

**5200. FIXED ASSET POLICY**

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**Revised Date: July 25, 2005**

**Ratified Date: April 18, 2019**

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**Purpose**

The purpose of policy is to provide management specific guidelines for the inventory, depreciation, disposal, and maintenance of all property and assets owned by the credit union.

The Chief Financial Officer has oversight responsibility for the accounting of the credit union's fixed assets including; the calculation of depreciation, asset valuation, additions, retirements and the implementation of periodic physical inventories

*Scope:* This policy provides guidance for all inventory items owned or leased by Resource One Credit Union with a value equal to or in excess of \$1,000.00 and having a useful life of more than one year.

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## Asset Categories

### At Risk Fixed Assets

"*At Risk Fixed Assets*" are assets with the following characteristics; desirable, adaptable to home usage, readily available, and easily transportable. The following assets have been identified as "At Risk Assets": Personal Computers Work Stations, Laptop Computers, Scanners and Printers.

### Other Fixed Assets

"*Other Fixed Assets*" are tangible assets with a value equal to or greater than \$1,000.00 and a useful life in excess of one year. This category excludes "*At Risk Fixed Assets*". These assets are obtained for the purpose of using for a long time or to enhance the value of a building or land and having a significant value. These assets are not intentionally acquired for resale, nor are they readily convertible to cash. Fixed assets include buildings, machinery and equipment, improvements other than buildings, and land. The capitalization of a fixed asset means that Fixed Assets are recorded in the fixed asset account on the balance sheet.

#### 1. Fixed asset categories and subcategories

- a. Land
- b. Buildings & Grounds
- c. Furniture, Fixtures and Equipment
  - Vehicles
  - Office equipment (Cash Dispensers, Coin Counters, etc.)
  - Computer, Data Processing, Communication equipment, upgrades and software (Excludes "At Risk Fixed Assets").
  - Minor equipment and tools
- d. Leasehold Improvements
- e. Construction Work in Progress

#### 2. Category Descriptions:

- a. Land - Includes all land purchased or otherwise acquired by the credit union. All costs for legal services incidental to the acquisitions and other charges incurred in preparing the land for use should be included in the cost of the land. If land and a building are acquired as a single parcel the value of the land should be determined separately from the building and only that amount carried in the land account.
- b. Buildings & Grounds - The building is valued at purchase price or construction cost. The cost should include all charges applicable to the building, including broker's or architect's fees and interest on

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borrowed money during construction. Additions and improvements to buildings as well as the cost of the heating and ventilating system or other permanently attached fixtures should be added to the building account. Improvements enhance the value of the building and cannot be removed from the building without impact to the structure.

- c. Furniture, Fixtures and Equipment - The machinery and equipment account should consist of property that does not lose its identity when removed from its location and is not changed materially or expended in use. These assets should be recorded at cost, including freight, installation and other charges incurred to place the asset in use.
- e. Leasehold Improvements - Values for other improvements can be recorded on a cost-of-construction basis including engineering and other professional fees incidental to the project.
- f. Construction Work in Progress - This category is utilized for a building or other capital construction projects that are incomplete as of the fiscal year end. When the project is complete, the cumulative costs are transferred to another appropriate fixed asset category.

#### Leased Assets

All credit union assets acquired by a capital lease shall be treated as a credit union owned asset and included in the property record report based on the criteria established in this policy. Typically assets acquired through an operating lease are returned to the lessor at the end of the lease term and are not deemed to be owned by the credit union.

#### **Acquiring a Fixed Asset**

Prior approval from the: Board, President or Chief Financial Officer, must be obtained before the purchase of a fixed asset. Purchases of an asset costing over \$50,000.00 require the Board of Directors approval. All costs incurred with making the asset usable should be included as a cost of the asset.

#### **Valuation of assets**

*Purchased property* shall be valued at cost where historical records are available and at an estimated historical value where no historical records exist. All land or building acquisitions with an estimated value in excess of \$25,000 must be valued by a licensed real estate appraiser or other reliable source.

Assets acquired through leases meeting the capitalization requirements of the FASB's Statement of Financial Accounting Standards (SFAS) No. 13, Accounting for

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Leases, should be recorded at the net present value of future minimum lease payments. Typically, these are fixed assets that transfer ownership of the property to the credit union by the end of the lease term.

### **Retirements of Fixed Assets**

Assets are typically retired for three reasons: obsolescence, sale or trade, and theft or loss. In general, the credit union's practice is to exhaust the usefulness of its assets before disposition. However, assets may be sold or traded-in when it is in the best interest of the credit union to do so.

### **Transfers and Modifications to Fixed Assets**

Proper branch accounting will be maintained for each transfer of a fixed asset to another credit union department. Additions and betterments to the credit union's existing fixed assets should significantly prolong a fixed asset's economic life or expand its usefulness in order to be capitalized. Normal repairs that merely maintain the asset in its present condition should be recorded as an expenditure/expense and not capitalized.

### **Depreciation of Fixed Assets**

Depreciation is used to reflect the economic loss in the value of an asset. The method used should reflect the actual occurrence of economical loss as it takes place over the projected life of an asset. Generally Accepted Accounting Principles (GAAP) requires that the method used to allocate the cost of a capital asset over its estimated useful life be as equitable as possible to the periods during which services are obtained from the use of the asset.

The straight-line method of depreciation will be used for all capitalized assets. However, this policy does not preclude the use of another method of depreciation that can be substantiated as reasonable for specific types of assets. Significant changes in the accounting method used to calculate the depreciation for assets already placed in service and partially depreciated shall be reviewed by the credit union's Audit Committee.

The guidelines for estimated useful lives of fixed assets for the purpose of depreciation are:

Computers	24 months
Printers, Scanners, etc.	24 months
Software	24 months
Servers & Large Processors	36 months
Automobiles	36 months
Light Equipment (projectors, currency counters)	36 months
Heavy Equipment (cash dispensers, refrigerators)	60 months
Light Office Furniture (chairs, folding tables)	60 months
Heavy Office Furniture (desks, book cases)	120 months
Signage	120 months
Building Betterments/Improvements	120 months
Buildings	up to 25 years
Lease Hold Improvement	Life of Lease

The above listing of estimated useful lives is to serve as a guideline. Justification of any variance to these guidelines must be documented and approved by the credit union's Chief Financial Officer.

#### **Physical Inventory of "At Risk" and "Other Fixed" Assets**

Inventories are physical reviews and confirmations of the credit union's assets. A periodic evaluation of the inventory will ensure the integrity of the amounts in the financial statements, maintain current insurance valuations, and assist in loss detection.

Inventories shall be conducted as follows:

- Land & Buildings every 5 years
- Improvements Other than Buildings every 5 years
- Machinery and Equipment every 3 years
- "At Risk – Fixed Assets" every 1 year

#### **Accounting for Fixed Assets**

All fixed assets, will be accounted for in accordance with "Generally Accepted Accounting Principles" (GAAP).

#### **Fixed Asset Accounting System - Maintenance and Reporting**

The Accounting Manager will maintain and update the credit union's fixed asset accounting system. The Accounting Manager will produce needed reports to the credit union's management, auditors and regulators as requested.

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