

**CITY OF LYNNWOOD
CAPITAL ASSETS POLICIES AND PROCEDURES**

TITLE: CAPITAL ASSETS POLICY		
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It is the policy of the City of Lynnwood to provide guidelines to ensure adequate stewardship over City resources through control and accountability of capital assets, and to collect and maintain complete and accurate capital assets information required for preparation of financial statements in accordance with generally accepted accounting principles (GAAP).

1. Definitions

“Assets” - All land, improvements to land, easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets donated to, constructed by, or acquired by the City.

“Capital Assets” – Land, improvements to land, and easements of any value; artwork and historic collections, buildings, building improvements, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets with a value of \$5,000 or more for non-infrastructure or \$50,000 or more per item for infrastructure, and having a useful life exceeding one year from the date of acquisition.

“Control” - Being in charge of, and having the authority to manage the asset. Having the custodial responsibility of the asset that includes, but is not limited to the caring for, safekeeping and protecting the asset.

“Improvement/Betterment” –Costs that add value to an existing capital asset either by lengthening its estimated useful life or increasing its service capacity.

“Infrastructure” - Roads, bridges, sidewalks, water lines, sewers, drainage systems, and the like.

“Inventory” – The process of physically confirming the existence and location of capital assets.

“Small and Attractive Assets” – Small and attractive assets are those assets that are particularly at risk or vulnerable to loss. Refer to the Small and Attractive Asset Policy for current guidance and criteria on management of those assets.

2. Applicability

This policy applies to all departments of the City of Lynnwood. The term "Department" is defined to include every city office, officer, and every department, division, board and commission.

3. Department Responsibilities

Departments are responsible for protecting and controlling the use of City assets assigned to their department. The department head must designate one or more department inventory officers to be responsible for maintaining and safeguarding the department's assets. A Department must notify Administrative Services when a Capital Asset is acquired, modified, transferred, surplused or any type of change to the status of the asset. Departments must provide details and documentation such as invoices, grant agreements, donation receipt, surplus declaration, loss report or other documentation. The Administrative Services Department will identify those assets that meet the capitalization requirements. Administrative Services will assign a unique inventory control number to the asset.

4. Capitalization Threshold

All non-infrastructure assets with a cost of \$5,000 or more, and infrastructure additions where costing \$50,000 or more, will be capitalized.

5. Improvement/Repair/Maintenance Expenses

Routine repair and maintenance costs will be expensed as they are incurred and will not be capitalized. Major repairs will be capitalized if they result in betterments, improvements, or modifications.

6. Additions

The city may acquire property via purchase, construction, donation, or lease.

Whenever feasible, each piece of property will be affixed with an inventory ID tag identifying the capital asset as the property of the City of Lynnwood, and including a city identification number. The Administrative Services Department will determine where to place the tag on the capital asset and will locate the tag on the principal body of the asset where practical. Such tag will be removed or obliterated only when the item is sold, scrapped, or otherwise disposed of. Should the inventory ID tag be removed or defaced, the item shall be assigned a new inventory ID tag, and the new number recorded in the capital assets system. Occasionally, it will be impractical or impossible to apply an inventory ID tag according to these standards. For example, a capital asset will not be tagged if:

- Is stationary in nature and not susceptible to theft (such as land, infrastructure, buildings, improvements other than buildings, and leasehold improvements);
- Has a unique permanent serial number that can be used for identification, security and inventory control (such as vehicles);
- Would lose significant historical or resale value by being tagged; or
- Would have its warranty negatively impacted by being permanently marked;

In these cases, the identification tag is not required, and the Administrative Services Department is to apply alternative procedures to inventory and identify such assets.

Assets that are partially or fully funded with Federal funds will be noted as such on asset records in addition to who holds the title, and what percentage of the asset was purchased with Federal funds.

7. Modifications

Larger assets such as major pieces of equipment, water or sewer lines, and many buildings are often modified to increase their lifetime or usefulness. Modifications may include partial additions or deletions, major repairs (new engine for fire truck), or component replacement (new roof, heating system, etc.).

8. Transfers

Occasional transfers of property between departments, individuals within a department or funds may occur. The original controlling department is accountable for all assets in its inventory and for initiating a notice of transfer. Interdepartmental transfers involving a proprietary fund (i.e. Surface Water) require a transfer of money. Departments must notify Administrative Services prior to the transfer so that the asset amendment occurs in conjunction with the physical transfer.

