The documentation shall be retained subject to the records retention schedule in the LFRA Administration Office.

Grant Property

Operating units receiving federal program property or property purchased subject to a Grant agreement must place in their asset listing all items acquired, consistent with the program capitalization requirements. Adequate records must be maintained for assets acquired or constructed from grant funds and made available for audit. Adequate controls must be maintained for ongoing accountability of grant-funded assets. An inventory must be performed on all grant property at least once every two years.

Transfers to other use and dispositions must meet the requirements of the Grant Agency and must be reported. If the assets are to be disposed this must be reported to the Federal Government and may need to be returned to them.

These requirements are further explained in the following publication that details capital asset federal grant regulations:

OMB Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards

Refer to the grant management administrative regulation for managing the funds that serve as a source for assets purchased with grant funds.

Exchange or Trade-Ins

Exchange or trade-ins of capital assets sometimes take place in the course of asset acquisitions. When this occurs, the capital asset property records are updated to reflect the capital assets exchanged or traded-in for new assets. Accordingly, a line of detail reflecting the trade in should appear on the Purchase Order and the Invoice. The value of the new asset is calculated as the trade-in or exchange value allowed for the new asset, plus any cash paid. The capitalized cost of the new asset is not to exceed its fair market value. LFRA must determine Fair Market Value.

LFRA must note all relevant information regarding exchanges or trade-ins of capital assets on the related requisitions or purchase orders and communicate said detail to the Administrative Division in the asset reporting process and at the time the capital asset disposals and acquisitions are reported.



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Asset Impairment

GASB Statement No. 42 Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries (GASB 42) requires capital assets that are impaired or potentially impaired should be properly accounted for. The five most common indicators of potential impairment as defined by GASB 42 are listed below.

- a) Evidence of physical damage to the capital asset that requires repair efforts to restore the asset's service utility.
- b) Enactment or approval of laws or regulations, or other changes in environmental factors, that limit or curtail the use of the capital asset because the asset does not meet and cannot be modified to meet the requirements of the new laws or regulations.
- c) Technological development or evidence of obsolescence resulting in the capital asset being used much less frequently, or not at all.
- d) A change in the way an asset is used or in the length of time it was expected to be used.
- e) A permanent construction stoppage prior to the completion of an asset.

Per GASB 42, Impairment losses appropriately reported as program expense generally should be reported as a direct expense of the program that uses or used the impaired capital asset. Impairment loss should be reported as indicated regardless of whether the capital asset is being depreciated individually or as part of a composite group.

Impairment losses should be reported in accordance with the guidance in paragraphs 41 through 46, 55, 56, 101, and 102 of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, GASB 62 The book value of land, building, and equipment will be removed from the accounting system when sold or eliminated from LFRA assets.

Cash Discounts

Assets should be recorded net of any quantity or trade discounts received. The asset is recorded at a cost equal to the amount of cash paid, not the gross amount of the invoice. When a capital asset is purchased subject to a cash discount and the discount is taken, it should be considered a reduction in the purchase price of the asset. If the discount is not taken, the asset can be recorded at either the gross or net amount.

Trade-Ins

When an existing asset is traded-in allowing for the reduction in the cost of the new asset, the value of the new asset should be recorded at an amount equal to the book value of the asset that was surrendered plus any additional monetary consideration provided to the seller. (For example: if LFRA paid \$27,000 in cash for a vehicle and traded-in an existing vehicle with a value of \$2,000 then the new asset is recorded at \$29,000.)



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Replacement Cost

Replacement cost refers to the amount needed to replace the original asset under current construction methods, or at labor and overhead allowances. This basis of cost may be used for insurance coverage. LFRA divisions/programs are responsible for contacting the LFRA Administration Division for all asset changes or significant changes in replacement value within the industry. The list is maintained in LFRA Administration and is used by the Administrative Director for the election of insurance coverage.

Acceptable proof of loss data is to be maintained in order for recoveries to be made more easily. It is the responsibility for the program coordinator and the appropriate Battalion Chief to collect and maintain all data connected with damaged or lost capital assets and report this information to the Administrative Director.

Physical Inventory of Capital Assets

Physical Count of Capital Assets

A physical count of capital assets is necessary for accountability and control. It confirms the reliability (or lack of reliability) that can be placed on the capital asset account system by verifying the actual existence of the items represented by the capital asset records. The physical count validates the capital asset records and complies with audit and legal (federal, state, local) standards.

A physical count of all capital assets will occur over a three-year cycle as approved by LFRA's external auditors. At the end of the three-year cycle, all capital assets will be fully counted. Appendix A is a three year schedule specifying each department that has capital assets and the year in which the division/program will have a complete physical count. If there are departments or funds that have assets that were purchased with Federal funds (grant, stimulus, awards, etc.) these assets are to be counted per grant requirements. Physical counts are costly and time consuming, and must be planned around LFRA's existing resources.

When performing a physical count, the asset register which is generated or downloaded from the accounting system/fixed asset module is used as the guide to ensure that all assets on the system reconcile to the physical asset located. This reconciliation of assets is completed by the Administration Division. The Administration Division will designate the resources to complete the physical count. When performing a physical count, the count should be made of all capital assets at each location before completing a single area. Advance notice of the physical count is acceptable, but not necessary.

