

**RESOLUTION NO. 646**

**A RESOLUTION APPROVING A FIXED ASSET POLICY FOR THE  
CITY OF EUREKA SPRINGS, ARKANSAS**

**WHEREAS**, the City Council recognizes the importance of identifying and accounting for capital items purchased and donated; and

**WHEREAS**, the City Council believes it is in the best interests of the City to have a policy in place to give guidance for the monitoring of assets;

**NOW THEREFORE BE IT RESOLVED BY THE CITY COUNCIL OF THE  
CITY OF EUREKA SPRINGS, ARKANSAS:**

**Section 1.** To adopt the policies as Attachment A.

**PASSED AND APPROVED BY THE CITY COUNCIL OF EUREKA SPRINGS,  
ARKANSAS, THIS 11<sup>TH</sup> DAY OF AUGUST, 2014.**

**APPROVED:**



**Morris R. Pate, Mayor**

**ATTEST:**

  
**Ann Armstrong, Clerk/Treasurer**

All present voted "Aye" – Dee Purkepile, James DeVito, Terry McClung, Mickey Schneider, David Mitchell, and Joyce Zeller

City of Eureka Springs  
Fixed Asset Policy

**Purpose of the Policy**

The purpose of this policy is to identify, classify and capitalize all fixed assets of the City of Eureka Springs. In addition to disposing of an asset of the City of Eureka Springs

**Fixed Asset Definition**

Fixed assets are those assets of a long-term character which are used in the operation of the city and are intended to be held or used for an extended period of time such as land, land improvements, buildings and improvements, vehicles, machinery and equipment, and furniture and fixtures.

Currently, infrastructure assets such as streets, sidewalks, curbs and gutters, drainage systems, lighting systems, and roads and bridges will not be recorded.

A fixed asset must meet all of the following criteria:

1. It is tangible in nature;
2. It has a useful life of five (5) years or longer;
3. it has a value equal to or greater than \$5,000

Items meeting the above criteria will be classified into one of the following categories:

1. Land
2. Land Improvements
3. Building and improvements
4. Vehicles
5. Machinery and Equipment
6. Furniture and Fixtures

A Department Head purchasing an item that meets the above criteria must obtain a Fixed Asset Tracking Form from the Finance Director. The form must include a description of the item purchased, date of purchase, quantity of item(s) purchased. Location where item is being stored and any applicable serial numbers, make, model, etc.

After completion, the Fixed Asset Tracking Form shall be filed with the Finance Director. The Finance Director will record the asset to the accounting software.

**Improvement vs. Maintenance**

An improvement of a fixed asset significantly increases its value, life or capacity to serve. An improvement is capitalized. Maintenance restores the fixed assets to its original level of service. The cost of maintenance should not be capitalized.

**Method of Valuating Fixed Assets**

Fixed assets should be accounted for at cost or, if the cost is not practicably determinable, at estimated cost. Donated fixed assets should be recorded at their estimated fair market value at the time received.

## **Cost**

Fixed assets should be recorded at historical cost. The cost of fixed assets includes the purchase price or construction cost and all related charges to place the asset in its location or condition for use.

Items otherwise meeting the definition of fixed assets but of relative immaterial cost will be charged directly at the time in which they are acquired. This approach reduces the number of items to account for and captures the fixed assets that are material in amount.

## **Estimated Costs**

The initial cost of fixed assets is available from contracts, purchase orders, ordinances and other documents obtained through the transaction process. However, determining the historical costs after many years can be difficult; therefore, the cost will be determined by indexing current cost figures back to the estimated year in which the asset was acquired, and to record these estimated costs in the appropriate fixed assets accounts.

The extent to which fixed asset costs have been estimated, and the method of estimation, should be disclosed in the notes to the financial statements.

## **Disposing of an Asset**

When an asset is removed from the assets of the City of Eureka Springs, the disposal amount is the same as the total cost. Any trade-in is not recognized. Gains and losses are not recognized.

When a fixed asset of original value of \$5,000 or more is to be disposed of, the Department Head must complete a Fixed Asset Tracking form first and give the completed form to the Finance Director. At that point the Finance Director, after discussion with the Mayor, proceeds as follows:

- a. Transfer the asset to another division
- b. Trade in the asset on a new one with the approval of the Mayor
- c. Shall not be sold without competitive bidding if the amount exceeds \$5,000 (Ord. No 1699A, 7-25-95)
- d. Dispose of asset if it no longer provides value to the City because the item can't be repaired or cost of repair is prohibitive with asset value less than \$5,000, with the Mayor's approval

This policy will only work with adequate planning and cooperation by all departments working with the Finance Director and the Mayor.

## **Annual Physical Inventories**

A physical inventory of all fixed assets will be required once a year, in January, in order to ensure accountability for assets of the City of Eureka Springs.