9. Deletions and Disposal

Asset deletion may be required due to the sale of the asset, disposal, lost or stolen items, or involuntary conversion (fire, flood, etc.).

Disposal of capital assets with a value of more than \$10,000 may occur only after authorization by the City Council and the Mayor. Disposal will be made in whichever manner is determined to be most cost effective for the City. This may include sale, disposal, conversion, or any other means as approved by the Purchasing Manager.

When original or replacement equipment, acquired under a grant or sub grant, is no longer needed for the original project or program, the City will request disposition instructions from the awarding agency prior to disposal. For more information on disposals, refer to the current City of Lynnwood Surplus Policy.

10. Lost or stolen property

When suspected or known losses of capital assets or small and attractive items occur, departments should conduct a search for the missing property. The search should include transfers to other divisions or departments, storage, disposal, conversion to another asset, etc.

If the missing property is not found:

- Notify the designated department inventory control officer, department head and the Administrative Services Department.
- Have the individual deemed to be primarily responsible for the asset, as well as that individual's supervisor, complete and sign a statement to include a description of events surrounding the disappearance of the property, who was notified of the loss, and steps taken to locate the property.
- Administrative Services will report known or suspected losses of assets to the State Auditor's office in accordance with RCW 43.09.185, and a copy of the report will be provided to the Mayor, and City Council.
- Administrative Services will remove the lost or stolen property from the department's inventory and accounting records where applicable.

11. Inventory

A physical inventory of capital assets will be conducted at least once every two years. By January 10th of each inventory year, the Administrative Services Department will supply each department with an inventory worksheet of all capital assets under their control as of December 31st of the prior year. Each department will conduct a physical inventory of the items, verifying the existence and condition of each item on the worksheet, and making note of any additions, deletions, interdepartmental transfers, modifications, or leases of property that are not reflected on the list. Assets that are purchased with Federal grants will be verified to make sure that the asset is being used in the program or project for which it was acquired.

a. Physical Inventory Reconciliation

After the physical inventory count is completed, the designated department inventory officer is

to conduct the reconciliation process. Only when all differences have been identified and explained, is the inventory considered reconciled. Departments should notify the Administrative Services Department of any differences of the physical inventory compared to the inventory worksheet provided by the Administrative Services Department.

- Search the inventory lists to determine whether inventory noted during the count as unrecorded is, in fact, listed on another portion of the inventory.
- Enter unrecorded assets into the inventory system as soon as possible after discovery.
- If a significant number of unrecorded assets are located, a major problem with the asset recording procedures may exist. The department inventory officer should contact the Administrative Services Department for assistance in determining why the problem is occurring and how to correct it.
- Conduct a search in an effort to locate missing assets.
- For assets not located, follow the lost or stolen property procedures in this policy.

b. Physical Inventory Certification

After the inventory is reconciled, the department inventory officer is to certify the reconciliation with a signature that it is correct and report this to the supervisor. If the certification cannot be made, the inventory officer is to disclose that fact and the supervisor is to determine the appropriate course of action. The final list will be reviewed and signed by the department head, and returned to the Administrative Services Department by January 31 of every year. Verification of the inventory shall be done by the Administrative Services Department by performing a sampling of the physical inventory of the items.

c. Retaining Physical Inventory Records

The certification, together with the reconciliation and the inventory listing, serves as the support for the inventory balance and for accounting adjustments, if any, and must be retained by the Administrative Services Department. The documentation will be retained in accordance with the approved records retention schedules. At a minimum the asset records must be retained until after the next annual audit.

d. Small and Attractive Assets

Small and attractive assets shall be expensed and purchased from a small tools and equipment BARS line. Departments are responsible for preparing and maintaining their small and attractive inventory list and submitting it to the Administrative Services Department by January 31 of each year. If an item is deleted, the inventory should include a note with the reason and/or means of disposal. For more information on small and attractive items refer to the current City of Lynnwood Small and Attractive Items Policy.