The physical count is documented as it takes place, using the asset register from the system as a checklist. The asset register already includes the tag number, asset type, asset description, and associated cost and book value. The designated staff member will check-off on the register the asset when physically located. The designated accountant will verify the asset tag and description of the asset. Additionally, the designated staff member will try to verify the serial number or vehicle numbers if applicable and document the numbers on the asset register. The designated staff member needs to also look for assets that may not be on the asset register and document those for further research.



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Once the physical count has been completed, the designated staff member must sign-off on the asset register as evidence of the physical count.

Following the physical count, researching and/or verifying the asset may be needed to ensure that the assets are properly documented. Verification on the system includes verifying the asset location, class codes, fund accounts, grouped assets, and buildings. If large discrepancies are noted, it is important to address those with the Administrative Director. It is important to follow-up on any discrepancies so the remediation steps can occur to correct the discrepancy. Steps to remediate the discrepancy will occur in two steps; (a) correcting the system and (b) review of internal controls to insure all purchases and disposals are recorded accurately.

Tagging Capital Assets

Tags should be selected and placed on the assets so that they are not easily removed or destroyed by asset use. All tags used by LFRA shall contain LFRA's name. The Administrative Director and/or their designee shall obtain and issue tags.

The numerical designation appearing on the tags will be a simple series of numbers which are assigned to assets in order, without regard for type of asset and location. The use of a unique number allows each asset to carry the assigned number throughout its entire life, regardless of its location. Once a disposition has occurred, the number is also retired.

Tag placement should be in an area where the number can be identified and without disturbing the operation of the asset and which allows for easy periodic inventory taking. Items, which cannot be tagged, shall be so noted on the Asset listing and the division shall keep the tag until the disposal of the asset.

Tag numbers and the maintenance of tagging assets should be by a designated individual within LFRA.

Acquisitions

New assets that are acquired by LFRA must be reported immediately to the Administrative Director or their designee using the prescribed capital asset forms, and promptly recorded on the appropriate asset listing. The Asset Addition form is also located on the Intranet, under Finance/Accounting. This information should be provided at the time the asset is received and approved for payment.

The Administrative Director should also be alert for capital assets which appear to have been purchased out of inappropriate expenditure codes and which the interface of the capital asset system may not otherwise capture. Program Managers and their supervisor should be notified if using incorrect codes and adjustments made if necessary.

Disposal

The LFRA's capital assets are retired through several means, including sale, trade-in, auction (physical or electronic), employee only sealed bid sale, and loss by theft. All disposals by any means must be reported to the Administrative Director using the prescribed capital asset disposal forms. The Administrative Director should also periodically review any relevant revenue codes (such as "sale of fixed assets") to search



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out potential disposals. Any acquisitions involving a trade-in should also be thoroughly reviewed to properly record the disposal of the net asset relinquished.

If an asset is disposed through the sale at an auction, the Administrative Director or their designee shall be informed of such auctions and be provided with documentation associated with proof of competitive bidding and sales for official records retention and accounting of all assets disposed of for use in updating the capital asset records.

Assets with a value of less than \$5,000 can be sold outright with prior approval of the Division Chief. Sale price will be based on prior auctions and shall be approved by the Division Chief.

The proceeds of asset disposals shall be recorded in the fund that originally paid for the asset.

Surplus Property

Public trust and scrutiny issues obligate LFRA to manage all property up to the point of final disposition. Often, final disposition takes the form of an auction or sale unless the property is simply junked or trashed. LFRA maintains inventories of surplus property in hopes of filling a need at another division/program with property that has been indicated as surplus. Surplus Property shall remain LFRA responsibility until the asset is transferred or disposed.

Calendar

The Calendar of events shall be designed so as to timely deliver Asset data for purposes of budgeting and financial reporting. Management may impose additional requirements. The following is a guideline for a calendar of activities and may change to accommodate the accounting and auditing cycle.

- **Ongoing** - Update asset data.
- **September** - Update asset data for interim audit.
- **October** - Print Asset Listing, conduct Physical Inventory count and document all errors.
- **February** - Complete all paperwork. Print Master Asset listing for financial reporting.

Asset Classification / Capitalization Threshold / Estimated Useful Life

Items meeting the definition of a capital asset in GASB 34 and described previously herein will be recorded as a capital asset and classified into one of the major categories or networks, subject to the capitalization threshold of \$5,000 and defined in Asset Classification Table 1. Item or items meeting the criteria may be listed as part of a system or subsystem under the network. Questions on items or asset classifications should be directed to the Finance Department.



