CITY OF BUFFALO URBAN RENEWAL AGENCY
ACCOUNTING POLICIES
FIXED ASSET POLICY

Uniform Guidance Compliance Requirements Section F – Equipment & Real Property Management

Re-Adopted: November 21, 2019

COMPLIANCE REQUIREMENTS

Equipment Management

Title to equipment acquired by a non-Federal entity with Federal awards vests with the non-Federal entity. Equipment means tangible nonexpendable property, including exempt property, charged directly to the award having a useful life of more than one year and an acquisition cost of $5,000 or more per unit. However, consistent with a non-Federal entity's policy, lower limits may be established.

Institutions of higher education, hospitals, and other non-profit organizations shall follow the provisions of OMB Circular A-110. Basically, the A-102 Common Rule and OMB Circular A-110 require that equipment be used in the program for which it was acquired or, when appropriate, other Federal programs. Equipment records shall be maintained, a physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records, an appropriate control system shall be used to safeguard equipment, and equipment shall be adequately maintained. When equipment with a current per unit fair market value of $5,000 or more is no longer needed for a Federal program, it may be retained or sold with the Federal agency having a right to a proportionate (percent of Federal participation in the cost of the original project) amount of the current fair market value. Proper sales procedures shall be used that provide for competition to the extent practicable and result in the highest possible return.

Source of Governing Requirements – Equipment

The requirements for equipment are contained in the A-102 Common Rule (§___.32), OMB Circular A-110 (2 CFR section 215.34), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

Real Property Management

Title to real property acquired by non-Federal entities with Federal awards vests with the non-Federal entity. Real property shall be used for the originally authorized purpose as long as needed for that purpose. For non-Federal entities covered by OMB Circular A-110 and with written approval from the Federal awarding agency, the real property may be used in other federally sponsored projects or programs that have purposes consistent with those authorized for support by the Federal awarding agency. The non-Federal entity may not dispose of or encumber the title to real property without the prior consent of the awarding agency.

When real property is no longer needed for federally supported programs or projects, the non-Federal entity shall request disposition instructions. For purposes of this compliance requirement, the recipient makes the request to the Federal awarding agency. Sub recipients make requests through the recipient (pass-through entity) and do not make requests directly to the Federal awarding agency. The pass-through recipient is required to comply (ensure compliance) with the direction of the Federal awarding agency and the terms and conditions of its award. When real property is sold, sales procedures should provide for competition to the extent practicable and result in the highest possible return. If sold, non-Federal entities are normally required to remit to the awarding agency the Federal portion (based on the Federal participation in the project) of net sales proceeds. If the property is retained, the non-Federal entity shall normally compensate the awarding agency for the Federal portion of the current fair market value of the property. Disposition instructions may also provide for transfer of title in which case, the non-Federal entity is entitled to compensation for its percentage share of the current fair market value.

Source of Governing Requirements – Real Property

The requirements for real property are contained in the A-102 Common Rule (§___.31), OMB Circular A-110 (2 CFR section 215.32), program legislation, Federal awarding agency regulations, and the terms and conditions of the award.

FIXED ASSET POLICY - BURA

Requirement – Expenditures whose unit price meets or exceeds $5,000 per unit with an expected useful life of greater than one year shall be recorded in fixed assets. Expenditures include, but are not limited to equipment (including computers, printers and other audio/video), furniture & fixtures and vehicles. The cost of a fixed asset shall also include the cost of placing the item in service (installation) and any other directly related costs.

All real property expenditures shall be recorded in fixed assets. Real property includes land, land improvements, buildings and building improvements (building improvements not considered repairs) that extend the useful life of the asset.

NOTE: Fixed assets shall be recorded in a separate "Fixed Asset Fund" which is only included in the Government-wide financial statements. These assets shall be inventoried by BURA using the fixed asset module in MUNIS. All items inventoried will be assigned a pre-numbered inventory tag for tracking purposes. Inventoried items will be tracked/grouped by their funding source (General Fund, CDBG, etc.). Real property acquired and held for re-sale (held in inventory for resale to future development by outsiders) shall be maintained in the general ledger fund (Governmental Funds) from which funds were provided (General Fund, CDBG, etc.).

BURA has established the following fixed asset categories and related asset lives:

- LAND – includes land purchased and intended to be retained by BURA or used by BURA in the future for its own development. Land cost included in with the purchase of a building shall be determined by a split of the total purchase price based on ratio of the county's assessed value for land and building versus total assessed value.

- LAND IMPROVEMENTS – shall be included with in the "LAND" category. Land improvements include permanent additions to the land with an extended life of greater than one year. Land improvements should be depreciated using an asset life of 10 years.
- PARKS & PLAYGROUND IMPROVEMENTS – include permanent improvements such as basketball courts, baseball fields, shelters, etc. Parks & playgrounds should be depreciated using an asset life of 20 years.
- BUILDINGS – includes buildings purchased and intended to be retained by BURA or used by BURA in the future for its own development (excludes property held for resale). The cost of buildings should be split between land and buildings based on the ratio of the county's assessed value for land and building versus total assessed value. Buildings should be depreciated using an asset life of 40 years.
- BUILDING IMPROVEMENTS – shall be included in the "BUILDING" category. Building improvements include any permanent additions to BURA owned buildings (excludes property held for resale) such as roof replacements, furnaces, remodeling, etc. Building improvements should be depreciated using an asset life of 20 years.
- EQUIPMENT – includes office equipment (computers, printers and copiers) maintenance equipment (large mowers, etc.) and other. Equipment should be depreciated using an asset life of 5 years.
- FURNITURE & FIXTURES – includes desks, tables, storage units, carpeting (including installation costs), etc. Furniture and fixtures should be depreciated using an asset life of 10 years.
- VEHICLES – includes cars, trucks, trailers & tractors. Vehicles should be depreciated using an asset life of 5 years.