12. Valuation of Capital Assets

Capital assets shall be valued at cost - including any ancillary charges necessary to place the asset in its intended location and condition for use. However expenses which do not add to the utility of an asset shall not be capitalized. For example, an expenditure to repair a piece of equipment that was damaged during shipment should be expensed.

a. Values will be determined in the following manner:

Purchased Assets: Historical costs including taxes (e.g., sales taxes), and all appropriate ancillary costs less any discounts or rebates. If the historical cost is not practicably determinable, estimated cost will be used.

Land: The capitalized value of land includes the purchase price plus costs such as legal fees, fill,

and any excavation costs incurred to put the land in condition for its intended use. If land is acquired by donation, the capitalized value will reflect its appraised or fair market value at the time of acquisition.

Equipment: Furniture, fixtures, or other equipment should be classified as equipment. Since they are not an integral part of a building they are not considered capital improvements. The cost for this asset type should reflect the actual or estimated cost of the asset, including the cost of an extended maintenance/warranty contract if the contract is purchased at the same time (or soon thereafter) as the capital asset.

Infrastructure: In accordance with the Governmental Accounting Standards Board Statement Number 34, acquisitions of capital assets defined as infrastructure which meet the City's capitalization policy are to be capitalized.

Self-Constructed Assets: All direct costs associated with construction and management costs associated with a construction project will be capitalized.

Construction in Progress: Construction in Progress will be closed out and the costs capitalized when a project is substantially complete, accepted, and placed into service. Depreciation will not be applied to construction in progress.

Donated Assets: Donated assets will be recorded at the fair market value at the time of acquisition plus all appropriate ancillary costs. If the fair market value is not determinable due to lack of sufficient records, estimated cost will be used.

Improvement, Repair and/or Maintenance Expenditures: Routine repair and maintenance costs will be expensed as they are incurred. Extraordinary repairs, betterments or improvements will be capitalized if they increase future benefits from an existing capital asset beyond its previously assessed standard of performance. Increased future benefits typically include an extension in the estimated useful life of the asset or an increase in the capacity or efficiency of an existing capital asset.

Replacements: For buildings, improvements and equipment, the cost of outlays that replace a part of an existing capital asset will be capitalized when the cost of the replacement is \$5,000 or more **and** at least 10 percent of the total replacement value of the asset, or \$100,000, whichever is less.

b. EXCEPTIONS to this policy are:

- Replacement roof coverings are not capitalized unless the replacement extends the useful life of the building.
- Replacement floor coverings and window coverings are not capitalized.
- Costs to remodel (convert) a building to a different use, where the remodeling does not extend the useful life of the structure itself, are not capitalized.

c. When replacing a part of an existing asset, the capitalized value and the associated accumulated depreciation of the replaced item will be removed from the accounting records, and the costs of the replacement will be capitalized.

d. When the cost of improvement is substantial or where there is a change in the estimated useful life of an asset, depreciation charges for future periods will be revised based on the new book value and the new estimated remaining useful life.

e. Ancillary Costs:

Normally, ancillary costs will be included in the cost of a capital asset. However, minor ancillary costs not measurable at the time a capital asset is recorded are not required to be capitalized.

Ancillary costs may include:

- Legal and title fees;
- Professional fees of engineers, attorneys, appraisers, financial advisors, etc.;
- Surveying fees;
- Appraisal and negotiation fees;
- Damage payments;
- Site preparation costs; and
- Costs related to demolition of unwanted structures.
- Transportation charges,
- Sales tax,
- Installation costs; and
- Extended maintenance/warranty contracts or any other normal or necessary costs required to place the asset in its intended location and condition for use.

13. Depreciation of Capital Assets

The following shall be considered when recording depreciation:

- All capital assets except for land, works of art, historical treasures and similar inexhaustible items, will be depreciated over their useful lives.
- Works of art that are determined to be exhaustible will be depreciated over their useful life.
- Depreciation will be based on a reasonable estimate of expected useful life.
- Depreciation will be calculated using the straight-line method.
- Depreciation will be based on the entire cost of the asset, including any amounts contributed or donated and will be made for each full calendar month that an asset is in service.
- If it is determined that there is a need to revise the expected useful life of an asset, any such change will be applied prospectively; that is, the rate will be recalculated based on the remaining useful life at the time of the revision, and the new rate will be applied in the present and future accounting periods. No changes will be made to financial records of previous years for revised estimates.
- Depreciation will generally begin at the end of the month that an asset is purchased or substantially completed.

