

Acquire, Track, Report: Fixed Assets For Municipal Finance

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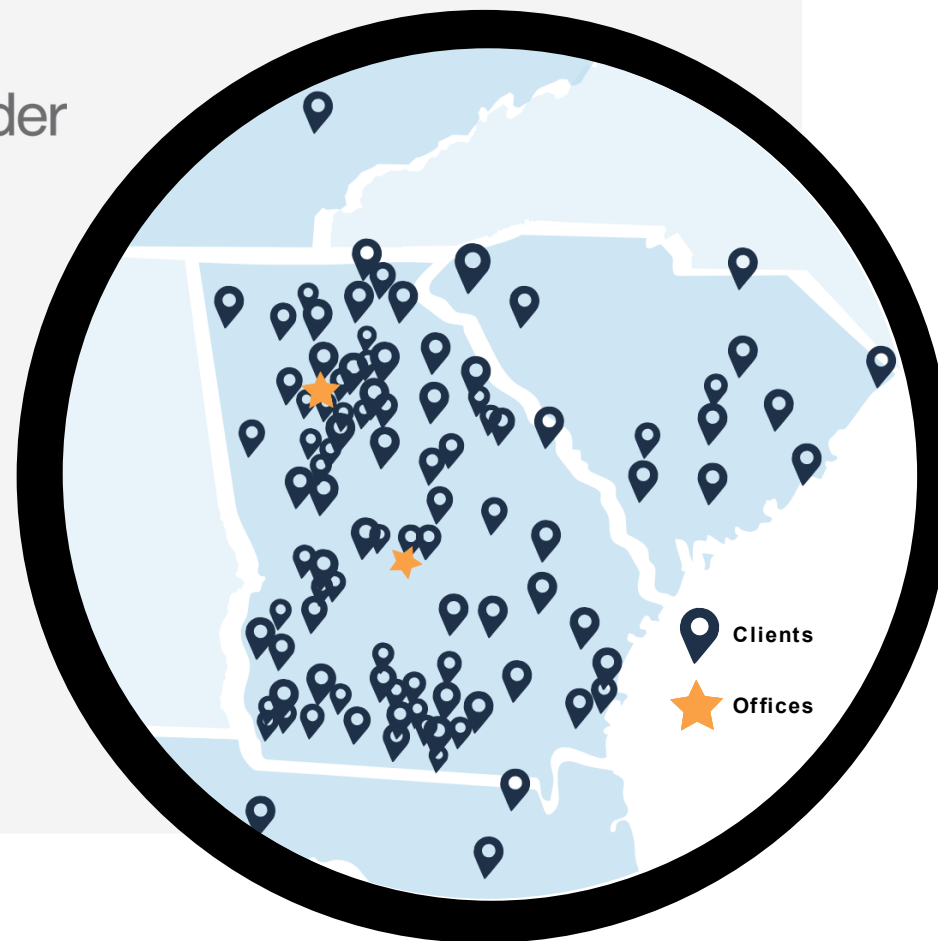
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Featured Speakers:



Jenelle Gordon

Government Operations Coordinator

- Former City Clerk
- Municipal Government Operations
- Georgia Municipal Clerk's Association
- Executive Office Management



Samantha Glover

Government Accountant

- Masters and Bachelor's Degree in Accounting
- Experience working closely with municipal finance teams

Agenda/Learning Objectives

1. Introduction

2. Lifecycle of a Fixed Asset

- 1.What is a Fixed Asset
- 2.How to Identify Fixed Assets
- 3.Depreciation
- 4.Disposal
- 5.Best Practices + Audit Readiness

3. Tracking Fixed Assets

- 1.Fixed Asset Schedule
- 2.Fixed Asset Rollforward
- 3.Depreciation Schedule
- 4.Reconciliation
- 5.Best Practices + Audit Readiness

4. Conclusion



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Clerk of Council for the
City of Savannah, GA



LIFECYCLE OF A FIXED ASSET

From 'Hello' to 'Goodbye'



Purchase



Depreciation



Disposal

WHAT IS A CAPITAL ASSET?

i **Capital assets** are long-term assets that provide economic value over more than one year

Tangible



Land



Infrastructure



Buildings



Vehicles



Equipment

Fixed Assets

Intangible



Software Rights



Easements



Patents



Trademarks

PLANNING & PURCHASE

Step One: Identify The Project

Project is identified in **The Capital Improvement Plan (CIP)** - A multi-year roadmap (typically 5+ years) identifying future infrastructure, facilities, and major equipment needs. It aligns municipal priorities with realistic funding schedules.

