

## Upper Valley Lake Sunapee Regional Planning Commission

### Fixed Asset Policy

#### Section I. Purpose:

The following policy provides for the consistent accounting of fixed assets and serves as a reference for answering questions relating to Commission assets. This policy properly accounts for the disposal of Commission owned assets at the time of the disposal in accordance with federal regulations and generally accepted accounting principles. The Commission is responsible for safeguarding, maintaining and utilizing all assets it acquires.

#### Section II. Sources:

Criteria used in developing accounting policies for fixed assets include:

- GASB Statements, especially GASBs 34 "Basic Financial Statements... for State and Local Governments"
- OMB Circular A-87 Cost Principles for State, local and tribal governments

#### Section III. Responsibilities:

##### A. Financial management responsibility

1. A permanent property database is to be maintained by the Financial Manager for all fixed assets purchased or received through in-kind donation or grant by the Commission.
2. Upon receipt, the asset shall be classified, tagged and recorded in the fixed assets database. The database shall contain the following information:
  - a) date of purchase
  - b) description of item purchased
  - c) received by donation or purchased
  - d) cost or fair market value on the date received
  - e) funding source, if applicable; otherwise noted that purchased through administrative/overhead costs (01)
  - f) funding source restrictions on use or disposition (this should outline contract restrictions)
  - g) identification/serial number (if appropriate)
  - h) depreciation period
  - i) vendor name and address
  - j) warranty period
  - k) inventory tag number (all fixed assets should be tagged with a unique identifying number)
3. Record and process journal entries to capitalize, transfer and delete assets.

4. Reconcile to the general ledger balances of assets each spring.

B. Management responsibility

1. A physical inspection and inventory shall take place in the spring of each year to include all Commission fixed assets and reconciled to the general ledger balances. Inform the Finance Manager in writing, of any material changes in the status of property and equipment. This should include changes in location, sale of, scrapping of and/or obsolescence of items.

Section IV. Depreciation:

All items which have a cost greater than \$1,000.00 shall be capitalized and depreciated. Depreciation is defined as, "The accounting process of allocating the cost of tangible assets to expense in a systematic and rational manner to those periods expected to benefit from the use of the asset. Depreciation is not a matter of valuation but a means of cost allocation. Assets are not depreciated on the basis of a decline in their fair market value, but on the basis of systematic charges to expense." The Commission uses straight-line depreciation with zero salvage value, and useful lives that vary depending on the type of asset.

Section V. Disposal process:

If a piece of asset is identified as obsolete, damaged beyond repair, completely depleted/used and the Executive Committee wishes to dispose of the asset(s) the following steps must be taken:

- A. Obtain written authorization to dispose of the asset from Executive Committee.  
Completed written authorization will be given to Financing Manager who will remove the asset's net book value from the accounting records if it is not fully depreciated. This involves removing the original cost and the accumulated depreciation of the asset. Any difference between the proceeds received and the net book value represents a gain or loss on the disposal of assets.
- B. All property purchased in whole or in part through contacts with NH Department of Transportation will be disposed of in the following manner:

Determine if the property is acceptable at the 'White Farm', **State** Surplus, 144 Clinton St, **Concord, NH** 03301.

Yes: deliver to the White Farm and note any value received as *program income\**.

No: request a quote for the value of the asset from the state surplus office and note as *program income\**.

- C. Tag will be removed from the asset(s) and the following hierarchy will be followed:

1. Determine if the asset is acceptable for resale. Sale of property must be noted as *program income\** if purchased in whole or in part with NHDOT funding (check other federal funding contracts as well).

If asset is not acceptable for resale:

2. Recycle the property if possible
3. Dispose of property through giving the asset to any organization that could reuse it, or landfill it.
4. In the event that Commission staff is interested in the item, the Executive Committee shall approve the purchase or transfer of ownership of any assets.

- D. Accounting entry will be recorded to remove the asset from the Commission's accounting records. Gain or loss will be recorded if asset is not fully depreciated.

*Program income\* any program income shall be deducted from the following month's invoice to the agency that purchased the asset.*