Tracking and Managing Fixed Assets

Tagging, logging, depreciating, and reporting

Introduction

Three Parts to the Job

- Part 1: Managing fixed assets

- Part 2: Tracking fixed assets

- Part 3: Reporting: Year end Activities

Part 1 – Managing Fixed Assets

- Fixed Asset Policy

- Fixed Asset Guide

- Tagging

- Monthly Maintenance of Databases

What is a Fixed Asset:
Fixed Asset Policy

- Your fixed asset policy should define the following:
  - Dollar and estimated lives threshold
  - Different classes for fixed assets
  - Depreciable lives for each category of asset within each class
    - See Figure 1 for example Montgomery County's Fixed Asset policy.
    - See Figure 2 for example of Montgomery County's Depreciable lives list
    - See Recommended Practice 1: Establishing Appropriate Capitalization Thresholds

Fixed Asset Policy

- The following organizations will help you to construct and manage your fixed asset policy

  - GASB – Governmental Accounting Standards Board
  - GFOA – Governmental Finance Officers of America
  - GAAP – Generally Accepted Accounting Principles

Fixed Asset Policy

- Make accessible to all departments so they can follow the same guidelines that you have to

  – For more information see Recommended Practice 4: Documenting Accounting Policies and Procedures

Fixed Asset Guide

- Not required but beneficial to have
  – Help the departments make decisions on whether or not they need to code the expenditure as a fixed asset, maintenance or supplies

  – For more information see Recommended Practice 4: Documenting Accounting Policies and Procedures
  – See Figure 3

Tagging

- Equipment
  - Tags are issued by The Purchasing Department, then they send a data slip to department
  - The department fills out data slip with model/serial number then returns data slip to the Purchasing Department
- Buildings
  - A building number is issued by Risk Management at the time of Substantial Completion, The County Auditor uses this number as a tag number

Things to be aware of before starting

- Be aware of your deadlines

- Start with period 0

- Time management is key

Managing Fixed Assets

- Fixed assets management is a process that is used to track assets for the following purposes:

  - Financial accounting/reporting needs
  - Ensure department accountability for their purchases

Monthly Maintenance

- Additions and Deletions Workbook
  - Purchases
    - These are items purchased through accounts payable, or transactions posted through general ledger.
      - Include everything purchased on a capital outlay accounts.
      - There are also going to be selected non capital outlay accounts added to this step at the discretion of the County Auditor.
  - See Figure 4 – Additions and Deletions Workbook

Monthly Maintenance

- Other Additions
  - Donation/Forfeiture
    - Donations must be approved by Commissioners Court, and any Forfeitures you will receive the information from Purchasing
  - Trade in value from old equipment
  - Transfers in from other department
    - Received from Purchasing
  - Adjustments in from previous period
  - Adjustments in from previous year

  - See Figure 4 – Additions and Deletions Workbook

Monthly Maintenance

- Other Deletions
  - Sales
  - Salvage through Commissioners Court
  - Trade-In of old equipment
  - Transfers out to a different County department
  - Audit adjustments-out

  - See Figure 4 – Additions and Deletions Workbook
  - See Figure 5 – Adjustment-Out Schedule

Monthly Maintenance

- Reconciliation
  - This will list the items purchased on a capital outlay account that did not meet the fixed asset criteria established by the fixed asset policy.

- See Figure 6 – Purchases Reconciliation Header
- See Figure 7 – Purchases Reconciliation: Body of Document

Monthly Maintenance

- Complete Additions and Deletions Summary Schedule

  - Record all additions and deletions into the appropriate cell by transaction type and by asset class

- See Figure 8 – Additions and Deletions Summary Schedule

Monthly Maintenance

- Complete Depreciation Reconciliation Workbook

  – Record all additions and deletions to depreciation in to the appropriate cell by transaction type and by asset class

  – All values will come from additions and deletions workbook

- See Figure 9 – Depreciation Reconciliation Workbook

Monthly Maintenance

- Update Fixed Asset Databases

  – Copy and paste each line from the purchases, donations, forfeiture, trade-in, adjustment in to the corresponding database
  – Delete each line from the trade-in, salvage, sales, adjustment out schedules from the corresponding database
  – Transfer all items listed on the transfers schedule to their current department

    - This process does not record beginning balances or total value for additions deletions on the departmental level. Because of this we have an additional workbook to complete

    – See Figure 10 – Fixed Asset Database

Monthly Maintenance

- CAFR Table

- This file contains all data you will use to create the schedules/figures for the CAFR

    – Provides you with a beginning balance of assets for each department

    – It will capture all additions and deletions on the department level

    – Provides you with ending balances for each class by each department

    – See Figures 11 and 12

Monthly Maintenance

- CAFR Table
    – Update each department on the CAFR Table using the additions and deletions workbook

    – The summary page will automatically update from the CAFR Table

    – All values have to match the totals from Figure 8 and Figure 11
    – See Figure 11, and Figure 8

Monthly Maintenance

- To ensure accuracy of all data, I compare each department within the CAFR Table to those in each fixed asset database

  - See Figure 12
  - See Figure 10

Monthly Maintenance

- Final Step
  - Create GASB 34 Conversion Journal Entries to adjust each asset class for each type of transactions recorded in the previous steps

  - You can use the form created in Figure 8 to help you write the GASB 34 Conversion Journal Entries

  - See Figure 8

Part 2 - Tracking Fixed Assets

- Visual Inspections of Fixed Assets

Tracking Fixed Assets

- What is our main objective of tracking fixed assets?