Step Two: Identify Funding Source

Funding Strategy is Not Optional: Identifying the specific funding mechanism (General Fund balance, SPLOST / Penny Tax, revenue bonds, or federal/state grants) must happen before procurement begins.

Step Three: Engineering Estimate

The city determines or obtains an **engineering estimate for the cost to complete the project**. This is used to help determine a budget and know how much to expect when choosing a vendor

Several years can pass between submission and bid – cost can increase, plan for cushion!

Eventually, the city will **receive grant reimbursement**. However, if your city does not maintain sufficient operating cash or an interim line of credit to bridge this gap and sustain vendor pay during construction, projects can grind to an emergency halt.

Most state and federal infrastructure grants do NOT hand you a check upfront. The **municipality must pay contractors and vendors out of pocket first**, assemble compliance documentation, submit reimbursement requests, and wait 30 to 90+ days for repayment.

Project goes out for bid, and a vendor is selected to begin the approved work

Step Six: Grant Reimbursement

Fixed Asset Placed In Service

Cash Flow Bridge

Step Five: Upfront Payment

Step Four: Project Goes Out For Bid

FIXED ASSET VS OPERATING EXPENSE

What is the difference between a fixed asset and a regular operating expense?

Fixed Asset (Capitalized Asset)

A tangible piece of property, infrastructure, or equipment used in operations with a useful life exceeding one year.

"The big, long-lasting stuff the city owns."

Think buildings, dump trucks, roads; things you can't easily throw away

Regular Expense (Operating Expense)

Costs incurred during normal day-to-day business operations that are consumed immediately or in the fiscal year.

"The stuff we consume immediately."

Think copier paper, coffee, fuel, printer ink; once used is gone

Long Term vs. Short Term



CAPITALIZATION THRESHOLDS

Local governments have the authority to set their own Capitalization Thresholds depending on state laws
(in GA, TN, and SC for example, they can set a minimum dollar amount required to log something as a fixed asset)



For example:

Cell phones last longer than a year... but does the city really need to track hundreds of individual phones on its balance sheet?

No! They can set their capitalization threshold to exclude this (e.g. \$5,000).



Capitalization Threshold is the dollar amount at which a government chooses to capitalize an asset rather than expense it, no matter how long it lasts.



MAJOR FIXED ASSET CLASSES



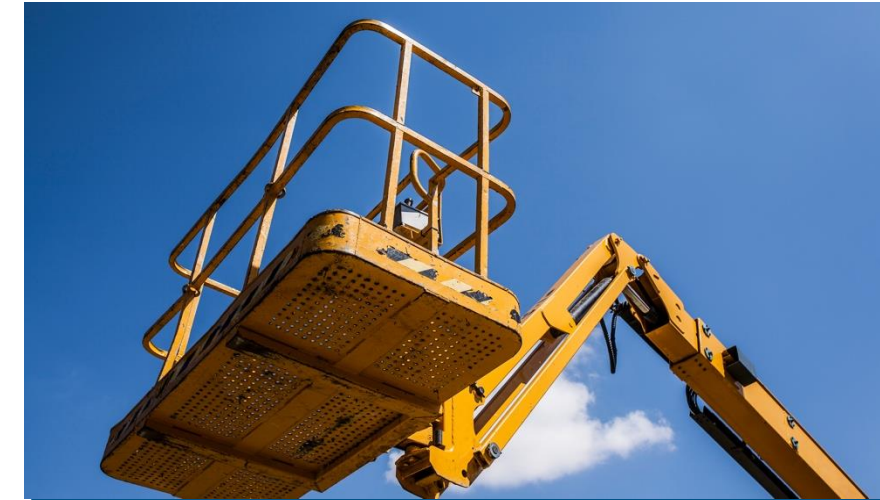
LAND

- Parks
- Vacant city lots
- Facility footprints (never depreciates!)



