

Category: 200 – FINANCIAL

Number: 214

Subject: **GENERAL CAPITAL ASSET POLICY**

Purpose: The purpose of this policy is to:

1. Define the accounting practices and procedures that will ensure effective and accurate control of the capital assets of the County.
2. Assure that the County complies with the requirements of the Governmental Accounting Standards Board and Generally Accepted Accounting Principles and OMB Circular A-133 as they relate to capital assets.
3. Communicate to County Elected Officials, Department Heads, Employees, and the Public the formal Capital Asset policy of the Board of Commissioner’s.
4. Assure that an accurate record keeping system is in place to protect and properly insure assets in the event of loss.

Authority: St. Clair County Board of Commissioners

Application: This policy applies to all Departments of the County under the legal authority of the Board of Commissioner’s as related to Capital Assets.

Responsibility: The Administrator/Controller shall be responsible for the implementation and administration of this policy.

Definitions: **Capital Assets** are major assets that are used in operations and have initial useful lives extending beyond a single reporting period. Capital assets with an original unit cost of greater than or equal to the County’s capitalization threshold of \$5,000, including ancillary costs, and with a useful life of two years or more will be capitalized for financial accounting purposes. Examples include, among other things, land, land improvements, buildings, building improvements, furniture and fixtures, vehicles, machinery, equipment, infrastructure, and all other tangible or intangible assets.

Infrastructure assets are defined as long-lived capital assets that normally are stationary in nature and normally can be preserved to a significantly greater number of years than most capital assets. They include, among other things, roads, bridges, water and sewer systems, drainage systems, and dams.

Non-capital Expensed Assets are assets with an original unit cost of \$0.00 to \$4,999.99 (including ancillary cost) and a useful life of two years or more. Non-capital expensed assets will not be contained or monitored in the County asset records but may be at the Department level at the discretion of the Department Head. (Any item purchased for less than \$250.00 shall be considered a supply line item, with exception of certain Information Technology items.)

Depreciation is a methodology that amortizes the cost of the asset over its useful life using an acceptable basis.

Useful Life is the period of time the asset will be of service to the County.

Salvage Value is the subsequent value of the asset at the end of its useful life.

Historical Cost is the value placed on the asset at the time of acquisition, including ancillary costs (value of trade-ins, shipping costs, installation costs, etc.)

Acquisition Date is the date the County took ownership of the asset.

Capitalization Threshold is the measure of value placed on an individual asset to determine its qualification for capitalization or expense in the financial records, and includes all costs to put the asset in service (shipping, installation costs, etc.,).

Fair Market Value is the estimated value of the asset for which it would be exchanged between a willing buyer and seller when neither is forced into the exchange. In addition, both parties should have knowledge of all facts and consider it an equitable exchange. This is generally used in place of historical cost in a donated asset situation.

Insurable Value is the value placed on the asset that would best represent the replacement cost of the asset as determined by a qualified appraisal firm. If monetary value cannot be placed on items, such as irreplaceable documents, there is no insurable value. Insurable values do not include the value of land, building foundations and most infrastructures.

General: The primary purpose of a Capital Asset accounting system is to maintain physical accountability over the assets owned by the County. The accounting system should provide a record of the capital assets obtained over the years that are still in service and identify the funding source for the purchase and/or construction of those assets. The capital assets of the County are those owned by the County that meet the above definition. The County has established a unit cost threshold of \$5,000 (except Land which is \$1) and a useful life of at least two years for all capital assets. Assets with a unit cost below this level will be expensed. Donated assets and Grants-in-kind will be recorded at fair market value.

To maintain accurate capital asset records, information must be centralized in the Accounting Department. The Accounting Department is responsible for maintaining all of the asset information. Only certain assets require record keeping.

This system is predicated on the assumption that all purchases of capital assets are approved by the Finance Department via the budget and enter the system by way of the Administrator/Controller's Office. County entities that purchase or acquire capital assets through a system other than the Administrator/Controller's Office must notify the Accounting Department when capital assets are acquired so they may be properly recorded in the asset records of the County.

The County subscribes to the concepts of Generally Accepted Accounting Principles and the pronouncements of the Governmental Accounting Standards Board and any subsequent changes to either will be incorporated into this policy upon the recommendation from the Finance Department.

The general reporting requirements related to capital assets are:

- Inclusion of the capital assets in the Statement of Net Assets.
- Inclusion of depreciation expense in the Statement of Activities.
- Note disclosure of changes in the general capital assets. This statement would show the beginning balance for each class of assets, total additions for the year by class, total dispositions for the year by class, total transfers for the year by class, and the ending balance for each class of assets in tabular form.

Policy: Capital Assets are to be capitalized and depreciated only if they have an estimated useful life of at least two years following the date of acquisition, have a historical cost of at least \$5,000, including ancillary cost, (except Land which is \$1) per individual unit, are tagged (where applicable) and inventoried, and meet the above definitions and the following criteria:

Historical Costs of the various categories of assets include:

Land - includes the purchase price, legal and title fees, surveying and environmental fees, appraisal, and negotiating fees.