14. Useful Life for Capital Assets

Assets will be depreciated over their estimated useful life as specified in the Capital Asset Useful Life Guidelines provided in Attachment A.

Capital Asset Useful Life Guideline

This schedule is intended as a guideline for use under normal circumstances.

Category	Detail	Useful Life
Land.		Not Calculated
Construction In Progress		Not Calculated
Infrastructure		
	Streets	30-50 Years
	Sidewalks	30-50 Years
	Bridges	50 Years
	Street Lights	30 Years
	Storm Drainage	30-50 Years
	Buildings/Components	30-40 Years
Weapons, Firearms, Signal Guns, and Accessories		5 Years
Ammunition and Explosives Equipment		5 Years
	Ammunition Reloading and Gunsmithing Equipment	
	Bomb Handling and Cryogenic Equipment	
	Detonating Equipment	
Marine Vessels, Barges, and Docks		
	Small Craft, Powered and Unpowered	6-10 Years
Pontoons and Floating Docks		10 Years
Motor Vehicles, Trailers, and Cycles		
	Passenger Automobiles	10-12 Years
	Trucks	10-12 Years
	Trailers, Cargo and Utility	12-15 Years
	Police -Patrol	3-5 Years
	Police Motorcycle	3-4 Years
	Pumper	20 years
	Ladder Truck	20 years
	Ambulance	8-10 Years
	Dump Truck	12-15 Years
	Mower	12-15 Years
	Sweeper	7-10 Years

Attachment A

Tractors	12-15 Years
Vehicular Equipment and Components	5-15 Years
Cab, Body, and Frame Components	
Brake, Steering, Axle, and Wheel Assemblies	
Accessories (Canopies, Tool Boxes, Light Bars, etc.)	
Modifications (Cranes, Lifts, etc.)	
Engines, Turbines, and Components	5-10 Years
Mechanically Powered Transmission Equipment	5-12 Years
Torque Converters	
Gears, Pulleys, and Sprockets	
Power Transmission Equipment	
Hydraulic System Components	
Woodworking Machinery and Equipment	5-15 Years
Sawmill and Planing Mill Equipment	
Woodworking Machines	
Tools and Attachments for Woodworking Machinery	
Metalworking Machinery and Welding Equipment	10-15 Years
Services and Trade Equipment	5-10 Years
Laundry and Dry Cleaning Equipment	
Wrapping and Packaging Machinery	
Vending Machines	
Parking Meters, Turnstiles, and Fare Recording Devices	
Plastic Laminating Presses	
Specialized Plastic Working Machines	
Special Industrial Machinery	6-10 Years
Food Cannery Machinery and Equipment	
Printing Equipment	
Duplicating Equipment/Copy Equipment	
Binding Equipment	
Textile Industries Machinery	
Gas Generating Aero Dispensing Systems	
Foundry Machinery and Related Equipment	
Clean Work Station, Controlled Environment Equipment	
Specialized Logging Equipment	
Agricultural Machinery and Equipment	10-15 Years
Soil Preparation Equipment	
Pest, Disease, and Frost Control Equipment	
Garden Implements (Mowers, Hedgers, etc.)	
Gardening Tools	
Irrigation Equipment – Sprinklers, Pipe, and Accessories	
Forestry Planting Tools	