BUILDINGS AND IMPROVEMENTS

- City Hall
- Fire stations
- Public works maintenance facilities



EQUIPMENT AND VEHICLES

- Police cars
- Dump trucks
- Heavy machinery
- Computer servers



INFRASTRUCTURE

- Roads and sidewalks
- Bridges
- Stormwater drainage networks



Infrastructure are long-lived fixed assets that normally are stationary in nature and can be preserved for a significantly greater number of years than most fixed assets.

MATCHING PROJECT TO FUND

How a fixed asset is tracked depends heavily on the fund that paid for it.

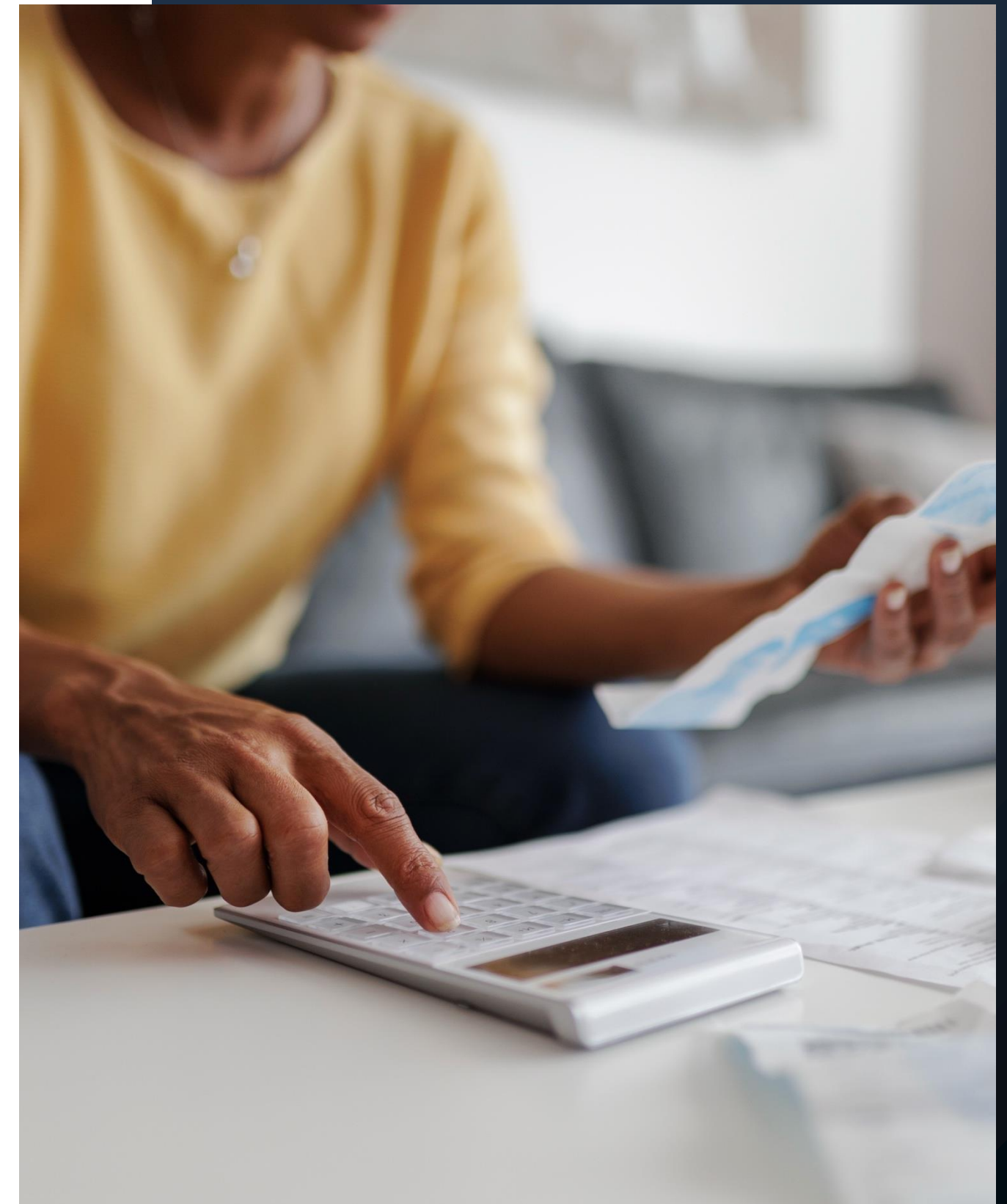
Penny Tax/SPLOST

Penny Tax (SPLOST / TSPLOST): Special Purpose Local Option Sales Tax used for general capital projects like building a new fire station or purchasing police cruisers.

Reconciled and logged at the government-wide level. Can be specific—such as for transportation infrastructure (TSPLOST) or education capital projects.

Enterprise Fund

Business-type activities. When we use water revenue to lay down a massive new sewer main, that asset lives directly on the Water & Sewer Fund's balance sheet, because the fund is self-supporting based on utility fees.



MAINTENANCE VS IMPROVEMENT

“Potholes” vs. “Overhauls”



Maintenance (Operating expense)

Routine actions that keep an asset in normal operating condition. Patching a pothole, servicing HVAC filters, or changing the oil in a dump truck does not add value or extend the original life. It is expensed immediately.



Improvement (Capitalized)

An expenditure that significantly prolongs the asset's useful life, increases its capacity, or improves its efficiency. These are betterments and gets added to the asset's capitalized value on the books.

DETERMINING CAPITALIZED COST

‘Capitalized Cost’ of an asset includes ALL necessary and reasonable expenses required to get asset ready for municipal use, not just the price tag on the invoice.

EXAMPLE: Purchasing a New Police Cruiser



Base Invoice Price: \$45,000