Land Improvements - includes the purchase price, contract price, or job order costs, and any other expenditure necessary to put a structure or improvement into its intended state of operation. Additional expenditures may include professional fees, insurance premiums, and related costs incurred during the period of construction.

Buildings (including building improvements, additions or renovations) – includes the purchase price, contract price, or job order costs, and any other expenditure necessary to put a building or structure into its intended state of operation. Additional expenditures may include professional fees, costs of fixed fixtures, insurance premiums, and related costs incurred during the period of construction.

Furniture, Fixtures, and Equipment – includes the total purchase price less any applicable discounts. It also includes any ancillary payments required to place the asset in its intended state of operation.

Computer Equipment – includes the total purchase price less any applicable discounts. It also includes any ancillary payments required to place the asset in its intended state of operation. Systems (i.e. Servers) constructed that in the aggregate exceed the capitalization threshold will not be capitalized. Any piece of a system that exceeds the capitalization threshold will be individually capitalized.

Vehicles - includes the total purchase price less any applicable discounts. It also

includes any ancillary payments required to place the asset in its intended state of operation.

Infrastructure – includes the purchase price, contract price, or job order costs, and any other expenditure necessary to put the asset into its intended state of operation. Additional expenditures may include professional fees, damage claims, insurance premiums, and related costs incurred during the period of construction.

Capitalization Threshold – Capital Assets are to be capitalized only if they have a value of \$5,000 or more and have an estimated useful life of at least two years following the date of acquisition.

Construction in Progress – includes the total amount expended to date on a construction project at a given time prior to the County accepting the project as completed.

Note: Improvements, Additions or Renovations are capitalized if the historical cost of the asset, including the improvement, addition or renovation is \$5,000 or more and extends the life of the asset. If costs are incurred to keep an asset in its normal operating condition and the life of the asset is not extended the costs are expensed (e.g. - cleaning, replacement of small parts, minor painting, lubrication).

Useful Life of the various categories of assets includes:

Land	N/A
Land Improvements	10-20 years
Buildings (Including improvements, additions, and renovations)	10-45 years
Furniture, Fixtures and Equipment	5-20 years
Computer Equipment and Software	3 years
Vehicles	3-5 years
Infrastructure	50 years

Depreciation Method – The County will utilize the straight-line method for depreciation and will take a full year depreciation in the year of acquisition.

Tagging of Assets – All capital assets that are purchased with Federal grant funding will be tagged and labeled with the grant used for the purchase.

Land, Land Improvements and Buildings will use the legal address for identification in the County records. Vehicles will use their VIN for identification purposes. Equipment (where applicable) will use the serial number for identification.

Disposition of Assets – All Capital Assets will be disposed of as follows:

Grant Funded Acquisitions shall be reviewed by the Finance Department or designee prior to disposition. The grant funding agency must also approve the disposition of the asset.

Land and Buildings will be sold to the highest bidder in a competitive environment after the proposed sale is advertised in a newspaper of general circulation.

Furniture and Fixtures, Machinery and Equipment, and Vehicles are to be sold to the highest bidder at public auction. Trade in values will be considered, and encouraged, when in the best interest of the County as determined by the Administrator/Controller. Assets can be sold to other governmental agencies at Fair Market Value and can therefor forego the public auction requirement.

Note: Salvage values received for assets sold will be receipted into the County Treasurers revenues. Exceptions are limited to assets that were acquired with millage funds and assets that were seized or forfeited through the Sheriff Department, the Courts, or the Prosecuting Attorney's Office.

Note: Any capitalized or uncapitalized asset will be returned to the Administrator/Controller's Office for disposition, unless used as a trade-in. Assets will be evaluated by the Administrator/Controller's Office for their likeliness of sale and either placed in the auction or destroyed.

Computer Equipment (including copiers and fax machines) is to be sold to the highest bidder at public auction. Trade in values will be considered, and encouraged, when in the best interest of the County as determined by the Administrator/Controller.

Note: Salvage values received for assets sold will be receipted into the County Treasurers revenues. Exceptions are limited to assets that were acquired with millage funds and assets that were seized or forfeited through the Sheriff Department, the Courts, or the Prosecuting Attorney's Office. Receipts from the sale of vehicles (with exception of the above) will be placed in the Public Improvement fund for future vehicle purchases.

Note: Any capitalized or uncapitalized asset will be returned to the Information Technology Department for disposition, unless used as a trade-in. Assets will be evaluated by the Information Technology Department for their likeliness of sale and either placed in the auction or destroyed.

Redeployment of Assets: Assets may be redeployed as follows:

Interdepartmental transfers of capital assets are to be reported to the Accounting Department by the transferring department when the exchange is completed.

Assets, both capitalized and uncapitalized, may be redeployed to outside governmental agencies or public non-profit agencies, without cost, for their exclusive use after the Administrator/Controller determines such assets are surplus and the redeployment is in the public interest.

To the extent any County policies or resolutions conflict with this policy in whole or in part, they are hereby rescinded.

Administrative
Procedures: None

Periodic

Review: The Administrator/Controller shall review this policy and make recommendations for change, as needed.

Adopted: December 19, 2001
Amended: March 26, 2003
Amended: November 16, 2011
Amended: October 4, 2018