

City of Brooklyn Capital Asset Policy

WHAT IS AN ASSET?

In the public sector, the term “capital asset” typically is used to refer to land, buildings, vehicles, equipment and improvements acquired by a government for use to provide services to its citizens. In total, these capital assets constitute a significant portion of the value the government possesses. It is incumbent upon public sectors managers to acquire these assets at the least possible cost, to account for them properly, to see that they are used to deliver the services envisioned and then to protect them.

WHAT IS CAPITALIZED?

A tangible item that has an original acquisition cost of at least \$7,500 and a useful life of a minimum of one year is capitalized as an asset. If an asset is donated and therefore does not have an acquisition cost it is capitalized based on the fair market value on the date of donation. Improvements that extend the useful life, increase the capacity or operating efficiency of the asset are capitalized at cost on the capital assets account group. For the purpose of this policy, engineering will be included as part of the capital asset

WHICH ASSETS ARE DEPRECIATED AND BY WHAT METHOD?

Assets in the capital asset group are depreciated by the straight-line method over the assets useful life. Depreciation is updated in January of the year following the completion of the fiscal year.

WHAT ARE THE ESTIMATED USEFUL LIVES FOR CAPITAL ASSETS?

Assets are maintained by the following general categories:

- Land
- Buildings
- Improvements
- Machinery & Equipment
- Furniture & Fixtures
- Construction in Progress
- Vehicles
- Infrastructure

Useful lives are determined by the Finance Department with input from the purchasing department according to the following general schedule:

Type of Asset	Years
Buildings	10 – 50
Improvements	4 – 50
Machinery and Equipment	5 – 40
Furniture & Fixtures	5 – 30

Vehicles	5 – 25
Infrastructure	4 – 50
Assets Held for Resale	N/A
Construction in Progress	N/A
Land	N/A

HOW AN ASSET IS DESCRIBED?

When the Finance Department determines an item is to be added to the city's capital assets, the new asset is added to the capital asset management system and assigned an identification number and receives four main descriptions: a serial number (if available), a one line description, a department and an asset class. The Finance Department also enters the date of purchase, the fund the item was purchased from, the cost of the item and the capital asset number assigned. The Finance Director will be asked to determine the useful life. The serial number and description should set the item apart from other assets.

HOW IS AN ASSET IDENTIFIED AND RECORDED?

Quarterly, the accounts payable_clerk reviews all checks written for \$7,500 or more to determine which items are capital assets and which do not meet the requirements for a capital asset. Many items listed will be maintenance contracts, services or expendables. These items are not recorded as capital assets.

If the item purchased is a capital asset, the clerk gathers all the information needed to describe and record the asset. The clerk enters the item into the capital asset system.

HOW ARE TRANSFERS/DISPOSALS RECORDED?

When a capital asset is transferred from one department to another, the transferring department notifies the accounts payable clerk. The accounts payable clerk shall confirm with the receiving department the receipt of the asset and date of transfer. The accounts payable clerk will then enter the transfer of the asset in the asset management system.

When a capital asset is disposed or no longer in use, the department in charge of the asset notifies the accounts payable clerk and indicates the asset was traded-in, sold, auctioned, scrapped, etc. and the date the asset was disposed.

The accounts payable clerk will keep a record of all disposed assets and enter the necessary information in the asset management system. This will be performed annually at year end or more frequently if necessary.

Please note the value of the items to be disposed determines if Council approval is needed per Ordinance No. 2017-27.

HOW OFTEN ARE PHYSICAL INVENTORIES TAKEN?

Each year a physical inventory is conducted. The Finance Department prints out a detailed list of all capital assets held by a department. These items are to be checked to see that the department still has all items on the list. If items were purchased that are not on the list they shall be added. If items are no longer present a determination shall be made of the whereabouts of that item and a transfer or disposal form completed as

needed. The corrected list will be returned to the Finance Department and the automated file corrected as necessary.

In the First Quarter following the end of the fiscal year, the automated system is updated and the yearly depreciation calculated and posted. The dollar value of items transferred and disposed of is determined. The auditors can then be supplied with a report of capital assets which should balance to the book amount shown in the Comprehensive Annual Financial Report (CAFR).

INSURANCE VALUATION

The City will have appraisals performed on City buildings in order to ensure that the value of all buildings on our insurance policy is accurate.