+ Shipping/Delivery/Freight: \$1,500

+ Decals, Siren, Lightbars, and Cage Installation: \$5,000

Total Capitalized Cost Logged in Books: \$51,500

**All related
necessary and
reasonable
expenses**

A blue curved arrow pointing from the text 'All related necessary and reasonable expenses' to the example box.

FIXED ASSET JOURNAL ENTRIES

EXAMPLE: Buying a new police cruiser using SPLOST cash

At the Fund Level (when check is written)

J/E NUMBER: 00001

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	Capital Outlay - Vehicles	\$51,500	
JAN 01, 2026	Cash – SPLOST Fund		\$51,500

SPLOST Fund payment of new police cruiser

At the Gov Level (moving it to fixed asset)

J/E NUMBER: 00002

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2026	Vehicles	\$51,500	
JAN 01, 2026	Capital Outlay - Vehicles		\$51,500

*Movement of Police cruiser purchase via SPLOST
to fixed assets*

DEPRECIATION JOURNAL ENTRIES



Depreciation is the systematic allocation of the historical cost of a fixed asset over its estimated useful life. A physical item loses its value over time. Depreciation spreads that massive purchase price out over the years the city uses it, showing how much "life" the item has left on paper. *(Note: Land never depreciates!)*

EXAMPLE: Recording the yearly depreciation of the police cruiser

Annual Calculation (Straight-Line Depreciation Method):

(Cost – salvage value) / useful life

For this example:
5 years useful life, zero salvage, straight-line depreciation method

$\$51,500 / 5 = \$10,300$ per year

J/E NUMBER: 00003

DATE	ACCOUNT	DEBIT	CREDIT
DEC 31, 2026	Depreciation Expense	\$10,300	
DEC 31, 2026	Accumulated Depreciation - Vehicles		\$10,300

*Annual Depreciation Expense of Police Cruiser
fixed asset*

DISPOSAL JOURNAL ENTRIES

EXAMPLE: Selling Police Cruiser after 5 years at municipal auction for \$5,000

(at this point, the vehicle is fully depreciated, meaning its "Book Value" is \$0 so the \$5,000 is surplus cash.)