Attachment A

Construction, Mining, and Highway Maintenance Equipment	5-15 Years
Earth Moving and Excavating Equipment	
Cranes and Crane Shovels, Equipment	
Mining, Quarrying, and Rock Drilling Equipment	
Rock Crushing Equipment	
Road Clearing and Cleaning Equipment	
Traffic Safety Devices	
Pavement Marking Equipment and Accessories	
Weed Burners and Brush Control Equipment	
Materials Handling Equipment	5-10 Years
Conveyors	
Blocks, Tackle, Rigging, and Slings	
Winches, Hoists, Cranes, and Derricks	
Elevators and Escalators	
Refrigeration and Air Conditioning Equipment, Components and Accessories	10-15 Years
Refrigeration Units and Accessories	
Air Conditioning, Heating, and Ventilation Systems	
Fans, Blower Equipment, and Air Circulators	
Fire Fighting Tools and Equipment	5-10 Years
Fire Fighting Tools and Equipment	
Fire Extinguishers and Accessories	
Marine Life Saving Equipment	
Marine Diving and Salvage Apparatus and Equipment	
Safety and Rescue Equipment Miscellaneous	
Safety and Rescue Equipment – Breathing Apparatus	
Safety and Rescue Equipment, Eye and Face Protectors	
Pumps and Compressors	5-15 Years
Compressors, Mounted and Unmounted Power and Hand Pumps	
Centrifugals, Separators, and Pressure and Vacuum Filters	
Furnaces, Steam Plants, Driers, and Air Purification Equipment	13-15 Years
Industrial Boilers	
Heat Exchangers and Steam Condensers	
Industrial Furnaces, Kilns, Lehrs, and Ovens	
Driers, Dehydrators, and Anhydrators	
Air Purification Equipment	
Plumbing, Heating, and Sanitation Equipment	5-10 Years
Plumbing Fixtures and Accessories Dispensers, All Types	
Space Heaters Water Heaters	
Fuel Burning Units and Accessories	
Water Purification and Sewage Treatment Equipment	5 -10 Years
Water Purification Equipment	

Attachment A

Pressure, Temperature, and Humidity Measuring and Controlling Instruments	
Photographic, Projecting, and Microfilm Equipment	3-10 Years
Cameras	
Photographic Projection Equipment	
Photographic Developing and Finishing Equipment	
Photographic Equipment and Accessories	
Films Processed for Commercial and Industrial Use	
Film Processing	
Micrographic Equipment Micrographic Supplies	
Micrographic Unitizing Equipment and Accessories	
Training Aids and Devices	3-10 Years
Multimedia Systems	
Training Aids Audiotape	
Slides	
Overhead Transparencies	
Videotapes	
Targets	
Vehicle Training Aids and Devices	
Robots for Training	
Communications Training Devices, For the Handicapped	
Information Technology (IT) Equipment and Software	3-10 Years
Main Frame Computer Systems	
Minicomputer Systems and Servers	
Microcomputer Systems, Laptop and Notebook Computers	
Front End Communications Processors	
Data Processing Terminals	
Data Communications Equipment	
Input/Output and Storage Devices Software	
Plotters Scanners	
Data Displays	
Monitors & Printers	
Punched Card Equipment	
Test and Monitor Equipment	
Furniture, Fixtures, and Accessories	5-10 Years
Office Furniture, Desk, Chairs, etc.	
Mail Room Furniture and Equipment	
Furniture, Critical Environment (Prisons, etc.)	
Furniture Fabrication and Repair	
Supplies Cabinets, Lockers, Bins, and Shelving	
Auditorium and Theater Furniture	
Household and Commercial Furnishings and Appliances	5-10 Years

Attachment A

Awnings	
Containers	
Miscellaneous Household and Commercial Furnishings and Appliances	
Food Preparation and Serving Equipment	5-10 Years
Food Cooking, Baking, and Warming Equipment	
Kitchen Equipment and Appliances	
Kitchen Utensils	
Vacuum Containers and Chests	
Office, Visible Record, and Word Processing Equipment	5-10 Years
Accounting and Calculating Machines	
Typewriters and Office Type Composing Machines	
Office Type Sound Recording and Reproducing Machines	
Visible Records Equipment	
Miscellaneous Office Machines (Coin-Counters, Collators, Cash Registers, etc.)	
Musical Instruments, Phonographs, Radios, Televisions, and Recordings	5-10 Years
Musical Instruments	
Musical Instrument Parts and Accessories	
Record Players, Radios, Television Sets, Tape Recorders, VCRs, and Video Cameras	
Recordings, Video Tapes	
Recreational and Athletic Equipment and Toys	5-20 Years
Athletic and Sporting Equipment	
Games, Toys, and Wheeled Goods	
Gymnastic Equipment	
Playground Equipment	
Game-room Equipment, Pool and Billiard Tables, and Bowling Equipment	
Cleaning Equipment	5-10 Years
Floor Polishers, Scrubbers, and Accessories	
Vacuum Cleaners, Carpet Sweepers, and Accessories	
Textile, Leather, Tents, Tarpaulins, Canvases, and Flags	5-10 Years
Signs	3-10 Years
Advertising Signs and Identification Plates	
Highway Signs	
Sign Making Machines and Accessories	