  - Meet Financial Reporting Needs
    - Ensure accuracy of Fixed Asset Database

  - Ensure Capital Expenditures actually exist

  - Provide Management Information

  - See Best Practice 3: The Need for Periodic Inventories of Tangible Capital Assets

Tracking Fixed Assets

- Evaluate internal controls over assets being used by the County Departments

    – See Best Practices 5: Getting Management Involved With Internal Controls

Tracking Fixed Assets

- Controllable Assets – Assets that are not capitalized but need to be tracked

    – Legal Compliance
    – Potential Liability
    – "Walk Away" Items

    – See Recommended Practice 2: Ensuring Control Over Noncapitalized Items

Tracking Fixed Assets

- Visual Inspection of Fixed Assets
    - Best practices per GFOA
        - Only inspect tangible assets
        - Only inspect items that meet criteria
        - Every year inspect 1/5 of total equipment

    - See Best Practice 3: The Need for Periodic Inventories of Tangible Capital Assets

Visual Inspection of Fixed Assets

- Summary of inspected values per department is reported to commissioners court on a quarterly basis

Visual Inspection of Fixed Assets

- Be familiar with:
  - Texas Transportation Code Chapter 721
    - Inscription required on state, municipal, and county motor vehicles
  - Attorney General Opinion Letters
    - No. 97-112 – Can an elected official put their name on a county vehicle
    - No. GA-0158 – Can a private business put their logo on a county vehicle

    - https://www.texasattorneygeneral.gov/opinion/index-to-opinions

Special Cases for Visual Inspections

- If you have a department head/elected official leaving office, a 100% audit of all fixed asset is recommended
- According to our fixed asset policy each department head/elected official is responsible for these items

Part 3 - Year end Activities

- Purchasing's July 1 equipment listing
- Donated Infrastructure
- C.I.P. In Service Adjustments
  - Buildings, Improvements, Equipment
  - Infrastructure
- Depreciation
- CAFR Reporting

Purchasing July 1 Inventory

- Per Local Government Code Chapter 262.011 (i)
  - "On July 1 of each year, the county purchasing agent shall file with the county auditor and each of the members of the board that appoints the county purchasing agent an inventory of all the property on hand and belonging to the county and each subdivision, officer, and employee of the county. The county auditor shall carefully examine the inventory and make an accounting for all property purchased or previously inventoried and not appearing in the inventory."

- We will discuss how Montgomery County handles this requirement.

Purchasing July 1 Inventory

- We select three departments per the following criteria
  - Must have had a 100% visual inspection
  - Each department must be from a different accounting function.
  - Department cannot have been used for this report within the past five years
  - Is this report reliable?

Donated Infrastructure

- Create a list of roads donated through Commissioners Court using minutes and additional information provided by the County Engineers' office
- Create a list of estimated value based on linear feet times estimated value per linear foot provided by the County Engineer.
- Create a list of estimated R.O.W. value based on linear feet times estimated value per linear foot.
  - Estimated value will come from an average of all R.O.W. purchased in recent years

Donated Infrastructure

- Write a journal entry to add the Infrastructure and Intangible assets into the general ledger

Construction In Progress Year End Adjustment

- All categories of assets except Infrastructure
  - Substantial Completion

- Infrastructure CIP
  - Per Department and Engineering Department

- Write a journal entry to record C.I.P. adjustment

Depreciation

- We use annual straight line depreciation
- Enter depreciation expense into the Depreciation Reconciliation Workbook
- Write a journal entry recording expense per asset class then by accounting function
- Done as a part of our Period 13 file
- This information will be needed for CAFR

CAFR Reporting

Not all are required, but we use them for our CAFR.
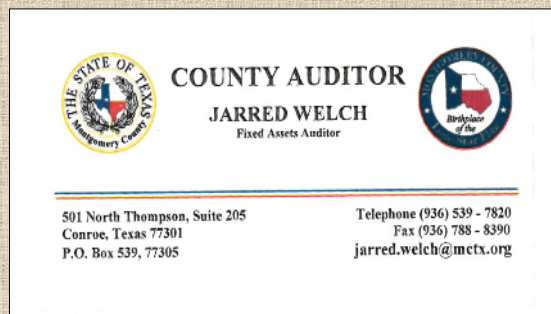
- All values except depreciation numbers originate from the CAFR Table from the monthly maintenance file
- Depreciation numbers will come from the Depreciation Reconciliation Workbook

CAFR Reporting

- The values on the CAFR schedules and notes will automatically update from the CAFR table

- All you have to do is makes sure everything rounded properly and all schedules and notes totals match up on the different forms

Congratulations!

Contact Information

COUNTY AUDITOR

JARRED WELCH
Fixed Assets Auditor

501 North Thompson, Suite 205
Conroe, Texas 77301
P.O. Box 539, 77305

Telephone (936) 539 - 7820
Fax (936) 788 - 8390
jarred.welch@mctx.org