At the Fund Level (when check is written)

J/E NUMBER: 00004

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2031	Cash	\$5,000	
JAN 01, 2031	Other Financing Sources		\$5,000

Sale of fixed asset police cruiser

At the Gov Level (moving it to fixed asset)

J/E NUMBER: 00005

DATE	ACCOUNT	DEBIT	CREDIT
JAN 01, 2031	Accumulated Depreciation	\$51,500	
JAN 01, 2031	Vehicles		\$51,500
JAN 01, 2031	Cash	\$5,000	
JAN 01, 2031	Gain on Sale of Fixed Asset		\$5,000

Removing vehicle from fixed asset registry due to disposal via sale



‘Book Value’ is the net amount of a fixed asset after subtracting accumulated depreciation from its original historical cost. AKA "What it's worth on paper today."

FIXED ASSET AUDIT FINDINGS

1

'Ghost / Phantom Assets' on the Books:

Assets that were scrapped, traded in, salvaged, or lost years ago remain on the active asset ledger because the operating department never notified finance. Result: Overstated assets and inaccurate balance sheets.

2

Untracked Construction in Progress (CIP):

Multi-year building or road construction projects sitting in operating expense accounts rather than being accumulated in CIP, or, completed projects never being converted from CIP to active depreciable assets upon completion.

3

Mismatch Between General Ledger and Fixed Asset Schedule:

The dollar balance on the fixed asset depreciation master spreadsheet does not tie out to the trial balance in the city's accounting software at fiscal year-end.

4

Expensing Major Betterments (or Capitalizing Routine Maintenance):

Inconsistent application of capitalization policies, such as writing off a \$150,000 complete roof replacement as routine repair expense, or capitalizing \$1,200 lawnmower tune-ups.

5

Unperformed Physical Inventory Counts:

Failing to conduct periodic physical verification of vehicles, heavy machinery, and high-risk equipment across municipal departments (at least every 2 to 3 years).





TRACKING FIXED ASSETS

FIXED ASSET DOCUMENTATION

Where are these tracked?

Municipalities use Excel, ERP software, or other outside software.

ERP software is preferred because Excel is prone to errors due to broken formulas, moved or deleted cells, and other manual mistakes



FIXED ASSET SCHEDULE

The fixed asset schedule is the detailed record that explains which individual tangible assets make up the fixed asset balances being tracked and reported.



FIXED ASSET ROLLFORWARD

A Rollforward explains how the prior-year fixed asset balance became the current-year ending balance.



DEPRECIATION SCHEDULE

For depreciable fixed assets, the depreciation schedule converts the asset listing into current-year depreciation, accumulated depreciation, and net book value.

FIXED ASSET SCHEDULE/ASSET REGISTRY

The detailed record that explains which individual tangible assets make up the fixed asset balances being tracked and reported. It identifies each fixed asset and the asset class it belongs to.

- ✓ Provides the detail behind summarized fixed asset balances and related reporting workpapers.
- ✓ Creates continuity from year to year and preserves institutional knowledge when staff changes

Asset	Fund	Department	Acquisition Date	Placed-In-Service Date	Historical cost	Useful Life	Depreciation method	Accumulated Depreciation	Net book value
Land – Public Safety Site	General Fund	Public Safety	9/2/26	9/16/26	\$100,000	n/a	n/a	\$0	\$100,000
Vehicle - Police Cruiser #100	SPLOST	Public Safety	7/12/25	8/1/25	\$51,500	5 years	Straight Line	\$10,300	\$41,200
Vehicle - Police Cruiser #101	SPLOST	Public Safety	7/12/25	8/1/25	\$51,500	5 years	Straight Line	\$10,300	\$41,200
Equipment – Extraction Vacuum	Water Fund	Water/Sewer	2/19/24	3/11/24	\$350,000	10 years	Straight Line	\$70,000	\$280,000
Equipment - Playground Jungle gym	General Fund	Parks & Rec	3/24/26	6/14/26	\$7,000	12 years	Straight Line	\$0	\$7,000

FIXED ASSET REVIEW

A strong fixed asset review tests both the accounting calculations and whether the schedule still reflects the physical assets and activity of the government.