- DEPRECIATION – BURA uses the straight-line method of depreciation based on the useful life of the asset as noted above, with a half year convention in accounting for depreciation (1/2 year of depreciation in the year of purchase, ½ year of depreciation in the year of disposal).

NOTE: Expenditures between $1,000 and $4,999 (and computer equipment $300 and above) with useful lives of one year or more, meeting a description category above shall be inventoried by BURA using the fixed asset module in MUNIS. All items inventoried will be issued a pre-numbered inventory tag for tracking purposes. **These items listed in the fixed asset module in MUNIS are not included as an asset in the Governmental or Government-wide financial statements and are not required to be depreciated.**

LEASE PAYMENTS – the determination of whether a lease is to be capitalized as a fixed asset or a monthly rental expense must be determined at the time the lease is negotiated and when the first payment is being made. The lease must be reviewed to determine if the lease is an operating lease (a simple rental agreement) or a capital lease (a purchase agreement). A copy of the lease shall be obtained and reviewed. If determined to be an operating lease, an electronic copy will be kept in the "Operating Lease" folder on the FCA drive. If the lease is determined to be a capital lease, an electronic copy will be kept in the "Fixed Asset" folder on the FCA drive. Included with the capital lease will be documentation by the individual making the capital lease determination noting this determination, the reasoning for the determination, and a sign off with date by that individual.

A capital lease is defined as a lease that satisfies one of four criteria. The four tests to determine whether a lease is a capital lease are as follows:

1. The lessor transfers ownership of the asset to the lease at the end of the lease term;
2. A bargain purchase option is given to the lessee. This is an option that allows the lessee, upon termination of the lease, to purchase the leased asset at a price significantly lower than the expected fair market value of the asset;
3. The life of the lease is equal to or greater than 75% of the estimated useful life of the asset; or,
4. The present value of the minimum lease payments (MLP) is equal to or greater than 90% of the fair market value of the leased property. To understand and apply this criterion, determine what is included in the minimum lease payments and how present value is calculated. The minimum lease payments include the minimum rental payments minus any executory cost, the guaranteed residual value, the bargain purchase option, and any penalty for failure to renew or extend the lease. The amount calculated is then discounted using the lessee's incremental borrowing rate. However, if the lessee knows the implicit rate used by the lessor and the rate is less than the lessee's rate, the lessee should use the lessor's rate to discount the minimum lease payment.

If one of the above criteria is satisfied, the lease will be considered a capital lease or financing lease and must be disclosed on the Agency's Government-wide financial statements. If none of the criteria are met, the contract is an operating lease and the Agency will have a footnote to that effect.

If the term of the lease does not exceed 12 months, the lease will be considered a "rental" and will not be disclosed in the Agency's footnotes.

ANNUAL RECONCILIATION PROCEDURES – fixed assets shall be reconciled annually (on June 30) between the detailed listing of fixed assets (kept in MUNIS) and the general ledger accounts, to insure fixed asset additions, disposals and depreciation expense during the fiscal year are properly recorded.

Additions – Fixed asset additions meeting the criteria above, should be added to the detail listing and adjustments made to the fixed asset fund at least quarterly (or more frequently depending volume of transactions). Copies of documentation supporting the fixed asset addition should be scanned and kept in the fixed asset folder located in the Agency's fiscal records. Newly acquired fixed assets should be tagged with a BURA fixed asset tag.

Disposals – Fixed asset disposals shall be removed from the detail listing and adjustments made to the fixed asset fund at least quarterly (or more frequently depending on volume of transactions). Documentation regarding the disposal methods, residual value, and any proceeds received for the disposed of asset should be scanned and kept in the fixed asset folder located in the Agency's fiscal records.

NOTE: Agency employees are reminded that assets should not be disposed of without permission of the Agency's Fiscal Control of Agencies (FCA). Prior to disposal, information regarding the disposition of a fixed asset item should be submitted timely to FCA for approval. This information shall include a description of the asset, identification tag number, condition of the asset (e.g. broken, damaged, worn out, obsolete, lost, no longer needed, trade for replacement). Assets still useable but no longer in need by a particular employee/department may be used elsewhere within the Agency depending on their condition and may not be required to be disposed.

PHYSICAL INVENTORY PROCEDURES

A physical inventory of equipment shall be taken at least once every 2 years and reconciled to the equipment records. An appropriate control system shall be used to safeguard equipment and equipment shall be adequately maintained.

Inventory procedures include, but are not limited to:

1. Reviewing the fixed asset listing, examine the corresponding fixed asset for existence, condition and functional use. Indicate on the list the date that the item was observed.
2. Verify the treatment of any assets which have been noted as missing, broken or otherwise not in use – a determination of status (discarded, etc.) should be noted on the inventory sheet.
3. Based on the results of the inventories and physical inspections, broken and discarded assets should be identified as disposed of in the fixed asset inventory system. A disposal date should be noted.