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Table 1	
ASSET CLASSIFICATION	ESTIMATED USEFUL LIFE (YRS)
LAND	
Land	exempt
Easements	exempt
Rights of Way	exempt
LAND IMPROVEMENTS	
Parking Lots	20
Lighting	30
Fencing	15
Retaining Walls	20
Other Land Improvements	20
Landscaping	20
BUILDING & BUILDING IMPROVEMENTS	
Buildings (including expansions)	
a. Concrete Buildings	50
b. Metal Buildings	30
c. Modular Buildings	25
d. Office Buildings	50
Building Improvements	
a. Electrical System	10
b. Elevators	20
c. Fire Suppression System	20
d. HVAC System	10
e. Roofing	
I.) Flat Roof	20
II.) Shingled Roof	30
f. Other Building Improvements	20
VEHICLES	
Light Duty (10,000 GVWR or less)	
a. Cars	12
b. Battalion Chief Command Vehicle	8
c. Response Staff / Utility Vehicles	10
d. Staff / Utility Vehicles	12
e. Type 6 Brush Engine	18
Heavy Duty (10,001 GVWR or more)	
a. Type 1 Structural Engine	17
b. Type 3 Wildland-Urban Interface Engine	18
c. Ladder – Tower	20
d.. Heavy Rescue	15
e. Water Tender	20



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f. Specialized Vehicle		20 - 25
MACHINERY & EQUIPMENT		
Light Duty (10,000 lbs or less)		
a. All-Terrain Vehicle (ATV)		5
b. Boats		20
c. Generators - Portable		15
d. Compressor		15
e. Pressure Washers		5
f. Trailers		30
g. Utility Vehicles (UTV)		10
h. Other Tools		5
i. Radios		8
j. Confined Space Kit		10
k. Power Hawk Rescue Tool		10
l. Paratech Airshore		10
m. Sked		10
n. Cutters/Combi-Tools/Rams/Spreaders		10
o. 1 3/4" Green Hose		5
p. 1 3/4" Alley Line Gasner Hose		7
q. 1 3/4" Rubber Bumper Hose		7
r. 2" Yellow Attack Hose		5
s. 2" Stand Pipe Hose		7
t. 2 1/2" Dead Load Hose		15
u. 3" Blue Line for Blitz Hose		15
v. 3" Yellow Alley Line Hose		15
o. 5" Hose		15
P. Thermal Imaging Cameras		10
Heavy Duty (10,001 GVWR or more)		
a. Backhoes		10
b. Tractors		10
Office Fixtures and Equipment		
a. Computer Server		5
b. Computers and Components (including iPads and Mobile Data Terminals)		4
c. Copiers/Printers		5
d. Office Partitions		10
e. Software (externally purchased)		4
f. Telephone Systems		10
WORKS OF ART, HISTORICAL TREASURES AND COLLECTIONS		
Works of Art & Historical Treasures		exempt
Books, Periodicals, Electronic Media		5
CONSTRUCTION IN PROGRESS		exempt

Depreciation

Unless otherwise indicated, depreciable assets shall be depreciated on a straight-line basis, midyear convention (All new assets are put on with a purchase date of 7/1/xx)



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causing the first year to calculate 6 months. After the first year it is straight line until the last year and it is 6 months again.). Assets showing **exempt** under estimated useful life in the Table above would not be depreciated, since they are considered non-depreciable assets. All other assets will be depreciated based on estimated useful life as indicated in the Table above.

Zero salvage value is assumed on all assets. Therefore assets will be depreciated to zero.

LFRA will not use the modified approach for depreciation at this time. However, LFRA may revise this policy in the future for certain infrastructure items where such treatment is deemed appropriate.

Maintenance Cost versus Capitalized Cost

To be considered a capitalized cost an expenditure shall meet both the following criteria, 1) cost will increase or extend the original useful life of the asset or increase its efficiency or value (compared to when acquired) or cause a material change in the functions. 2) It shall meet the capitalization threshold of the asset class. Otherwise, it shall be considered a regular expense or repair and maintenance expense of the period.

Policy Maintenance

A significant aspect of capital asset system maintenance involved maintaining the policies that dictate control of capital asset records. The Administrative Director, in consultation with the City's Finance Director for as long as the City of Loveland provides accounting services for LFRA, will be responsible for ongoing maintenance and will recommend revision of these policies. Periodic reviews of the capital asset policy should be examined for the most meaningful dollar amount versus the costs of maintaining records of controlled assets for that level of detail. By definition, controlled assets are items of property that fail to meet the capitalization policy but are inventoried on the capital asset system anyway. The periodic review of the capital asset policy, with respect to controlled assets, should include an analysis of the cost of recording and tracking these assets versus the cost of replacing them should they be lost or stolen.



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Table 2			
INVENTORY SCHEDULE FOR PROGRAMS			
PROGRAM	FULL PHYSICAL COUNT		
	YEAR 1 (2017, 2020, 2023 etc.)	YEAR 2 (2018, 2021, 2024 etc.)	YEAR 3 (2019, 2022, 2025 etc.)
TRAINING AREA	•		
HAZMAT	•		
URBAN RESCUE	•		
DIVE RESCUE	•		
WILDLAND		•	
HOSE		•	
COMMUNICATIONS		•	
SCBA'S		•	
THERMAL IMAGING			•
COMPUTER EQUIPMENT			•
VEHICLES AND APPARATUS			•
EMS			•
FITNESS			•

Inventories are maintained for items less than \$5,000/unit even though that is not required by this policy to maintain equipment replacement budgets.