- ✓ Trace additions to invoices, contracts, project files, approvals, and placed-in-service support.
- ✓ Confirm asset class, historical cost, useful life, and depreciation treatment are reasonable and consistent with policy.
- ✓ Review transfers, reclassifications, and manual adjustments for clear support.
- ✓ Identify stale, duplicate, fully depreciated, missing, or inactive assets that require follow-up.
- ✓ Compare the schedule to disposal records, surplus activity, insurance listings, departmental records, or physical inventory when available.
- ✓ Maintain communication between Finance and operating departments so acquisitions and disposals reach the fixed asset register.



FIXED ASSET ROLLFORWARD

A rollforward explains how the prior-year fixed asset balance became the current-year ending balance.

Prior-year ending fixed asset cost - should agree to the prior year audited financial statement fixed asset disclosure balances.

Newly acquired assets or qualifying improvements placed in service during the year.

Beginning balance + Additions ± Transfers/Adjustments - Disposals.

Supported reclassifications, corrections, or other approved changes.

Assets sold, retired, destroyed, traded, or otherwise removed from service.

Accumulated depreciation has own Rollforward: beginning balance + current-year depreciation ± adjustments - depreciation removed with disposals = ending balance.

	Beginning Balance	Additions	Depreciation Expense	Transfers and Adjustments	Disposals	Ending balance
<i>Gross Assets:</i>						
Land & Buildings	400000	20000	0	0	0	420000
Vehicles	90000	27000	0	0	6000	111000
Equipment	45000	13000	0	0	6000	52000
TOTAL	535000	60000	0	0	12000	583000
<i>Accumulated Depreciation:</i>						
Land & Buildings	45000	0	18000	0	0	27000
Vehicles	32000	0	4000	0	5000	23000
Equipment	14000	0	12000	0	0	2000
TOTAL	91000	0	34,000	0	5000	52000

DISPOSALS & ADJUSTMENTS

How do you clean up the fixed asset register after a disposal/transfer?

A disposal is complete **only** when the physical asset, the fixed asset register, and the appropriate accounting records all correctly reflect that the asset is no longer in service. How to do this:



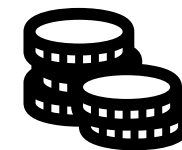
Historical Cost

Remove the asset's original historical cost from the fixed asset register and appropriate accounting/reporting records.



Adjustments Traceable

Keep adjustments traceable to a clear reason; avoid unexplained changes to cost, class, useful life, or placed-in-service date.



Sale proceeds

Record sale proceeds or other disposal consideration when applicable.



Resulting Gain/Loss

Determine any resulting gain or loss at the appropriate reporting level.



Accumulated Depreciation

Remove the accumulated depreciation associated with that specific asset.



Other Updates

Update asset status, disposal date, method of disposal, and supporting documentation.



DEPRECIATION SCHEDULE

For depreciable fixed assets*, the depreciation schedule converts the asset listing into current-year depreciation, accumulated depreciation, and net book value.

The period over which the fixed asset is expected to provide service		Determines how depreciable cost is allocated over time		Helps determine when depreciation begins		The amount recognized for the current reporting period		Total depreciation recorded on the asset to date	Historical cost – accumulated depreciation
Asset	Useful Life	Depreciation method	Placed-In-Service Date	Current Year Depreciation		Accumulated Depreciation		Net book value	
Vehicle - Police Cruiser #100	5 years	Straight-line	8/1/25			\$10,300		\$10,300	
Vehicle - Police Cruiser #101	5 years	Straight-line	8/1/25			\$10,300		\$10,300	
Equipment – Extraction Vacuum	10 years	Straight-line	3/11/24			\$35,000		\$70,000	
Equipment - Playground Jungle gym	12 years	Straight-line	6/14/26			\$0		\$0	

*** Land is generally not depreciated; construction in progress generally is not depreciated until the asset is placed in service**

DEPRECIATION METHODS



STRAIGHT LINE

Formula:

$$(Cost - Salvage Value) / Useful Life$$

Spreads an asset's cost evenly across every year of its expected useful life.

Best For: Infrastructure or buildings that decline in value at a predictable steady rate over time



DOUBLE DECLINING BALANCE (DDB)

Formula:

$$Beginning Book Value \times (2 / Useful Life)$$

Writes off higher depreciation expenses in the early years of asset's expected useful life.

Best For: Vehicles or tech that decline in value quickly or become obsolete fast



UNITS OF PRODUCTION

Formula:

$$(Units Produced / Life in Total Units) \times (Cost - Salvage Value)$$

Ties directly to how much the asset is used/produces rather than passage of time.

Best For: Factory machinery, landfills, assets tied to specific production outputs



SUM-OF-THE-YEARS'-DIGITS (SYD)

Formula:

$$(Remaining Life / SYD) \times (Cost - Salvage Value)$$

Fraction based on remaining lifespan over the sum of total life (more gradual than DDB).

Best For: Construction machinery, assets that face rising maintenance costs

DEPRECIATION ISSUES

Depreciation may look mechanical, but the schedule still requires judgment, consistent policies, and periodic review.

Common Issues/Best Practices:

- ✗ **Incorrect useful lives or asset classifications** can distort current and future depreciation.
- ✗ **Missing additions or unrecorded disposals** cause both cost and accumulated depreciation balances to be wrong.
- ✗ **Depreciation continuation** - watch for depreciation continuing after disposal or starting before an asset is placed in service.
- ✗ **Partial-year additions** - determine when depreciation begins under the government's placed-in-service policy or convention.
- ✗ **Fully depreciated assets still in service** - keep the asset on the registry until there is an actual disposal or other supported removal.
- ✓ **Review** negative net book values, duplicate assets, unusual manual adjustments, and non-depreciable assets receiving depreciation.



RECONCILIATION

Fixed Asset Schedule

Applicable fixed/capital asset cost accounts or government-wide conversion/reporting workpapers.

Accumulated Depreciation Schedule

Related accumulated depreciation balances.

Depreciation Schedule

Current-year depreciation expense and accumulated depreciation activity.

The fixed asset schedule is only useful if its totals can be reconciled to the accounting records and reporting workpapers they are intended to support.



Compare by asset class, fund/activity, and account when possible instead of relying only on a grand total.



Document the reconciliation and preserve support for every reconciling item.



Remember the reporting level: proprietary funds often carry fixed assets directly, while governmental funds may require government-wide conversion or reporting entries.

WHAT TO DO WHEN SCHEDULES DON'T AGREE

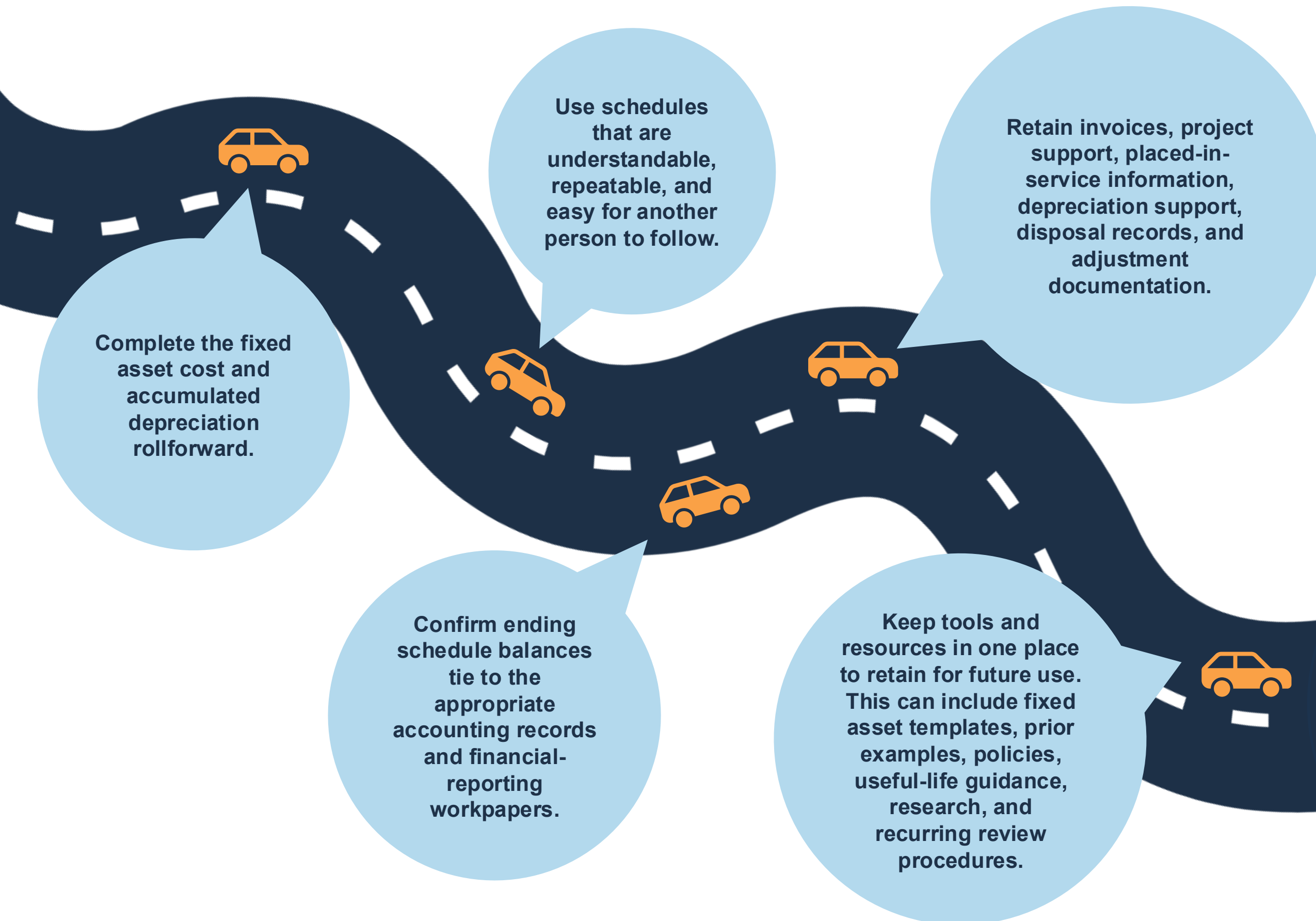
The discrepancy is a clue: the objective is to identify the transaction or process that caused it rather than forcing one to match the other

8 Steps to Investigate:

1. Search for additions recorded in the accounting records but missing from the fixed asset schedule.
2. Identify disposals removed from one record but not the other.
3. Look for journal entries posted directly to fixed/capital asset or accumulated depreciation accounts without corresponding schedule detail.
4. Look for schedule items never reflected in accounting records/reporting workpapers.
5. Review useful lives, asset classifications, placed-in-service dates, and depreciation calculations.
6. Review prior-year entries, transfers, reclassifications, and manual adjustments.
7. Resolve and document the cause instead of using an unsupported plug.
8. Check formulas, if used throughout the detail.



AUDIT READINESS & REPORTING



Objective:
A complete, reconciled, well-documented fixed asset record that supports financial reporting and can be followed by another staff member, reviewer, or auditor.

Final review question:

Can we trace the reported fixed asset balance from financial reporting back to the accounting records, the schedule, and the individual asset support?



KEY TAKEAWAYS + CONCLUSION

TODAY'S KEY TAKEAWAYS

A fixed asset is a tangible long-term asset or major overhaul project that provides value over more than one year and meets the municipality's capitalization threshold.

Each phase of the lifecycle of a fixed asset has a different accounting entry (using capitalized cost)- purchase, depreciation, and disposal.

Documenting a fixed asset requires keeping a fixed asset schedule/registry, a fixed asset rollforward, and a depreciation schedule

Keeping up with best practices and investigating discrepancies is key to avoiding audit findings related to these fixed assets





Let's Stay in Touch



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